



**Basic Information:**

<b>Title:</b>	Managerial Economics	<b>Code:</b>	ECON 630
<b>Program:</b>	MBIT via BBIT	<b>Credit Hours:</b>	Three (03)
<b>Sessions:</b>	30 Class + Mid Term + Final Term	<b>Pre-Requisite:</b>	BBIT (Marketing)

**Course Description:**

*This course develops the concepts learnt in microeconomics. It includes the application of basic concepts to the problem solving at managerial positions. The course would introduce the students to the application of statistical as well as mathematical tools for making informed decisions. It will enhance the practical skills of the students needed at the workplace.*

**Learning Outcomes:**

*Upon successful completion, students will have the knowledge and skills to:*

- ✓ *Understand the roles of managers in firms*
- ✓ *Understand the internal and external decisions to be made by managers*
- ✓ *Design competition strategies, including pricing, product differentiation, research & development, and marketing, according to the natures of products and the structures of the markets*
- ✓ *Design optimal incentive schemes, including salary, bonus, and stock options, for employees.*
- ✓ *Analyze real-world business problems with a systematic theoretical framework.*

**Teaching Learning Methodology:**

*The course will be taught by a combination of Class Lectures. Home Assignments. Discussion and Quizzes. The lectures will be used for covering topics in the syllabus, as well as a forum, student to raise and discuss issues related to the projects. Surprise quizzes and exercises may be provided during the lectures & will focus on microeconomic principles to solve real world problems.*

**Group Configurations:**

*One of the objectives of this course is to encourage and facilitate teamwork. Class will have to make a group of four for projects and research assignments. It is recommended that student will form their own groups. As a general guideline, your group should have members with diverse skill sets including people who are proficient or have aptitude for different subject areas.*

**Weekly Term Plan**

<b>Wk</b>	<b>Lecture Topic</b>
01	<i>Managerial Economics</i>
02	<i>Law of Demand and Supply; Demand Shifters, Supply Shifters</i>
03	<i>Implication of the Price Ceiling and Price Floor</i>
04	<i>The Quantitative Demand Analysis</i>
05	<i>The Business Firm</i>
06	<i>Derivatives</i>
07	<i>The Method of Least Squares;</i>
08	<i>Law of Diminishing Utility</i>
09	<b><i>Mid Term Examination</i></b>
10	<i>Demand Estimation</i>
11	<i>Production Function and Isoquants and Cost Function</i>
12	<i>Perfect Completion and Monopoly</i>
13	<i>Managerial Decisions in Oligopolistic Markets</i>
14	<i>The Basic Pricing Strategies and The Phenomenon of Price Discrimination</i>
15	<i>The Implications of Uncertainty on the Consumer Behavior and the Firm and the Market</i>
16	<b><i>Final Term Examination</i></b>

## Topics in Detail

### Managerial Economics

*The Process of Decision Making*  
*Principles of Economics of Effective Management,*  
*Micro vs. Macroeconomics and their Relation to*  
*Managerial Economics.*  
*Application of Managerial Economics.*

### Law of Demand and Supply

*Applications of Law of Demand and Supply*  
*Demand Shifters effect on the Market Equilibrium*  
*Supply Shifters effect on the Market Equilibrium*

### The Price Ceiling and Price Floor

*Implications of Price Ceiling and Price Floor on*  
*the Market*  
*The Relation Between Price Elasticity and Pricing*  
*Policy with Special Focus on Constant Elasticity of*  
*Demand Function.*

### The Quantitative Demand Analysis

*Applications of Elasticity, Cross Elasticity, Income*  
*Elasticity, Point Elasticity, Arc Elasticity.*  
*Elasticity of Supply Approach, Market Equilibrium,*  
*Estimation and forecasting*

### The Business Firm

*Objectives of the Business Firm*  
*Concepts of Accounting Profit, Economic Profit*  
*Optimization Process, Functional Relationship*  
*Relationship Between Price and Quantity*  
*Relation of Total, Marginal, & Average Values.*

### Derivatives

*Concepts and Rules of Derivatives,*  
*Solving Maximization and Minimization Problems*  
*Constrained Optimization, LaGrange Multipliers,*

### The Method of Least Squares;

*Statistical Inference in the Linear Regression*  
*Model; Explained and Unexplained, Residual Sum*  
*of Square, Coefficient of Determinant R<sup>2</sup>,*  
*Analysis of Variance for the Simple Regression*  
*Model, Standard Deviation, Tests of Hypothesis,*  
*Concepts of Elasticity's Estimates*

### Law of Diminishing Utility

*Law of Equi-Marginal Utility, Indifference Curves,*  
*Properties of Indifference Curve, Concepts Price*  
*Effect, Income Effect and Substitutions Effects,*  
*Application of Derivatives,*

### Demand Estimation

*Indirect and Direct Methods.*  
*Interpretation/Weaknesses of Regression Analysis.*  
*Survey Techniques in the Time Series, Elementary*  
*forecasting Techniques, Leading Indicators and*  
*Econometric Models. Numerical Questions.*

### Production Function

*Basic Concepts of Production Function and the*  
*Role of the Manager in the Production Process.*

### Isoquants

*Characteristics of Isoquants*  
*Equilibrium of the Producer, Expansion Path*  
*Law of Returns to Scale, Numerical*

### Cost Function

*Concepts & Multiple Output Cost Functions*  
*Marginal Rate of Technical Substitution*  
*Applications of Returns to Scale and the Output*  
*Elasticity in Business Life.*  
*Concepts of Technological Change*  
*Labor Productivity and Total Factor Productivity*  
*and Its Significance in Managerial Economics.*  
*The Methods of Procuring Inputs, Main Features*  
*and Significance of the Structure Conduct-*  
*Performance Paradigm*

### Perfect Completion

*Characteristics of Perfect Completion*  
*Firms Revenue Curves Under Perfect Completion,*  
*Short Run and Long Run Equilibrium of Firm.*

### Monopoly

*Introduction of Monopoly*  
*Firm Revenue Curves Under Monopoly,*  
*Short Run and Long Run Equilibrium*  
*Price Discrimination, Behavior of by Monopoly*  
*Firm by Focusing on the Sources of Monopoly*  
*Power, Economies of Scale, Scope and Cost*  
*Complementarily.*

### Managerial Decisions in Oligopolistic Markets

*Managerial Decisions in Oligopolistic Markets in*  
*the Light of Basic Output and Pricing Decisions in*  
*Four Types of Oligopolies. Sweeze Cournot*  
*Steckelberg and Bertrand. Price Leadership, Game*  
*Theory, Uncertainty Theory. Measurement of*  
*National Income.*

### The Basic Pricing Strategies

*The Basic Pricing Strategies by Developing A*  
*Simple Pricing Rule of Monopoly and Monopolistic*  
*Competition and Cournot Oligopoly.*

### The Phenomenon of Price Discrimination

*Pricing Strategies for Special Cost and Demand*  
*Structures*  
*Pricing Strategies in Market with Intense*  
*Competition*

### The Implications of Uncertainty

*on the Consumer Behavior.*  
*for the Firm and the Market.*



**Fall Term 2019**

**Text & Recommended Readings**

- A. Michal R. Baye. *Managerial Economics and Business Strategy 6<sup>th</sup> Edition*. McGraw- Hill, 2009.
- B. *Managerial Economics, Sixth Edition*, Edwin Mansfield, Neil Doherty. W. Bruce Allen, Keith Weightl, Neil A. Doherty. Publisher Norton. W.W. & Company. Ince., 2004.
- C. *Managerial Economics in a Global Economy. 6<sup>th</sup> Edition*. Oxford University Press. 2007.

**Assignment Specification**

<i>Microsoft Word for Documentation</i>	
<i>Headings</i>	<i>Arial 11pt Bold</i>
<i>Normal Text</i>	<i>Times New Roman 10pt</i>
<i>Header Footer</i>	<i>Times New Roman 8pt</i>
<i>Paragraph</i>	<i>Single Line Spacing</i>
	<i>First Line Indent 1.0 cm</i>
<i>Page Margins</i>	<i>2 cm from each side</i>

**Grading Policy:**

*Final Grade for this course will be the cumulated result of the following term work with relevant participation according to the quoted percentage.*

<b>Sessional</b>	<b>25%</b>		<b>Mid Term</b>	<b>35%</b>		<b>Final Term</b>	<b>40%</b>
<i>Assignments</i>	10 %		<i>Mid Term Exam</i>	25%		<i>Final Exam</i>	30%
<i>Quizzes</i>	10%		<i>Lab Work/ Lab Mid Exam</i>	10%		<i>Case Study/ Project/ Term Paper</i>	10%
<i>Presentations</i>	05%						

*Remember subdivision of Mid Term and Final Term Examination should be done only in case of very essential and major Grading Instruments.*

**Dishonest Practices & Plagiarism**

*Any student found responsible for dishonest practice/cheating (e.g. copying the work of others, use of unauthorized material in Grading Instruments) in relation to any piece of Grading Instrument will face penalties like deduction of marks, grade 'F' in the course, or in extreme cases, suspension and rustication from IBIT.*

*For details consult Plagiarism Policy of the University at <http://pu.edu.pk/dpcc/downloads/Plagiarism-Policy.pdf>*

**Grading System:**

<b>Letter Grade</b>	<b>Grade Point</b>	<b>Num Equivalence</b>
A	4.00	85 – 100 %
A-	3.70	80 – 84 %
B+	3.30	75 – 79%
B	3.00	70 – 74 %
B-	2.70	65 – 69 %
C+	2.30	61 – 64 %
C	2.00	58 – 60 %
C-	1.70	55 – 57 %
D	1.00	50 – 54 %
F	0.00	Below 50 %
I	Incomplete	*
W	Withdraw	*

**Norms to Course:**

- ✓ *Submission Date and Time for the term instruments is always **UN-EXTENDABLE***
- ✓ *7 Absentees in class will be result in forced withdrawal. (PU Policy)*
- ✓ *Re-sit in Mid and Final Term will cause you a loss of 2 and 3 grade marks respectively. (PU Policy)*
- ✓ *This is your responsibility to keep track of your position in class evaluation units.*
- ✓ *After the submission date, NO excuse will be entertained.*
- ✓ *Keep a copy of all submitted Grading Instruments.*
- ✓ *Assignment is acceptable only in its Entirety.*
- ✓ *No make up for any assignment and quiz.*
- ✓ *Copied & Shared work will score Zero.*
- ✓ *Assignments are Individual.*

**Good Luck**