



## Diploma in Business Economics (870) – Managerial Economics

<b>Prerequisites:</b> Knowledge of accounting and business terminology.	<b>Corequisites:</b> A pass or higher in Certificate in Business Studies or equivalence.
<p><b>Aim:</b> The application of economic principles to managerial decision making. The course introduces the fundamental concepts of economic principles behind supply and demand, consumer choice, opportunity costs, market system, money, and banking as it applies to the management of an arts business. Candidates will also learn how to use economic information to manage their own finances and investments. This course is designed to provide candidates with a basic understanding of microeconomic theory that can be used to understand behaviour (in markets and organisations) and to make effective managerial decisions. It is intended to provide candidates with economic tools and an economic analysis used in the process of managerial decision making. The course concentrates on microeconomic analysis, which deals with models of economic behaviour of the consumer and the firm and will provide a basic understanding of firm and industry behaviour that serves as a basis for decision making. This will be achieved by first examining the relevant theory and then looking at real world examples. The course begins with an introduction to basic economic principles and the fundamental role of transactions and markets. Economic theories of demand, cost, competition, monopoly, and oligopoly are introduced and applied in order to examine decisions about production and pricing. Modern game theory and economics are further used to examine mostly internal managerial issues, such as incentive conflicts, information problems, and allocation of decision rights. The course provides candidates with detailed knowledge of many of the decision rules of microeconomics and ways in which these can be applied in organisations.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<p><b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and discussions.</p>	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Define managerial economics. Analyse the scope of managerial economics.</p> <p>2 Understand business objectives and the basic models of the firm</p> <p>3 Analyse the Nature of Firms</p> <p>4 Understand ownership and control, diversification and mergers</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Outline the subject matter of managerial economics</p> <p>1.2 Describe the analytical approach used in managerial economics</p> <p>2.1 Outline the assumptions of the neo-classical (or profit-maximising) model of the firm and the limitations of the model</p> <p>2.2 Describe the differences between the profit-maximising model and the managerial models of a firm</p> <p>2.3 Describe the differences between the profit-maximising model and the behavioural model of a firm</p> <p>3.1 Define a firm</p> <p>3.2 Describe the differences between the Coasian and Williamson's analyses of the firm</p> <p>3.3 Analyse Williamson's different types of governance structure and the factors affecting the choice amongst them</p> <p>4.1 Describe the advantages and disadvantages of the separation of ownership from control</p>

		4.2	Describe the various reasons for mergers and takeovers
		4.3	Describe the extent maximum profit which firms seek when ownership and control are in the hands of different people?
		4.4	Describe the factors which determine the extent a firm diversifies across different industries?
		4.5	Discuss how and why do mergers and take-overs take place?
5	Describe a multinational enterprise	5.1	Define multinational enterprise (MNE)
		5.2	Describe the various theories explaining MNE
		5.3	Explore the impact of the MNE: benefits and costs
6	Understand the economic theories of consumer behaviour	6.1	Describe the purpose of the economic theory of consumer behaviour
		6.2	Analyse the difference between the economic theory and consumer behaviour in marketing
		6.3	Describe the main approaches to consumer behaviour in economics
7	Explore estimating and forecasting demand	7.1	Describe the difference between estimation and forecasting demand
		7.2	Describe the strengths and weaknesses of alternative approaches to estimation
		7.3	Describe the strengths and weaknesses of alternative approaches to forecasting
8	Understand production functions and costs	8.1	Examine the relationship between inputs and outputs
		8.2	Identify the most important determinants of cost per unit (economies of capacity utilisation, economies of scale, economies of scope, learning effects)
		8.3	Identify the difficulties involved in the empirical estimation of these effects
		8.4	Explain the unusual features of costs in the information sector
9	Describe the models of market structure. Understand the 'Five Forces' approach to market structure	9.1	Explain the formal models of market structure used in economic analysis.
		9.2	Explain how price is determined in these models.
		9.3	Be able to carry out a '5-forces' analysis of an industry.
		9.4	Identify the key factors determining competition in an individual industry
10	Define risk and uncertainty	10.1	Distinguish the alternative states of information
		10.2	Distinguish alternative attitudes to risk
		10.3	Be able to use expected values and expected utilities to take decisions in a situation of risk
		10.4	Be able to construct and use decision trees




11 Describe game theory and its application in managerial economics	10.5 Be able to use alternative criteria for decision-making under uncertainty
	11.1 Understand the place of game theory in Economics 11.2 Be able to represent and solve simple games 11.3 Apply game theory to the issue of collusion 11.4 Be able to model Cournot, Bertrand and von Stackelberg competition 11.5 Be able to take a game-theoretic approach to entry deterrence 11.6 Appreciate the limits of game theory
12 Understand pricing in theory. Analyse pricing in practice	12.1 Describe the basic rules for optimal pricing 12.2 Define pricing and market structures 12.3 Explore pricing and entry conditions - the pre-game theory approach 12.4 Define price discrimination 12.5 Analyse pricing and the product life cycle 12.6 Identify the pricing objectives adopted by firms 12.7 Describe cost- plus pricing methods 12.8 Explain the relationship between the evidence on COST-PLUS and the MC=MR model 12.9 Review other pricing issues: alternative pricing methods; transfer pricing, pricing for public enterprise
13 Understand the non-price competition and the marketing mix	13.1 Be able to use a simple economic model to explain the need for a properly balanced marketing mix 13.2 Be able to extend the formal economic model of the firm to include marketing variables 13.3 Evaluate the 'rules-of-thumb' which are used by firms to set their marketing budgets 13.4 Be able to apply basic economic concepts to: product characteristics; the promotional mix; the product mix
14 Understand investment decisions and the cost of capital	14.1 Describe the concepts of capital budgeting and cost of capital 14.2 Illustrate techniques for the appraisal of investments 14.3 Describe financial models used to estimate the cost of capital
15 Analyse the relationship between economics and business strategy	15.1 Illustrate concepts used in the analysis of business strategy 15.2 Examine the relationship between economic analysis and changing trends in the analysis of strategy

### Recommended Learning Resources: Managerial Economics

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<b>Text Books</b>	<ul style="list-style-type: none"> <li>• Managerial Economics: Firms, Markets and Business Decisions (Paperback) by Ian Dobbs. ISBN-10: 0198775709</li> <li>• Managerial Economics (Hardcover) by Mark Hirschey. ISBN-10: 0324183305</li> <li>• Managerial Economics in a Global Economy (Hardcover) by Dominick Salvatore. ISBN-10: 0195307194</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None