ECO 522: Managerial Economics

Course Title: Managerial Economics
Course Code: ECO 522
Credit Hours: 2
Semester: First
Lecturer Hours: 30

Course Objectives
The purpose of this course is to provide students with a basic foundation of economic concepts and tools that have direct managerial applications. The course will sharpen analytical skills of students through integrating knowledge of economic theory with decision making techniques. The course will help students become more adept at designing and developing business strategy at firm level. Students should gain a rigorous understanding of competitive markets as well alternative market structures.

Course Description
This course is concerned with the application of ideas of economics to under various problems faced by entrepreneurs while making decisions. It mainly involves the study of basic concepts to microeconomics with application to managerial decision making. This course is to enable students to understand the behavior of firms in relation to solve operational and environmental issues.

Learning Outcomes
After completing this course, students should be able to:

- explain the concept of managerial economics, objective of a firm and role of managerial economics in entrepreneurship development
- analyse and forecast demand by applying non-statistical and statistical methods;
- apply the concept of one variable input, two variable inputs and economies of scale for optimal production;
- set optimal prices and price discriminate;
- develop long-run strategies to increase value of firm;
- make decisions under different environments and regulatory frameworks.

Course Contents
The following issues or topics have been selected for the course. Each issue or topic will be explored in relation to existing literature, its relevance and practices.

Unit 1: Introduction and Objectives of Firm LH 6
Meaning and scope of managerial economics, role of managerial economics in business decisions, organizational objectives: profit maximization, sales maximization and value maximization, Simon's theory of satisfaction behavior and Williamsons' model of managerial discretion.
Note: Numerical cases will be applied wherever needed.

Unit 2: Demand Analysis and Forecasting LH 6
Concept and uses of price elasticity of demand in business decision making; demand forecasting: techniques of demand forecasting, non-statistical method (survey method),

statistical methods (time series analysis and regression analysis), input output model.

Note: Numerical cases will be applied wherever needed.

Unit 3: Theories of Production and Cost **LH 6**

Production function; cobb-Douglas production function and its features, optimal use of one variable input, optimal employment of two variable inputs, economies of scale, economies of scope and learning curve.

Note: Numerical cases will be applied wherever needed.

Unit 4: Pricing Theory and Techniques **LH 7**

Pricing under oligopoly; cartel arrangement; price leadership and kinked demand curve model; game theory: concept, payoff matrix, dominant strategy, Nash equilibrium, Prisoner's dilemma; pricing practices: cost-plus-pricing, incremental cost pricing, multiproduct pricing, price discrimination, peak-load pricing, two- part tariff.

Note: Numerical cases will be applied wherever needed.

Unit 5: Role of Government in Market **LH 7**

Concept and sources of market failure, government response to market failure, national monopoly regulation, antitrust policy, patent system, operating control, subsidy and tax policy regulation, regulation of environmental pollution.

Note: Numerical cases will be applied wherever needed.

Required Textbook and Materials:

Prescribed Text Books:

Dwivedi, D. N. (2008). ***Managerial Economics***, 7th Edition, Vikash Publishing House Pvt. Ltd. LTD.

Mankiw, N. G. (2011). ***Principles of Microeconomics***. 6th Edition, USA: South Western College publication.

Pappas, J.L., Mark Hershey. (1989). ***Fundamentals of Managerial Economics***. New York: The Dryden Press.

Salvatore, Dominick. (2015). ***Managerial Economics in a Global Economy***, 8th edition, Oxford University Press.

Suggested References:

Koutsoyiannis, A. (1985). ***Modem Micro Economics,*** the Macmillan Press Ltd.

Petersen, Craig H., Lewis, W Cris, Jain, Sudhir K. (2009). ***Managerial Economics***, 4th Edition, Indian Institute of Technology, Delhi.

Ahuja, HL. (2014). ***Managerial Economics***. New Delhi: S. Chandan Company Pvt. Ltd.

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