



# Wollongong College Australia

A College of the University of Wollongong

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Wollongong

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Wollongong College Australia  
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# Diploma in Business

(CRICOS course codes: 057231C, 057232B)

## Subject Outline Summer 2009/10

### WUCB112

## Macroeconomic Essentials for Business

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WCA-WUCB112-S0/4

# Macroeconomic Essentials for Business

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## Subject Description

This course is an introduction to macroeconomics. As such, it assumes that students have no prior formal knowledge of economics. The course will introduce students to economics and relate it to the world of business and economic management, to establish a sound foundation to understand economic events and economic principles in Australia and any market economy. The knowledge and skills developed in macroeconomics is the basis of managing resources and understanding the world of business and the public sector.

## Subject structure

Macroeconomic Essentials for Business is delivered in a face-to-face format of 5 (five) hours per week. The subject consists of 1 x 3 hour lecture and 1 x 2 hour tutorial each week. The session is of 14 week's duration with face-to-face classes scheduled for the first 12 weeks and a study/examination period in Weeks 13 and 14.

In addition to scheduled class sessions, students are expected to spend additional time in individual study and research. As a general guideline students will need to spend at least 1 hour in private study (including completing homework and revision) for every two hours of scheduled class time.

Teachers will be available for a consultation time each week. Students will be notified of the time and location of the consultation session during Week 1 of the Session. It is recommended that students experiencing difficulty with this subject arrange to consult with the teacher as difficulties are encountered.

Some students may require tutorial support to improve language/literacy skills. Where this is recommended, students will be advised to use the College's self-access facilities in the Multimedia Centre in their own time. These facilities are located upstairs in building 30.

## Introduction to Lectures

Weekly lectures will be delivered in the order described in the Weekly Outline. Your teacher will ensure you have access to copies of lecture notes following the delivery of each week's lecture.

Please note, however that reading lecture notes cannot and does not replace the learning experience of attending lectures. Reading lecture notes following the lecture, is however an important and useful method of reviewing the material discussed in lectures.

## Introduction to Tutorials

Tutorials are a very important component of WUCB 112 – Macroeconomic Essentials for Business. They are your opportunity to make sure you understand the material explained to you in lectures. You need to do some reading and preparation each week to ensure that you maximise your learning during tutorials. You will find your set of Tutorial Questions on the SOLS elearning site.

**You need to come to the tutorial each week having worked through the answers to set tutorial questions.**

## Learning resources

**COMPULSORY - TEXTBOOK** – Lectures and tutorials will be based on this text

Gans, J., King, S. and Mankiw, NG., *Principles of Economics*, Pacific Rim 4<sup>th</sup> edition, Cengage Learning 2009

Textbooks are available at the University of Wollongong Bookshop or the web at <http://higher.cengage.com.au/category/671/>

## Subject Outcomes

Successful completion of Macroeconomic Essential for Business will enable students to:

- demonstrate a command of the basic economic terms, concepts and relationships;
- understand and explain the objectives and measures of economic management in Australia;
- evaluate and analyse different economic policy options in macroeconomic management in Australia;
- analyse, diagnose, and design policy prescriptions for major economic problems including recession and inflation in a market economy;
- evaluate the consequences of contemporary economic problems and issues on households, business and government;
- demonstrate an ability to select, organise and analyse information to answer a question; and
- apply basic mathematical concepts to macroeconomics.

## Subject outline in weeks

The following guide to lessons and activities may be adjusted to suit the needs of the group as long as subject outcomes and assessment criteria are met.

### Week 1

|                                              |                                                   |
|----------------------------------------------|---------------------------------------------------|
| What is Economics?                           | <b>Text, Chapters 1, 2 and 3</b>                  |
| The Economic Problem                         |                                                   |
| Macroeconomics v's Microeconomics            | 1. Discuss:                                       |
| Economic Model - Circular flow diagram       | Set of Tutorial Questions                         |
| Production Possibility Frontier              | other Assessment tasks                            |
| Comparative Advantage v's Absolute Advantage | 2. Group Activity                                 |
| Opportunity Cost                             | 3. Start on Wk 1 tutorial questions due in Week 2 |

### Week 2

|                                          |                          |
|------------------------------------------|--------------------------|
| Macro Intro & Measuring a Nations Income | <b>Text, Chapter 7</b>   |
| The Business Cycle                       |                          |
| Counter Cyclical policy objectives       | Wk 1- What is Economics? |
| What is GDP                              |                          |
| Measuring Gross Domestic Product (GDP)   |                          |
| Components of GDP                        |                          |
| GDP v's GNP                              |                          |
| Real GDP v's nominal GDP                 |                          |
| GDP deflator                             |                          |
| Consumption                              |                          |
| Investment                               |                          |

### Week 3

|                                                     |                                                |
|-----------------------------------------------------|------------------------------------------------|
| Measuring the Cost of Living                        | <b>Text, Chapter 8</b>                         |
| What is Consumer Price Index (CPI)                  |                                                |
| How is it calculated                                | Wk 2 – Bus. Cycle & Measuring a Nations Income |
| Use of the CPI                                      |                                                |
| Inflation rate                                      |                                                |
| Indexation                                          |                                                |
| Distinction between real and nominal interest rates |                                                |

### Week 4

|                                                  |                                     |
|--------------------------------------------------|-------------------------------------|
| Production and Growth & The Consumption Function | <b>Text, Chapter 9</b>              |
| Importance of Economic Growth                    |                                     |
| Economic Growth around the world                 | Wk 3 - Measuring the Cost of Living |
| How Productivity is determined                   |                                     |
| Production function                              |                                     |
| Public Policy – Savings and Investment           |                                     |
| Diminishing returns                              |                                     |
| Catch up effect                                  |                                     |
| Investment from abroad                           |                                     |
| Human capital                                    |                                     |
| Free trade – globalisation                       |                                     |
| The Consumption Function                         |                                     |
| The Multiplier                                   |                                     |

## **Week 5**

Savings, Investment and Financial System  
Financial system of institutions (Bonds, shares etc)  
Financial intermediaries  
Savings and Investment - national income accounts  
GDP formulas  
Market for Loanable Funds  
Budget surpluses and deficits  
Crowding out

**Text, Chapter 10**

Wk 4 – Production and Growth &  
The Consumption Function

**Class Test 1**

## **Week 6**

Money and the Monetary System  
What is money  
Reserve Bank of Australia and its role  
Reserves and reserve ratio  
Money supply and control  
Money creation  
Cash rate  
Open Market Operations

**Text, Chapter 11**

Wk 5 – Savings, Investment and  
Financial System

## **Week 7**

Unemployment & Inflation  
Unemployment rate (and natural)  
Labour force  
Influences on levels of unemployment  
Cyclical unemployment  
Minimum wage laws  
Unions & Collective bargaining  
Theory of Efficiency Wages  
Causes of inflation  
Nominal and real variables  
Quantity theory of money  
Fisher Effect  
Costs of inflation

**Text, Chapters 12 & 13**

Wk 6 – Money and Monetary  
System

## **Week 8**

An Open Economy  
International flow of goods and services  
International Flow of Capital  
Saving & Investment & International Flows  
Real and Nominal exchange rate  
Purchasing power parity

**Text, Chapter 14**

Wk 7- Unemployment & Inflation

**Mid-session Test**

## **Week 9**

A macro theory of the Open Economy  
Loanable funds market and foreign exchange  
Open economy's trade balance  
Trade Policy  
Appreciation and depreciation  
Net foreign investment

**Text, Chapter 15**

Wk 8 – An Open Economy

## **Week 10**

Aggregate Demand and Aggregate Supply  
Aggregate demand curve  
Aggregate supply curve  
Short run theory – model of AD and AS  
Economic fluctuations  
Causes of recession  
Depression

**Text, Chapter 16**

Wk 9 – Macro Theory of the  
Open Economy

**Written Task due**

## **Week 11**

Influence of Monetary and Fiscal Policies  
Monetary policy and aggregate demand  
Fiscal policy and aggregate supply  
Multiplier effect  
Crowding out effect  
Automatic stabilisers

**Text, Chapter 17**

Wk 10 – Aggregate Demand  
and Supply  
Issue practice essay questions

**Class Test 2**

## **Week 12**

Review of Lectures for Final Exam

Wk 11 – Influence of Monetary  
and Fiscal Policies  
Practice Questions for Final  
Exam

## **Weeks 13 & 14 Final examination Period**

Examination and study period. Please refer to examination timetable for the exact date, time and location of the final exam.

# Assessment

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## Assessment and plagiarism policy

All written assessment tasks, with the exception of examinations and in-class tasks, must be word-processed unless students are otherwise advised.

Students must keep copies of all assessment tasks submitted for marking with the exception of class tests and examinations.

Plagiarism is a form of cheating or stealing that happens when a student uses someone else's work and presents it as his/her own without showing where it comes from. To avoid this, students are expected to submit their own original work for assessment and to accurately acknowledge all references and sources used in essays and assignments.

For information regarding assessment, plagiarism, acknowledging sources and examination rules, please refer to the Wollongong College Australia Student Handbook <http://www.wca.uow.edu.au/handbook>

## Referencing Guide

Referencing is a standardized way of acknowledging sources of information and ideas used in academic work. The preferred referencing method for students in Macroeconomic Essentials for Business is the HARVARD [Author –Date]. Please refer to the Wollongong College Australia Student Handbook for further details.

All written assessment tasks, with the exception of examinations and in-class tasks, must be word-processed unless students are otherwise advised.

Students must keep copies of all assessment tasks submitted for marking.

You also need to know about using direct and indirect quotations correctly.

Information on this can be found at:

[http://unilearning.uow.edu.au/notetake/note20\\_quotes.html](http://unilearning.uow.edu.au/notetake/note20_quotes.html)

The Internet can be a valuable source of information, however, you need to evaluate potential sources carefully. If you do decide to use an internet source, you must annotate the on-line bibliographical reference to show why you consider it an appropriate reference to use in an academic piece of work. A tutorial on evaluating a web site can be found at:

<http://www.library.uow.edu.au/helptraining/tutorials/resedge/websites.html>

Your written annotation must include background of the author's expertise and perspective, the significance of the year of publication and the relevance of the question. Annotations do not form part of the word count.

## Assessment Schedule

| Task              | Due        | Weighting | Length/Time       |
|-------------------|------------|-----------|-------------------|
| Class Test 1      | Week 5     | 10%       | 40-50 minutes     |
| Mid Session Test  | Week 8     | 20%       | 1.5 hours         |
| Written Task      | Week 10    | 10%       | Approx 1000 words |
| Class Test 2      | Week 11    | 10%       | 40-50 minutes     |
| Final Examination | Week 13/14 | 40%       | 3 hours           |
| Participation     | Ongoing    | 10%       | Weeks 1 - 12      |

Note: A final mark of 50% or higher is required to pass ALL Diploma subjects. A mark between 45% and 49% is NOT a pass.

## Marking Guidelines

WCA best practice is that students can normally expect to have assessment tasks handed back within two weeks, and before the next assessment task is due. On occasion there may be exceptions to this time frame due to, for example, the size of the task, the size of the class, teacher illness or teacher leave.

Where there are several teachers marking a major assessment task, tasks will be handed back by all the teachers within the same week.

## Assessment criteria and explanation of components

All assessment components are marked according to set marking criteria.

### **Class Test 1**

**10%**

Class Test 1 will be held in Tutorials unless it is a large group. This test may include a combination of multiple choice, short answer and/ or other questions.

This test will be held in week 5 and will examine material covered in all previous weeks but with the emphasis on material covered from Weeks 1 -4

The teacher will provide further details in Week 1 of the session.

### **Mid Session Test**

**20%**

The mid session test will be 1.5 hour in duration. The Mid Session Test will be testing material covered in Lectures from Week 1 to Week 6. Normally it will be held in Week 7 Tutorial. The format of the exam will be a combination of multiple choice, short answer and/ or other. Further details will be provided by the teacher at the appropriate time.

### **Written Task**

**10%**

There is one major written task in this subject. The task will vary each session and may take the form of a Report, an essay, a research task, a Journal analysis or other written task.

Further details on this written task will be provided by the teacher by Week 3.

Students should be aware that there are serious penalties for plagiarism. Please refer to the College policy on the submission of assessed work in the Student Handbook.

### **Class Test 2**

**10%**

Class Test 2 will be held in Tutorials unless it is a large group. This test may include a combination of multiple choice, short answer and/ or other questions.

This test will be held in week 11 and will examine material covered in all previous weeks but with the emphasis on material covered from Weeks 8-10

The teacher will provide further details in Week 1 of the session.

## Final examination

40%

The final examination will be two and a half to three hours in duration. It will be testing material covered in the entire course. The format will be a combination of a variety of testing questions including multiple choice and essays.

Further details will be provided by the teacher at an appropriate time.

The final examination will be scheduled in the formal College examination period Weeks 13 to 14.

Non-English speaking background students in the Diploma Programs may use foreign language dictionaries for their final exams. Diploma students who wish to use a dictionary must complete the Dictionary Use Application Form available at reception. This form and the dictionary must be submitted to reception **no later than 5pm Friday week 11** for approval.

### **Please note the following regulations regarding dictionary use:**

- The only dictionaries permitted are language dictionaries, with word to word translations only.
- English-English dictionaries, Electronic dictionaries, Terminology dictionaries, or other are not permitted. The dictionary **must not** include English translations or explanations. Any dictionary that includes English explanations or phrases is not acceptable and will not be approved.

## Tutorial Participation

10%

The Tutorial Participation mark will be determined by the tutor's assessment of:

1. student involvement in class discussion by asking questions; and
2. demonstrated preparation for tutorials by answering tutorial questions from prepared written answers

Students gain marks not from being correct as much as showing a thorough effort.