Business Economics-I
[MB – 101]
Credits: 4

(MANAGERIAL ECONOMICS)
Chapter 1 : Introduction to Managerial Economics
Managerial Decision Making and Economic Theory, Goals of the firm: Measuring and Maximising Economic Profit, Economic Cost of Using Resources, Economic Profit versus Accounting Profit, Other Goals (Value Maximisation, Revenue etc.), Forms of Business Organisation, Separation of Ownership and Control, Pricing decisions under Risk and Uncertainty, The Principal-Agent Problem, Asymmetric Information, Moral Hazard and Adverse Selection.   (4L)

Chapter 2 : Demand Analysis
(A) Demand Functions - Law of Demand, Explaining the law of demand, Violations of the Law of Demand, Shifts in Demand; Elasticity of Demand: Price Elasticity (at a point and over and interval), Factors affecting price elasticity, Price elasticity and Change in Total Revenue, AR, MR and Price elasticity, Range of Values of Price Elasticity; Income Elasticity, Inferior, Superior and Normal goods, Income Elasticity and Share in Total Expenditure; Cross- Price Elasticity, Substitutes and Complements;   (5L)

(B) Introduction to methods of demand estimation   (2L)

(C) * #Indifference curves, budget line and consumer equilibrium, ICC, PCC (idea only)   (2L)

Chapter 3 : Production and Cost Analysis
(A) Production Function, Short Run and Long Run, Production with One Variable Input, Total Product, Average and Marginal Products, Law of Variable proportions, Relationship between TP, AP and MP.   (4L)

(B) Short Run Costs of Production, Fixed and Variable Costs, Short Run Total, Average and Marginal Cost and Relationship between them, Short Run Cost Curves, Relationship between AVC, MC, AP and MP; Long run cost curves, Relationship between LAC and SAC, Economies of Scale and Scope,   (3L)

(C) Production with Two Variable Inputs, Isoquants – Characteristics, Marginal Rate of Technical Substitution, Laws of Returns to Scale, Isocost Curves, * # Finding the Optimal Combination of Inputs, Production of a given output at Minimum Cost, Production of Maximum Output with a given level of Cost, Expansion Path, Finding the Long Run   Cost Schedules from the Production Function,   (4L)

(D) Law of supply, elasticity of supply, market equilibrium, changes in equilibrium.   (2L)

Chapter 4 : Managerial Decision Making under Alternative Market Structures
(A) Characteristics of Perfect Competition, #Profit Maximisation in Competitive Markets, Output Decision in the Short Run, Shut Down Point, Short Run Supply for the Firm and Industry; Output Decision in the Long Run, Break Even Point, Long Run Supply for the Perfectly Competitive Industry, Profit Maximising Input Usage under Competitive Conditions;   (3L)

(B) Profit Maximisation under Monopoly, Output and Pricing Decisions in the Short and Long Run,   (2L)

(C) Short and long run equilibrium under monopolistic competition   (1L)

(D) Interdependence of strategic decision making – oligopoly, Collusion – cartels, price leadership.   (2L)

Chapter 5 : Pricing Decisions
Price Discrimination under Monopoly, Average Cost Pricing, Marginal cost pricing, Peak Load Pricing, Limit Pricing, Multiproduct Pricing, Transfer Pricing.   (5L)

Chapter 6: Externalities and Market Failure
Understanding externalities and market failures, pricing under market failure   (2L)

References for Business Economics – I

Damodaran, Suma – Managerial Economics – Oxford University Press
Hirschey, Mark – Economics for Managers – Thomson South-Western
Lipsey & Chrystal - Economics(Eleventh Edition) – Oxford University Press
Maddala & Miller -Micro Economics – Theory & Applications(International Edition) – Tata McGraw Hill
Maurice & Thomas –Managerial Economics – Tata McGraw Hill
Peterson & Lewis – Managerial Economics – Prentice Hall of India Pvt. Ltd. /Pearson Education.
Pindyck and Rubenfeld (Sixth Edition) - Micro Economics – Prentice Hall of IndiaPvt. Ltd/Pearson Education
Salvatore, Dominick - Managerial Economics in a Global Economy –Oxford University Press -
Salvatore, Dominick - Micro Economics – Theory & Applications(Fourth Indian Edition) – Oxford University Press
Samuelson & Nordhaus – Economics(Sixteenth Edition) - Tata McGraw Hill
Sen, Anindya - Micro Economics – Theory & Applications – Oxford University Press

* both numerical and graphical methods to be discussed
# Only basic idea on second order condition required.