

Course Title	Managerial Economics				
Course Code	MBA512				
Course Type	Compulsory				
Level	MBA (Level 2)				
Year / Semester	1 st Year / Fall Semester				
Teacher's Name	Dr. Petia Tanova				
ECTS	5	Lectures / week	3 hours	Laboratories/week	
Course Purpose	<p>This course is designed to provide students with an introduction to the domain of managerial economics. Its main purpose is to involve them in the challenging process of economic decision making within a business organization, with particular reference to the impact of the external environment on this process. Managerial Economics introduces a variety of applied economic principles useful for private and public sector decision making. The objective of this course is to show how managers can use economics for the creation of strategies that will assist decision making and help achieve organizational goals.</p> <p>This course is fundamental in enabling students to pursue further modules in the field of business decision making. It is not intended to give students all the answers or all of the the professional skills of a business economist, but provides them with a tool bag of basic analytical techniques which they would need to effectively function as business managers.</p> <p>A major objective of the course is to help students develop systematic, critical and independent thinking on current problems of the business environment.</p>				
Learning Outcomes	<p>Upon the successful completion of this course, students will be able to:</p> <ol style="list-style-type: none"> 1. Analyze the demand for a firm's product and familiarize with the techniques of demand estimation and discuss their pros and cons. 2. Quantify market responses of buyers and sellers to changes in market environment. 3. Discuss factors, determining price elasticity of demand and advocate an appropriate pricing policy on the basis of the price elasticity of demand. 4. Identify the goals of the firm and basic determinants of producer decision-making. 5. Compare and contrast economic and accounting costs and revenues, and economic and accounting profit. 6. Examine the dynamics and structure of short run and long run costs and apply graphical models to problem solving. 7. Identify the conditions of profit maximization and short run loss minimization and apply them to problem solving. 8. Analyze the determinants of industrial organization and outline different market structures. 9. Scrutinize firms' pricing decisions. 10. Discuss the impact of industry structure on firms' performance 11. Debate theories of the firm; 				

	<p>12. Achieve a basic understanding of the vocabulary, concepts, and principles of managerial economics.</p> <p>13. Cope with evaluating different beliefs and opinions when discussing microeconomic problems and develop their own set of arguments and values.</p> <p>14. Make sense of economic reality, transform theoretical knowledge into practical skills, and apply theories to problems and policy issues.</p>		
Prerequisites	None	Corequisites	None
Course Content	<p>1. Introduction to Managerial Economics</p> <p>Identify and enunciate the main economic problems</p> <p>Articulate the core problems that a company has to handle based on economic theory and on empirical evidence.</p> <p>Explain principles of economic decision making and apply them to a chosen problem in a written assignment.</p> <p>Define supply and demand and examine factors determining their dynamics</p> <p>Relate functional and graphical analysis of market equilibrium to solving numerical problems</p> <p>Apply of market theory to real world problems</p> <p>2. Demand Analysis and Estimation</p> <p>Analyze the demand for a firm's product and familiarize with the techniques of demand estimation.</p> <p>Quantify market responses of buyers and sellers to changes in market environment.</p> <p>Discuss factors, determining price elasticity of demand and advocate an appropriate pricing policy on the basis of the price elasticity of demand.</p> <p>Assess the role of the cross price elasticity of demand for the firm's competitiveness</p> <p>3. Producer Decision Making</p> <p>Identify the nature and basic determinants of producer decision making. Define the firm as a profit maximizer. Understand and explain the production function.</p> <p>Distinguish between economic and accounting costs and apply them to problem solving. Compare and contrast economic profit and accounting profit. Understand the meaning of normal profit.</p> <p>Compare and contrast short run and long run decisions. Articulate the law of diminishing returns and discuss empirical evidence. Determine factors, affecting technological choice and the least cost factor combination for a given output. Distinguish between increasing, constant and decreasing returns to scale and their significance in long run decisions.</p> <p>Analyze the dynamics of a firm's costs in the short run and estimate marginal and average costs. Determine the conditions for profit maximization and loss minimization in the short run. Apply economic</p>		

principles in problem solving.

Analyze the terms of profit maximization in the long run. Relate graphical and formal analysis to problem selecting the optimum production decisions in the short run and in the long run.

Familiarize with the principles of strategic cost management and discuss empirical evidence.

4. *The Structure of Industry and the performance of firms*

Critically examine different approaches to the definition of industry and assess the constraints for collecting statistical information, appropriate for managerial decisions.

Identify the determinants of industrial organization within the framework of the “structure – conduct - performance” paradigm.

Compare and contrast perfect and imperfect competition. Identify sources of market imperfection. Derive efficiency criteria and assess firms performance from a static and a dynamic point of view.

Critically assess the SCP model.

Discuss the conditions, strategy and constraints of contestable markets. Appraise the Chicago School approach to competition in the industry and firm’s performance

Articulate the concept of creative destruction and analyze the pros and cons of the big firm from a dynamic perspective

Apply Porter’s five forces model to the structural analysis of the industry and to strategy determination.

Identify dimensions of market concentration and examine different measures of market concentration.

Distinguish between different kinds of mergers and the major motives for diversified merger activity.

Discuss advantages and shortcomings of outsourcing on the basis of theoretical analysis and empirical evidence.

5. *Pricing decisions and performance*

Critically assess pricing decisions for profit maximization.

Define price discrimination and distinguish between its forms theoretically and based on empirical evidence.

Familiarize with the principles and constraints of yield management and discuss its practical application.

Distinguish between cooperative and non-cooperative behavior under oligopoly and assess empirical evidence.

Discuss the instability of Nash equilibrium and repeated games

Apply game theory to predict entry preventing behavior and discuss empirical evidence.

Examine the cost plus pricing model and reconcile cost plus pricing with profit maximizing models.

Compare and contrast cost based pricing and market based pricing.

	<p>6. The Theory of the Firm</p> <p>Compare and contrast firm coordination and market resource allocation.</p> <p>Identify transaction costs and discuss their nature, sources and dimensions.</p> <p>Dispute the limits of the firm theoretically and based on empirical evidence.</p> <p>Discuss the constraints and controversies of the neoclassical approach to firm's decision making.</p> <p>Debate different rationales for decision making</p> <p>Identify asymmetric information as a basis for bounded rationality.</p> <p>Articulate and discuss the "principal-agent problem" on the basis of theoretical analysis and empirical evidence.</p> <p>Familiarize with the main managerial theories of the firm: sales maximization vs. managerial utility maximization and discuss their practical implications.</p> <p>Examine R. Marris' model of firm's growth</p>
Teaching Methodology	<p>The taught part of course is delivered to the students by means of <i>ex cathedra</i> lectures and discussions in class, by means of traditional tools and using computer demonstrations. The instructor relates empirical evidence with the material presented in the lectures. During the lectures students are encouraged to participate in discussions.</p> <p>Some of the key issues are revealed on the basis of discussions of assigned required readings (articles).</p> <p>Auditory exercises, where examples regarding matter represented at the lectures, are solved and further questions related to particular open-ended topic issues are compiled by the students and answered, during the lecture or assigned as homework.</p> <p>Topic notes are compiled by students, during the lecture. Lecture notes, slide shows and documentaries can also be downloaded from the lecturer's webpage. Tutorial problems are submitted as homework and these are solved during lectures or privately during lecturer's office hours.</p> <p>Further literature search is encouraged by assigning students to identify a specific problem related to some issue, gather relevant scientific information about how others have addressed the problem and report this information in written or orally.</p> <p>Students are assigned to study a current economic problem, related to the course subject, and approved by the instructor. Students are expected to prepare a position paper. Based on research in professional journals, or on a questionnaire, they must present at least two different views on the selected topic. Sources must be cited within the body of the analysis. They are expected to synthesize their research, class materials, personal experience, etc. to arrive at their own view on the subject and justify it. They must also include how this view will affect their actions and decisions in the future. The assignment is considered as a preparation for further research and for the final project. The position paper must be uploaded on the</p>

	website of the course to be assessed against plagiarism.								
Bibliography	<ul style="list-style-type: none"> • <u>Textbooks:</u> • Salvatore D. (2018) Managerial Economics in a Global Economy. Ninth Edition, Oxford University Press. • https://www.tutorialspoint.com/managerial_economics/managerial_economics_overview.htm • Heather K. (2002) The Economics of Industries and Firms. Pearson Education Ltd. <p><u>(b)References:</u></p> <ul style="list-style-type: none"> • Friedman M. (1982) Capitalism and Freedom. The University of Chicago Press, 1982 (pp 119-135) • Becker B. (1997) There is Nothing Natural about 'Natural' Monopoly. Business Week, October 6. • Schumpeter J.A. (1976) Capitalism, Socialism and Democracy. Harper Torchbooks, (pp.80-87) • Coase R. (1937) The Nature of the Firm. <i>Economica</i>, Vol. 4, Nov. • Demsetz H. (1997) The Firm in Economic Theory: A Quiet Revolution. The American Economic Review, Vol. 87, Issue 2, May. • <i>Primeaux, P. and J. Stieber (1999) When MR=MC: Ethical efficiencies in valuing and pricing. <u>Journal of Business Ethics</u>. January</i> • Making survey-based price experiments more accurate. <i>Market Research Society. Journal of the Market Research Society. Malcolm Wright. Apr. 1999.</i> • An empirical test of alternative theories of survey response behavior. <i>Market Research Society. Journal of the Market Research Society Felicitas Evangelista . Apr. 1999</i> 								
Assessment	<p><u>(a) Methods:</u></p> <p>Students are assessed with coursework that involves homework assignments and class participation. The assessment involves explaining theoretical concepts, examining real life situations, or solving numerical problems and applying graphical analysis.</p> <p>Students are prepared for final exam, by revision on the matter taught, problem solving and concept testing and are trained to be able to deal with time constraints and revision timetable.</p> <p><i>Grading Criteria for Position Paper</i></p> <table border="1" data-bbox="480 1688 1490 2036"> <tr> <td data-bbox="480 1688 1273 1783">Clear grasp of the topic to be presented and clear and complete presentation of authors' views</td> <td data-bbox="1273 1688 1490 1783">20%</td> </tr> <tr> <td data-bbox="480 1783 1273 1877">Appropriate analysis, evaluation and synthesis on issues, economic terms, concepts etc.</td> <td data-bbox="1273 1783 1490 1877">20%</td> </tr> <tr> <td data-bbox="480 1877 1273 1971">Demonstrated ability to employ economic terms, and concepts</td> <td data-bbox="1273 1877 1490 1971">20%</td> </tr> <tr> <td data-bbox="480 1971 1273 2036">Justification of your views and logical flow of responses on</td> <td data-bbox="1273 1971 1490 2036">40%</td> </tr> </table>	Clear grasp of the topic to be presented and clear and complete presentation of authors' views	20%	Appropriate analysis, evaluation and synthesis on issues, economic terms, concepts etc.	20%	Demonstrated ability to employ economic terms, and concepts	20%	Justification of your views and logical flow of responses on	40%
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	questions and issues to be raised during the presentation								
	TOTAL	100%							
	<p>The final assessment of the students is formative and cumulative and is assured to comply with the subject's expected learning outcomes and the quality of the course.</p> <p><u>(b) Criteria:</u></p> <p>The assessment criteria can be generalized as follows concerning the area assessed:</p> <ul style="list-style-type: none"> • 86% or more – Excellent application of problem solving skills. • 76%-85% - Very good application of problem solving skills. • 66%-75% - Good application of problem solving skills. • 56%-65% - Satisfactory with some success in applying problem solving skills • 50%-55% -Satisfactory with limited success in applying problem solving skills • Below 50% -Little or no application of problem solving skills. <p>Assessment criteria are available in each written assignment, midterm or in the final exam.</p> <p><u>(c) Weights:</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 70%;">Position Paper</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>Participation and homework assignments</td> <td style="text-align: right;">10%</td> </tr> <tr> <td>Final Exam (Open book)</td> <td style="text-align: right;">60%</td> </tr> </table>			Position Paper	30%	Participation and homework assignments	10%	Final Exam (Open book)	60%
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Language	English language								