



**INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR**  
**Post Graduate Diploma in Management**  
**Economic Analysis for Business Decisions (EC503)**  
**2 Credit Course**  
**Session Duration: 60/120 minutes**

**Term – III**  
**2018-20**  
**Batch-I**

**Course Outline and Session Plan**

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**Introduction**

The Economic Analysis for Business Decisions (EABD) course emphasizes the application of both micro and macroeconomic theories in decision making in business. In a constantly changing business environment, managerial decision making becomes increasingly intricate especially in a fiercely competitive market economy. Overall understanding of the economic environment, therefore, becomes a pre-requisite for any rational decision making process with objectives of optimal usage of resources to maximize profits by the decision makers of the business entities as well as the government. The issues of social justice and equitable distribution of income and wealth through policy intervention by the government assumes unprecedented importance with rising skill gaps, reducing opportunities for employment and increasing awareness due to information technology. The objective of this course is to develop managerial talent for business houses, public sector enterprises and potential macroeconomic policy makers with an inclination to apply micro and macroeconomic theories to bring precision to decision making. The main focus of this course will be on the application of economic concepts learnt in previous terms which can be used to the advantage of decision making process in specific circumstances. The student should expect to leave the course with a firm grip on applications of micro and macroeconomic theories in a variety of decision making scenarios.

## **Objectives**

At the end of the course, the student will be able:

1. to demonstrate the skill to apply micro and macroeconomic theories in managerial decision making.
2. to comprehend the complexities in decision making process at a macro level with seemingly paradoxical outcomes.
3. to apply and demonstrate the skills to analyze and interpret economic data to the advantage of a business entity.
4. To be able to understand inherent political compulsions in formulation of economic policy policies and inter-sectoral interactions of policy decisions of the central governments.
5. to comprehend the complexities of economic decision making by the policy makers with twin objectives of achieving social justice and economic growth.
6. to demonstrate the skill of applying theories in the process of decision making in the context of any changing business situation.

## **Pedagogy**

As this course is considered to be an advanced course for most of the functional areas in management, emphasis will be on application of conceptual clarity of the students. Since the students have already done courses on managerial economics and macroeconomic theory and policy, this course will go beyond conceptual clarity and focus on developing their skill to apply the previous learnings in real life business situations. The course will be delivered through a combination of lectures, classroom discussions and group assignments. The focus will be on decision making and hence, business cases and research papers which are relevant to the course will be discussed from the perspectives of contradicting outcomes from the applications of economic theories. To raise the skill of students to analyze and interpret data, group exercises will be used to develop insights. The term papers (under the supervision of faculty) will focus on applications of economic theories in real time business scenario and contemporary macroeconomic environment. Students are expected to come prepared for the class by reading the prescribed study materials. Power point slides of class lectures and all other relevant study materials will be shared with students on O:/drive.

## **Course Reading Materials**

### **Books**

1. MANAGERIAL ECONOMICS: APPLICATIONS, STRATEGY AND TACTICS: McGuigan, Moyer and Harris (2012): Cengage Learning 12<sup>th</sup> edition.
2. MODERN MICROECONOMICS:A Koutsoyiannis (2008), McMillan: 2<sup>nd</sup> edition.
3. MANAGERIAL ECONOMICS, MARK HIRSCHEY (2009), Cengage Learning, 12<sup>th</sup> edition.
4. MACROECONOMICS, R. Dornbusch, S. Fisher and R. Startz (2015), McGraw-Hill Education, 11<sup>th</sup> Edition (INDIAN EDITION).
5. PRINCIPLES OF MACROECONOMICS, Mankiw N Gregory 6th Edition (2012), Cengage Learning.
6. MANAGERIAL ECONOMICS AND BUSINESS STRATEGY, Michael R Baye and Jeffrey T Prince, McGraw Hill Education, 8<sup>th</sup> Edition.

### **Additional Reading Materials**

Reading 1:- “The failure of competition in the Credit Card Market”, Lawrence M Ausubel, American Economic Review, March 1991, Pp.50-91

Reading 2:- “Versioning: The Smart Way to sell information”, Carl Shapiro and Hal R Varian, Harvard Business Review, Vol. 76 (6), Pp.106-114

Reading 3:- “Does studying Economics inhibit Co-operation?”, Thomas Gilovich and Denis Regan. Journal of Economic Perspectives, Vol.7(2), Spring 1993, Pp.159-171.

## **Case Studies**

Case 1:- “Metabical: Pricing, Packaging, and Demand Forecasting for a New Weight Loss Drug”, HBS Case 4183

Case 2:- “Cola Wars Continue: Coke and Pepsi in 2010”, HBS Case 9-711-462

Case 3: China’s Remnibi: “Our Currency, Your Problem?” ACRC Case; HKU 710

Case 4: Argentina’s Convertibility Plan; HBS -5-703-002

Case 5: Brazil 2003: Inflation Targeting and Debt Dynamics; HBS- 9-704-028

## **Evaluation Criteria**

The evaluation for the course will have various components like quizzes, Term Paper, class presentation, End-term and Mid-term examinations. The final grade will be calculated as follows:

Components		Weight
01	End Term Exam	30%
02	Mid-Term Exam	20%
03	Quiz (2)	20%
04	Group Term Paper*	20%
05	Group Presentation	10%

\*The group Term paper will be announced and assigned during the course. The guidelines regarding the term paper will be intimated to students.

## Session Plan: Economic Analysis for Business Decisions (EC-503)

Session No	Topic	Learning Outcomes	Suggested Readings
1-3	<p>An Overview of Economic Theories</p> <p>Objectives and Instruments of Microeconomic theories</p> <p>Objectives and Instruments of Macroeconomic Theories</p> <p>Relevance of Micro and Macroeconomic Theories in Contemporary Business Environment</p>	LO-1 and LO2	<p>Awareness and familiarity with the websites for Indian economic data</p> <p>Chapter 1 of 1<sup>st</sup> book and 4<sup>th</sup> book listed under Suggested Readings</p>
4-7	<p>Elasticities and Decision Making Of a Firm</p> <p>Estimation of Demand and Price Elasticity</p> <p>Firm Preparedness for Changing Economic and Business Environment</p> <p>Pricing Decisions and Firm Profitability</p>	LO3	<p>Chapter 3 of the last book (Baye)</p> <p>Chapters 4 and 5 of the first book</p> <p>Metabical: Pricing, Packaging, and Demand Forecasting for a New Weight Loss Drug</p>
8-10	<p>Competition and Firm Adaptability to Changing Environment</p> <p>Information and Firm Profitability</p> <p>Mass Customization, Niche Market Strategies for Profit Maximazation Objectives</p> <p>Pricing Theories, Firm Cooperation and Market Strategy</p>	LO-2, LO-3 and LO-4	<p>Chapter 8 and Chapter 9 of the 2<sup>nd</sup> book in the list (McGugan) and Chapter 4 of 3<sup>rd</sup> book in the list (Koutsoyiannis)</p> <p>Case 2:- “Cola Wars Continue: Coke and Pepsi in 2010</p> <p>Reading 1: The failure of competition in the Credit Card Market</p>

			<p>Reading 2: Versioning: The Smart Way to sell information</p> <p>Reading 3: Does studying Economics inhibit Co-operation?</p>
11-13	<p>Public Policy and Public Choices</p> <p>Public Sector and Perspectives to the Objectives of Profit Maximization</p> <p>Marginal Cost Pricing</p> <p>Government Intervention in Pricing Policy and Welfare Loss</p>	LO-4 and LO-5	<p>Chapter 8 and Chapter 9 of the 1<sup>st</sup> book in the list (McGugan) and Chapter 9 of 2<sup>nd</sup> book in the list (Koutsoyiannis)</p>
14-16	<p>Policy Implications of Macroeconomic Policies</p> <p>Political compulsions in formulation of economic policy</p> <p>Inter-sectoral interactions of policy decisions</p> <p>Objectives of Growth, Social Equity and Equitable Income Distribution</p>	LO-2, LO-4 and LO 5	<p>Dornbush Fisher and Starz -Chapter-11 on Monetary and Fiscal Policy; Mankiw – Chapter 21</p> <p>Case 3: China’s Remnibi: “Our Currency, Your Problem?”</p>
17-20	<p>External Sector in Decision Making</p> <p>Influence of External Sector in Decision Making at Firm Level</p> <p>Trade, Geopolitics and Exchange Rate in Decision Making</p> <p>Inter country Transactions and Implications for Macroeconomic Policy Making</p>	LO-2, LO-5 and LO-6	<p>Dornbush Fisher and Starz -Chapter-12 on International Linkages ; Mankiw- Chapter - 9</p> <p>Case 4: Argentina’s Convertibility Plan</p> <p>Case 5: Brazil 2003: Inflation Targeting and Debt Dynamics</p>