

CONTENTS

Preface	xi
INTRODUCTION: Getting Started	1
Notes for students: how to use this text	1
CHAPTER 1 Linear Equations	5
1.1 Introduction to algebra	6
1.1.1 Negative numbers	7
1.1.2 Expressions	9
1.1.3 Brackets	12
Key Terms	17
Exercise 1.1	18
Exercise 1.1*	20
1.2 Further algebra	22
1.2.1 Fractions	22
1.2.2 Equations	29
1.2.3 Inequalities	33
Key Terms	36
Exercise 1.2	36
Exercise 1.2*	38
1.3 Graphs of linear equations	40
Key Terms	51
Exercise 1.3	52
Exercise 1.3*	53
1.4 Algebraic solution of simultaneous linear equations	55
Key Term	65
Exercise 1.4	65
Exercise 1.4*	66
1.5 Supply and demand analysis	67
Key Terms	80
Exercise 1.5	80
Exercise 1.5*	82
1.6 Transposition of formulae	84
Key Terms	91
Exercise 1.6	91
Exercise 1.6*	92
1.7 National income determination	93
Key Terms	105
Exercise 1.7	105
Exercise 1.7*	106
Formal mathematics	109
Multiple choice questions	112
Examination questions	116

CHAPTER 2 Non-linear Equations

2.1 Quadratic functions	121
Key Terms	122
Exercise 2.1	136
Exercise 2.1*	137
2.2 Revenue, cost and profit	138
Key Terms	140
Exercise 2.2	148
Exercise 2.2*	148
2.3 Indices and logarithms	150
2.3.1 Index notation	151
2.3.2 Rules of indices	151
2.3.3 Logarithms	155
2.3.4 Summary	161
Key Terms	167
Exercise 2.3	168
Exercise 2.3*	168
2.4 The exponential and natural logarithm functions	170
Key Terms	172
Exercise 2.4	182
Exercise 2.4*	182
Formal mathematics	183
Multiple choice questions	186
Examination questions	189

CHAPTER 3 Mathematics of Finance

3.1 Percentages	197
3.1.1 Index numbers	198
3.1.2 Inflation	204
Key Terms	208
Exercise 3.1	210
Exercise 3.1*	210
3.2 Compound interest	213
Key Terms	216
Exercise 3.2	226
Exercise 3.2*	226
3.3 Geometric series	228
Key Terms	230
Exercise 3.3	238
Exercise 3.3*	238
3.4 Investment appraisal	239
Key Terms	241
Exercise 3.4	253
Exercise 3.4*	253
Formal mathematics	255
Multiple choice questions	257
Examination questions	259

CHAPTER 4 Differentiation

4.1 The derivative of a function	267
Key Terms	268
Exercise 4.1	277
Exercise 4.1*	277

4.2	Rules of differentiation	279
	Rule 1 The constant rule	279
	Rule 2 The sum rule	280
	Rule 3 The difference rule	281
	Key Terms	286
	Exercise 4.2	286
	Exercise 4.2*	288
4.3	Marginal functions	290
	4.3.1 Revenue and cost	290
	4.3.2 Production	297
	4.3.3 Consumption and savings	299
	Key Terms	301
	Exercise 4.3	301
	Exercise 4.3*	302
4.4	Further rules of differentiation	304
	Rule 4 The chain rule	305
	Rule 5 The product rule	307
	Rule 6 The quotient rule	310
	Exercise 4.4	312
	Exercise 4.4*	313
4.5	Elasticity	314
	Key Terms	326
	Exercise 4.5	326
	Exercise 4.5*	327
4.6	Optimisation of economic functions	329
	Key Terms	345
	Exercise 4.6	345
	Exercise 4.6*	347
4.7	Further optimisation of economic functions	348
	Key Term	359
	Exercise 4.7*	359
4.8	The derivative of the exponential and natural logarithm functions	361
	Exercise 4.8	370
	Exercise 4.8*	371
	Formal mathematics	373
	Multiple choice questions	376
	Examination questions	382
CHAPTER 5 Partial Differentiation		389
5.1	Functions of several variables	390
	Key Terms	400
	Exercise 5.1	401
	Exercise 5.1*	402
5.2	Partial elasticity and marginal functions	404
	5.2.1 Elasticity of demand	404
	5.2.2 Utility	407
	5.2.3 Production	413
	Key Terms	415
	Exercise 5.2	416
	Exercise 5.2*	418
5.3	Comparative statics	420
	Key Terms	429
	Exercise 5.3*	429

5.4	Unconstrained optimisation	433
	Key Terms	444
	Exercise 5.4	444
	Exercise 5.4*	445
5.5	Constrained optimisation	447
	Key Terms	456
	Exercise 5.5	457
	Exercise 5.5*	458
5.6	Lagrange multipliers	460
	Key Terms	468
	Exercise 5.6	469
	Exercise 5.6*	470
	Formal mathematics	472
	Multiple choice questions	474
	Examination questions	477

CHAPTER 6 Integration 483

6.1	Indefinite integration	484
	Key Terms	495
	Exercise 6.1	496
	Exercise 6.1*	497
6.2	Definite integration	499
6.2.1	Consumer's surplus	503
6.2.2	Producer's surplus	504
6.2.3	Investment flow	506
6.2.4	Discounting	508
	Key Terms	509
	Exercise 6.2	509
	Exercise 6.2*	510
	Formal mathematics	513
	Multiple choice questions	515
	Examination questions	518

CHAPTER 7 Matrices 523

7.1	Basic matrix operations	524
7.1.1	Transposition	526
7.1.2	Addition and subtraction	527
7.1.3	Scalar multiplication	530
7.1.4	Matrix multiplication	531
7.1.5	Summary	539
	Key Terms	539
	Exercise 7.1	540
	Exercise 7.1*	542
7.2	Matrix inversion	545
	Key Terms	560
	Exercise 7.2	560
	Exercise 7.2*	561
7.3	Cramer's rule	564
	Key Term	572
	Exercise 7.3	572
	Exercise 7.3*	573

Formal mathematics	576
Multiple choice questions	577
Examination questions	581

CHAPTER 8 Linear Programming

8.1 Graphical solution of linear programming problems	585
Key Terms	586
Exercise 8.1	600
Exercise 8.1*	601
8.2 Applications of linear programming	602
Key Terms	604
Exercise 8.2	612
Exercise 8.2*	612
Formal mathematics	614
Multiple choice questions	617
Examination questions	618

CHAPTER 9 Dynamics

9.1 Difference equations	627
9.1.1 National income determination	628
9.1.2 Supply and demand analysis	634
Key Terms	636
Exercise 9.1	639
Exercise 9.1*	639
9.2 Differential equations	640
9.2.1 National income determination	643
9.2.2 Supply and demand analysis	649
Key Terms	651
Exercise 9.2	653
Exercise 9.2*	654
Formal mathematics	655
Multiple choice questions	658
Examination questions	659

Answers to Problems

Chapter 1	664
Chapter 2	664
Chapter 3	674
Chapter 4	683
Chapter 5	687
Chapter 6	698
Chapter 7	705
Chapter 8	709
Chapter 9	715
Glossary	719
Index	723