

Course title: Managerial Economics				
Course code: PPM 148	No. of credits: 3	L-T-P distribution: 32-10-0	Learning hours: 42	
Pre-requisite course code and title (if any):				
Department: Department of Business Sustainability				
Course coordinator (s): Dr. Gopal Sarangi			Course instructor (s): Dr. Gopal Sarangi	
Contact details: gopal.sarangi@terisas.ac.in				
Course type	Core	Course offered in: Semester 1		
Course description				
<p>This is the first economics course that the students will take at TERI University and for most students, this may be their first ever exposure to the subject economics. The basic objective is to equip students in applying an analytical approach to the study of how individuals and societies deal with the fundamental problems of scarce resources, understanding of the nature of prices and of markets, role of information and interventions, etc.</p> <p>Managerial economics is a branch of economics that deals with economic foundations of managerial decision-making. Specific topics to be covered include applications of supply and demand, market structure, laws of production, market failure and game theory. The course aims at reflecting the saliency of the current industrial and business environment. Examples from services, IT, communications and other secondary sectors would be particularly important in attaining course goals.</p> <p>The course would provide the base for macroeconomics, organizational behavior, marketing, finance and strategic management.</p>				
Course objectives				
<p>In this course students will increase their understanding of economics and learn a variety of techniques that will allow them to solve business problems relating to costs, prices, revenues, profits, and competitive strategies. We will gradually develop these economic concepts and show how they can be applied to managerial decisions. Students will learn how prices get determined in markets, how market participants benefit in the form of consumer surplus and producer surplus, and what the consequences of government intervention are. In addition to this, the students will learn different costs of production and how they affect short run and long run decisions; understand economies of scale, diseconomies of scale etc.</p>				
Course content				
Module	Topic	L	T	P
1.	Introduction to Economics Human Wants and scarce resources Basics of demand, supply and market Concept of market Demand and supply schedules and equilibrium Changes in price when demand/supply shift Demand Analysis Derivation of demand curve Concept of Elasticity – point, arc, income and cross elasticities Application of elasticity	6	2	0
2.	Utility, Preferences and Choice Utility Theory How people make decisions? Utility – total, marginal Marginal analysis and its use in economic analysis Preferences, budget constraints, choices and optimal choices Consumer Behavior Changes in income and prices Income and substitution effects Consumer surplus – impact of taxes, subsidies, etc.	6	2	0

3.	Production and Cost Production Theory Production function and different forms Total, average and marginal products Returns to scale Tech. progress, innovation, sources of competitive advantage Theory of costs Nature of production costs, concepts of costs and short-run and longrun costs Total, average and marginal costs Economies of scope, learning curve Applications of the above concepts in different classes of firms particularly in service industry	6	2	
4.	Theory of Firms Market and market structure Concept of market Market equilibrium and price determination Market structure Perfect Competition, monopoly, duopoly, oligopoly Some special subjects – auctions, network markets Imperfect competition Price discrimination (definition and types of price discrimination, necessary conditions for the existence of price discrimination, price discrimination and the price elasticity of demand) Oligopoly (classical and collusive oligopoly) Average cost pricing Market structure, efficiency and regulation Relevance of efficiency related issues Monopoly power and social costs Regulation of public monopolies	8	4	0
5.	Economics of Information Search costs Asymmetric information and adverse selection Information and moral hazard Market signaling Switching costs Principal agent problem	6	0	0
	Total	32	10	

Evaluation criteria

The overall course grade will be allocated as follows:

Minor Exams (I & II) -30 %

Class Presentation & Quizzes -20 %

Examination - 50 %

Materials

Textbooks and Readings:

Dominick S., (2012), Managerial Economics, 7th Ed., Oxford University Press.

Frank, R. and B. Bernanke (2004), Principles of Economics, 2nd Ed., Tata McGraw Hill

Dominick S., (2009), Principles of Microeconomics, International Version, 5th Ed., Oxford University Press.

Varian, H. R., (2006), Intermediate Microeconomics, 8th ed. W. W. Norton & Company

Sen, A., (2006), Microeconomics – Theory and Applications, 2nd Ed., Oxford University Press.

Pindyck, R. S., D. J. Rubinfeld and P. L. Mehta (2009), Microeconomics, 7th Ed., Pearson

Education, India.

The pedagogy will be based on examples/ case based learning. Relevant case studies will be discussed in class.

Additional information (if any)

Attendance

All exams are based on lecture and classroom discussion. Attendance will be taken on a regular basis and it is expected that all students attend ALL sessions which will be counted for overall grade. Showing up late for class, use of gadgets (mobile phones, tablets or laptops etc.) during class is disruptive and should be avoided

Student responsibilities

Attendance, feedback, discipline, guest faculty etc.

Course reviewers:

Dr. Santanu Gupta, XLRI, Jamshedpur

Dr. Ananya Ghosh Dastidar, DU Soth Campus.