



**INTERNATIONAL MANAGEMENT INSTITUTE
BHUBANESWAR**

**Post Graduate Diploma in Management
Managerial Economics (EC 501)
2 Credit Course
Session Duration: 60/120 minutes**

**Term – I
Academic Year: 2021-22
Batch-PGDM (2021-23)**

Course Outline and Session Plan

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Office Hours: 10.00 A.M. – 6.00 P.M.
Consulting Hours: Tuesday and Thursday 3.00 P.M to 4.30 P.M
Academic Year: 2021-22

Course Introduction

The managerial economics course uses the principles of economics to explain important issues of decision making in business. In a constantly changing business environment, managerial decision making becomes increasingly intricate especially in a fiercely competitive market economy. The ongoing Covid-19 pandemic has added new dimensions and challenges to the already intricate process of economic decision making. Overall understanding of the economic environment, therefore, becomes a pre-requisite for any conscious and rational decision making process. The objective of this course is to develop managerial talent with an understanding of the major economic concepts, combined with an understanding of how to use economics as a framework in providing solutions to managerial problems. This course emphasizes on application of micro economic theories in analyzing business problems of enterprises. The main focus of this course will be to show how economic concepts can be used to the advantage of decision making process. The basic economic concepts such as demand, supply, production, revenue, costs and profits provide a base to analyze behavior of firms. Especially in the context of forced lockdown and shut downs of economic activities due to pandemic, all the economic parameters especially, cost and profits get heavily influenced for the firms. This course shall throw light on the coping mechanisms for firms in such uncertainties which are exogenously determined. Theories of optimal pricing under competitive market environment will help in a robust reasoning process to facilitate managerial decision making. This course will dwell upon various pricing methods adopted by contemporary business houses for maximizing profits. Throughout the course the emphasis will be on applications and sharpening of reasoning skills of the student. The case studies will focus on various issues and constraints in maximization of profits in various market conditions. The student should expect to leave the course with a firm grip on how to use economics as a framework

for business problems and the ability to apply tools from the course to a variety of decision making scenarios.

Learning Outcomes

This course focuses on sharpening analytical skills of the students where they can understand and relate the principles of economics in decision making process. Specifically, at the end of the course, the student will be able:

- to demonstrate an understanding of methods, content and scope of micro economic principles in managerial decision making. (LO-1)
- to be familiar with the principles of rationality in decision making (LO-2)
- to analyse and interpret economic data for use in decision making and comprehend solutions to business problems.(LO-3)
- to show an awareness of the range of applicability of microeconomic economic theory in the process of decision making.(LO-4)

Course Pedagogy

As this course is considered to be a foundation for most of the functional areas in management, emphasis will be on conceptual clarity. So, the course will be mostly delivered through a combination of lectures and classroom discussions and group assignments. However, cases, caselets and research papers which are relevant to managerial decision making process will be discussed from the perspectives of competitive market environment. Depending on the interest and comprehension level of the students, group exercises will be used to develop further insights. The term papers (under the supervision of faculty) will focus on applications of managerial economics concepts in real time business scenario and will be an extension of classroom learning. 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

1. MANAGERIAL ECONOMICS: PRINCIPLES AND WORLDWIDE APPLICATIONS: Dominick Salvatore Adapted by Ravikesh Srivastava (2012), Oxford University Press: 7th edition, Adapted version
2. MANAGERIAL ECONOMICS: APPLICATIONS, STRATEGY AND TACTICS: McGuigan, Moyer and Harris (2012): Cengage Learning 12th edition.
3. MODERN MICROECONOMICS:A Koutsoyiannis (2008), McMillan: 2nd edition.
4. MANAGERIAL ECONOMICS, MARK HIRSHEY (2009), Cengage Learning, 12th edition.

5. MANAGERIAL ECONOMICS AND BUSINESS STRATEGY, Michael R Baye and Jeffrey T Prince, McGraw Hill Education, 8th Edition.

Additional Reading Materials

Paper 1: – “Where is the Beef? Statistical Demand Estimation using Supermarket Scanner data”, Fred H. Hays and Stephen A DeLurgio, Jr. of Case Research in Business and Economics.

Case Studies

Case- 1:- “Maruti Suzuki India Limited: Sustaining Profitability”, IVEY Publishing Case, 9B14M115

Case -2:- “Indigo Airlines: Monopolizing Indian Skies”, IVEY Publishing Case, 9B19M028

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	Learning Attainments
01	End Term Exam	40%	LO-1, LO-2, LO-3 and LO-4
02	Quiz (2)	20%	LO-1, LO-2, LO-3 and LO-4
04	Group Term Paper*	30%	LO-2, LO-3 and LO-4
05	Class Participation**	10%	LO-1, LO-2, LO-3 and LO-4

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

** The student is expected to come prepared to class by reading the materials provided by faculty and constructively contribute to class discussions.

Plagiarism

Plagiarism is the use of or presentation of ideas, works that are not one’s own and which are not common knowledge, without granting credit to the originator. The student may refer to the already available content just for the reference and to get the basic ideas. Only 20% of such content is acceptable, above that comes under the definition of Plagiarism which is unacceptable and will be treated seriously. All such cases will be referred to the appropriate body of the Institute for suitable disciplinary action. All the assignments and Term Papers will be subjected to plagiarism software. Before submission, the student must make sure that their submissions comply with the plagiarism policy of IMI, Bhubaneswar.

Session Plan: Managerial Economics (EC-501)

Session No	Topic	Learning Outcomes	Suggested Readings
1-2	Introduction to Managerial Economics: <ul style="list-style-type: none"> ➤ Basic economics Concepts ➤ Goals of the Firm ➤ Decision making Process ➤ Optimization Techniques 	LO-1, LO-2 and LO 3	Chapter-1; Chapter-2 and Appendix 2 to Chapter 2 of the first book in the List (Salvatore) Awareness and familiarity with the websites for Indian economic data as mentioned in the first book in the list (Salvatore), Pp.29-30
3-7	Theory of Demand <ul style="list-style-type: none"> ➤ Theory of Consumer Choice ➤ Indifference Curves ➤ Elasticity of Demand Elasticity of Demand and Firm Preparedness Pricing Decisions and Firm Profitability	LO-1, LO-2, LO 3 and LO-4	Chapter 3 of the last book (Baye) Chapters 4 and 5 of the first book (Salvatore) The Reading on “Where is the Beef? Statistical Estimation using Supermarket Scanner data”
8-10	Theory of Production <ul style="list-style-type: none"> ➤ Production Function ➤ Production Iso-quants ➤ MRTS ➤ Returns to Scale ➤ Optimal levels of Production ➤ Technical Efficiency of Production ➤ Static vs. Dynamic Efficiency 	LO-1, LO-2, LO 3 and LO-4	Chapter 3 of of the 3 rd book in the list (Koutsoyiannis) Chapter 6 and Appendix to Chapter 6 from the first book (Salvatore)
11-12	Theory of Cost <ul style="list-style-type: none"> ➤ Cost Concepts ➤ Cost function ➤ Short-run and Long-run cost functions Economies of Scale and Scope ➤ Influence of Pandemic on Cost Functions of a firm 	LO-1, LO-2, LO 3 and LO-4	Chapter 8 and Chapter 9 of the 2 nd book in the list (McGugan) and Chapter 4 of 3 rd book in the list (Koutsoyiannis)

	<ul style="list-style-type: none"> ➤ Cost Functions during Forced Shut-Downs and Lock Downs and other possible Exigencies 		
13-16	<p>Market Structures and Pricing Decisions</p> <ul style="list-style-type: none"> ➤ Price and Output Decision in perfect competition ➤ Price and Output decision in Monopoly ➤ Price and Output decision in Monopolistic Competition ➤ Non-Price Competition in Monopolistic Competition ➤ Price discrimination by the Monopolist 	LO-1, LO-2, LO 3 and LO-4	<p>Chapter-10 from the 4th book in the list (Hirschey)</p> <p>Chapter 6, 7 and 8 from the 3rd book in the list (Koutsoyiannis)</p>
17-20	<p>Firm Interdependence and Oligopoly</p> <ul style="list-style-type: none"> ➤ Oligopoly Markets ➤ Firm Interdependence ➤ Non-Collusive Oligopoly ➤ Price War ➤ Sticky Price Model and Firm Profitability ➤ Collusive Oligopoly ➤ Ineffectiveness of Collusion by Oligopolists in the Long-run ➤ Exogenous Events and Exigencies – Covid-19 Influence on Firm Profitability 	LO-1, LO-2, LO 3 and LO-4	<p>Chapter 9 and 10 from the first book in the list</p> <p>Chapter 9 from the 3rd book in the list (Koutsoyiannis)</p> <p>Case: Maruti Suzuki India Limited (Oligopolistic firm behavior for <i>Goods/Products</i>)</p> <p>Case: Indigo Airlines (Oligopolistic firm behaviour for <i>Services</i>)</p>