

MB105.2: Managerial Economics

Course Objectives:

- To integrate the basic concepts of Economics with Managerial Decision Making
- To introduce the students to various economic concepts
- To acquaint the students with concepts and techniques used in Economics and to enable them to apply the knowledge in business decisions making.

Unit- I: Nature & Scope of Managerial Economics:

Managerial Economics for Decision Making, Fundamental Economic Concepts: Opportunity Cost, Discounting Principle, Time Perspective, Incremental Reasoning, Equi-Marginal Concept, Marginal Concept, Types of Economic Analysis. Economic Optimization, Asymmetric Information: Moral Hazard, Adverse Selection, Market Signalling.

Unit- II: Demand & Supply Analysis:

Laws of Demand and Supply- Functions and Curves, Market Equilibrium, Consumer Behaviour and Rational Choice: Cardinal and Ordinal Approaches of Consumer Utility, Maximization of Consumer Utility: Indifference Curves, Budget Line, Marginal Rate of Substitution (MRS), Demand Sensitivity Analysis: Price, Income & Cross Elasticity of Demand.

Unit- III: Production and Cost Analysis:

Production Function: Laws of Diminishing Returns to a Factor, Laws of Returns to Scale, Optimal Combination of Input Factors, Isoquants, Isocost Line, Marginal Rate of Technical Substitution (MRTS), Expansion Path and Ridge Lines, Economies & Diseconomies of Scale, Economies of Scope, Learning Curve. Estimation of Production Function: Cobb Douglas Production Function, Break-Even-Analysis: Contribution Margin, P/V Ratio, Margin of Safety, and Cost-Volume Profit Analysis.

Unit -IV: Market Structure and Modern Pricing Practices:

Price Determination under Perfect Competition, Monopoly, Oligopoly & Monopolistic Competition, Game Theory & Competitive Strategy: Dominant Strategy, Nash Equilibrium, Prisoner's Dilemma, Pricing Strategies: Skimming Pricing, Penetration Pricing, Transfer Pricing.

Unit- V: Macro economics & Business:

Concept, Approaches and Measurement of National Income, Say's Law and Keynesian Approach to Theory of Employment, Concept of Multiplier, Inflation: Types, Causes and Measuring Inflation: PPI, WPI, CPI- Inflationary Gap, Deflation, Stagflation- Trade Cycles, Depression, Recession.

Suggested Books:

1. Dominik Salvatore, "Managerial Economics", 2008, 6th Ed. Oxford University Press.
2. D. N. Dwivedi, "Managerial Economics", 7th Ed Vikas Publishing.
3. D.M. Mithani, "Managerial Economics" 2008, Himalayan Publishing House.
4. Geethika, Piyoli Ghosh, and P.R. Chaudhary "Managerial Economics", 2008, Tata McGraw Hills, New Delhi.
5. Paul Keat & Phillip K Young, Managerial Economics, 6th Ed, Pearson.

Course Outcomes :

After the completion of the course, students will be able to

- Understand the role of Managers in firms
- Understand the demand and supply conditions of a firm
- Design Competition Strategies according to the structure of the markets
- Analyze real world business problems with a systematic theoretical framework
- Understand the roles of managers in firms
- understand the internal and external decisions to be made by managers,
- Analyze the demand and supply conditions and assess the position of a company
- competitive strategies, including costing, pricing, product differentiation, and market environment