

**Code: ECON-413**

**Title: Managerial Economics**

**Credit Hours: 03**

**Prerequisite: Principles of Microeconomics, Calculus-II**

**Objectives:**

The main objective of this course is to make the students familiar with economic theory and tools essential to the analysis and solution of those problems that have significant economic consequences both for the firms and society at large. After taking this course a student will be able to suggest solutions to such business problems as optimization of output mix, input combination and profit maximization

**Course Contents**

**Nature, Scope and Overview of Managerial Economics**

What is Managerial Economics? The Nature and Scope of Managerial Economics, Firms and Managerial Objectives, The Managerial decision making process, Economic Optimization, Firms and Profits, Tools of Economic Analysis, Marginal Analysis, Theory of the firm. Profit maximization, Cost Minimization. Economic optimization. Economic relations of variables. The Incremental concept in Economic Analysis.

**Market Forces: Demand Analysis, Estimation and Forecasting**

Demand, Supply and Equilibrium, Demand Analysis, Elasticity, Price elasticity of demand and supply and use of derivative in finding elasticity of demand & supply, Point elasticity & Arc elasticity, income elasticity of demand, cross elasticity of demand, Promotional elasticity of demand, Concept of partial elasticity, Measuring Economic Relationships, Statistical Relations and Regression Analysis, Simple linear regression model, Multiple linear regression model estimation. Forecasting, Methods of demand forecasting. Trend projections, smoothing techniques, Exponential smoothing.

**Production and Cost**

Theory of Production, Production functions. Total, Marginal and Average Product. Revenue and Cost in Production. Production function estimation. Short run and long run cost curves. Economies of scale and Diseconomies of scale. Optimization of multivariate functions maxima, minima, point of inflection and economic applications of maximization of profits and minimization of cost.

**Market Structure**

Pricing decision under Perfect Competition, Monopolies, Monopolistic Competition and Oligopoly. Pricing Strategies for Firms in the short run and long run. Mark up pricing. Price Discrimination, Monoposony and Multiplant Monopoly and measuring Firms' Performance, Making Decisions under Noncompetitive Conditions, Oligopolies, Game Theory: Inside Oligopoly, Pricing Methods, Pricing Strategies for Firm with Market Power.

**Linear Programming**

Linear Programming, Ingredients of Linear Programming, Assumption etc. Application of Linear Programming. Profit Maximization problems using graphical approach. Cost Minimization problems using graphical approach. The concept of dual, duality theorem, solving primal via dual and their economic applications.

### **Capital Budgeting and Investment**

Project appraisal/ capital budgeting, Investment Criteria and Decisions. Cash flow estimation, Net present value (NPV) Internal Rate of Return (IRR), Profitability-Index Criterion, Optimal Capital Budget.

### **Recommended Books:**

- Baye, Michael, Managerial Economics and Business Strategy. Sixth Edition. Boston: McGraw-Hill Irwin, latest edition.
- Mark, Hirschey. (2003). Managerial Economics, latest edition, Thomson/South- Western College Publishing.
- Peterson, Craig, H., Lewis, W. Cris and Jain, Sudhir, K. (2009). Managerial Economics, latest Edition Pearson Education.
- Salvatore, D. (2001). Managerial Economics, McGraw Hill