

Kathmandu University School of Management
Executive MBA Semester I
Spring 2022 (March - July)

Course Title	Managerial Economics	
Facilitator	Anupama Shrestha Panta	
Credit Hours/Total Contact Hours	3/ 48 hours	
Prescribed Text	Managerial Economics: Theory, applications and cases by Allen, Weigelt, Doherty, Mansfield, Viva-Norton, Seventh edition. <i>If you can access the eighth edition, that would be fine as well (but it is not yet available through Viva-Norton).</i>	
Course Introduction	The course aims at cultivating participants' understanding of the micro-economic environment that is instrumental for business decision making. Theories and applications learned from the course are applied by managers for their day to day decision making. The discipline will help you in various ways: to understand markets and competitors, to manage available resources efficiently to develop strategic competency, to understand market's imperfections, to assess impact of government's policies on businesses, to understand behavior of economic agents etc. These insights are useful for sustenance of a business (firm) in a market economy.	
Course learning objectives & mapping	Upon successful completion, this course will enable a participant to: <ol style="list-style-type: none"> 1. apply economic principles in formulating rational business decisions (chps 1, 2,4,5,6,7,10,11,16) 2. interpret market models on the basis of demand and supply, estimate elasticities and evaluate their implications for businesses (chp 2) 3. examine production and cost functions and relation between them, and utilize the knowledge in planning production and assessing cost (chps 4,5) 4. classify different market structures, analyze market outcome and pricing behaviors in different market structures (chps 6,7,10) 5. predict the outcome of various strategic behavior of firms; measure attitudes toward risk (chp 11) 6. assess the role of government intervention including its effects on costs, benefits of operating a business (chps 16) 	
Learning Units		Readings
Economist's guide	Nature and scope of business economics, opportunity costs, costs and benefits, rent seeking behavior, nature of profits, optimization techniques	Chp 1 How to do the Case Presentation or Case Review? Assignment #1: That Summer Job Is Still Waiting If You Want It
Demand and Supply	Consumer's optimal demand; market demand, supply and equilibrium; different types of elasticities; use of elasticities. forecasting demand	Chps 2,3 Assignment #2: Onion Recall Across the US Case Presentation #1: Hurricane Sandy: Supply, Demand and Appropriate Responses to the Gas Shortage Quiz #1
Production and Cost	Nature of production function; isoquants and optimal combination of inputs; innovation and global competitiveness; estimating production functions. Nature of cost, short and long run cost curves; learning curves; economies of scale; breakeven analysis; profit contribution analysis; empirical estimation of cost functions.	Chps 4,5 Case Presentation #2: Black River Farms Quiz #2

Market structure and simple pricing strategies	Various market structure; price and output determination under perfect competition, long-run adjustment; monopoly and monopolistic competition; cost plus pricing; multiple product firm's behavior; pricing of joint products, price discrimination	Chps: 6, 7 Case Presentation #3: Search Engines in Search of Fair Play Case Presentation #4: Pricing the EpiPen: This is Going to Sting Quiz #3
Strategies faced by managers	Oligopoly market behavior and models, collusive behavior, duopoly, price leadership, Sticky price, strategy with game theory approach; dominant strategies, Nash equilibrium, strategic form game, extensive form game with backward induction, repeated and coordination games	Chps: 10, 11 Case Presentation #5: Tanner Pharmaceuticals and Price of New Drug Case Presentation #6: Pricing Games: Sony PlayStation and Microsoft Xbox Quiz #4
Government actions and managerial behavior	Competitive market vs monopoly; regulation of monopoly; effects of regulation on monopoly, antitrust laws, effects of taxes, price-ceilings and floors; public goods and market failure; dealing with positive and negative externalities	Chp: 16 Assignment #3: Why the Markets Need a Strong Government Hand Quiz #5
Pedagogy/Learning Methods	Lectures and case presentations by participants constitute the main instruments of learning methods. Lectures follow or are followed by group presentations/ discussions on related exercises (as assigned). Lectures must be interactive and participatory, and we expect the class to be an excellent model for creating an effective learning environment. Class will be divided into seven groups (as shown below), each consisting of five/six members. Each group is required to present various assigned group work/projects in the class. Textbook, case studies, newspaper readings, journal articles and other references will constitute the basic reading materials for the course. You are expected to update the given case to make it contemporary. A number of business applications will be introduced wherever possible. Pre-reading of assigned chapters is important, and participants must be ready for presentation on a couple of days' notice.	
Course Evaluation	<p>Your performance in the course will depend on the following instruments.</p> <ul style="list-style-type: none"> (i) 5 Quizzes: 15% (ii) Case presentation and Case Analysis: 20% (iii) Take Home Assignment: 15% (iv) Regularity, Class Participation and Conduct: 5% + 5% (v) Final exam: 40% <p><u>Quiz plans (Each quiz will have a time limit of 10 minutes):</u> <u>Case presentation plan:</u> A case study will be assigned to each group. The group is expected to conduct a thorough analysis of the case and prepare 30 minutes presentation (two candidates from the group will be randomly selected for presentation)</p>	
Class-room Etiquettes	<p>Someone with an ambition to earn a good post-graduate degree in business is expected to strive for high ethical work-standard. I expect a business student to be focused, disciplined, respectful, hard-working and goal-oriented.</p> <p>Please observe the following guidelines.</p> <ul style="list-style-type: none"> - No mobile phone calls or text messaging in class - No laptop to be turned on unless asked to work on it - Late arrival (over 5 minutes) will be reported as class absence - There will be no make-up for quiz, final exam, or group presentation - Plagiarism or cheating will result in zero grade for that test or assignment - 80% attendance is required to sit in the final examination, so use your absence wisely 	

Other References	<p>(1) Economics for Managers by Mark Hirschey. Thomson.</p> <p>(2) Managerial Economics by Craig Petersen, W. Lewis and Sudhir Jain. Pearson.</p> <p>(3) Managerial Economics by D. Salvatore and R. Srivastava. Oxford University Press.</p> <p>(4) Economics for Business by John Sloman and Mark Sutcliffe. Pearson.</p>
Other readings	<p><u>Newspapers:</u> You should skim through economic sections of Nepali and Indian newspapers where you will find plenty of issues dealing with contemporary economic problems, including how respective governments deal with them.</p> <p><u>Magazines:</u> Following magazines, although not exclusively, would be a good source for understanding international economic agenda.</p> <ul style="list-style-type: none"> (1) The Economist (2) Businessweek (3) Business Today