

1.0 MALAYSIAN ECONOMICS AND BUSINESS ENVIRONMENT (3 HOURS)

AIM: *To examine the candidate's knowledge and understanding of the economic theories and economic environment in which business organisations operate in mixed economy system.*

Learning Outcomes:

Upon completion of this subject, the students should be able to:

- *Describe and explain the principles of economic theories and concepts;*
- *Demonstrate a sound understanding of market economy, mixed economy system and structures;*
- *Describe and explain the role and functions of the Malaysian financial system, financial institutions and the markets;*
- *Analyse and explain the effects of government policy towards small businesses, social affairs and the business environment.*

SYLLABUS

1.1 Concepts and Economic System

The methodology of economics; the fundamental economic problems; economic system; scarcity and choice; economic as a social science in relation to the allocation of scarce resources and the management of these resources; the assumed economic agents.

1.2 The Economics of Firms and Industries

Systems of economic organisation; the planned economy; the market economy; the mixed economy; the determination of price; the demands for goods and services and the supply of goods and services; consumer behaviour; cost curves and supply curves in the short and long run; elasticities; the law of diminishing return; economy of scale; the effects and incident of taxation, the demand and supply of land, labour, capital and management skills, the returns of these factor; market structures and behaviour; competition; monopoly; oligopoly; monopolistic competition; the importance of entry conditions; alternative theories of the firm.

1.3 The Malaysian Economy

The flow of goods and services; national income accounting; the constituents of national income and their determination; the multiplier and accelerator principles; equilibrium and disequilibrium; the role of government; alternative views; monetary and fiscal policy; crowding-out effect; inflation and unemployment; consumption, saving and investment; costs and benefits of technological changes and economic growth; international trade; balance of payment; exchange rates; multinational corporations and their effects on the Malaysian economy; objectives of the New Economics Policies and framework; Free Trade Zones and State Economic Development Corporations; investment incentives and their impact on economic development in the rural areas; economic growth-historical perspective of five-year plans, and its impact on accelerated economic development.

1.4 The Business Environment

The role and functions of the Malaysian financial system; financial institutions and the markets; the central, clearing and merchant banks; discount houses, insurance companies, trust Companies and pension funds; the Bursa Malaysia, government policies towards small business, monopolies, mergers and take-overs, corporate restructure and equity participation by *Bumiputras*, the money market; the foreign exchange market; off-shore banking; the financial future market, the Securities Commission, Bank Negara.

RECOMMENDED READING LIST

- 1.0 Mankiw, N.G. (2018), *Principles of Economics*, (8th edition), South Western Publishing/Cengage.
- 2.0 McConnell, C.R., & Brue, S. L. (2018), *Economics: Principles, problems and policies*, (21st edition), Boston: McGraw-Hill.
- 3.0 Case, K.E. and Fair, R.C. (2017), *Principles of Economics*, (12th edition), Pearson Prentice Hall.
- 4.0 Hardwick, P. (1994), *An Introduction to Modern Economics*, (4th edition), Longman.

- 5.0 *Malaysian Economic Plans* – Malaysian Government.
- 6.0 *Malaysian Journal of Economic Studies (formerly Kajian Ekonomi)*: Various issues – Persatuan Ekonomi Malaysia.
- 7.0 Bank Negara Malaysia, Monthly Statistical Bulletins, and Annual Reports (<http://www.bnm.gov.my>).
- 8.0 The Malaysian Budget.