INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
DEPARTMENT OF ECONOMICS AND BUSINESS ADMINISTRATION
SCHOOL OF ECONOMICS

SYLLABUS

I GENERAL INFORMATION

Course title : Managerial Economics
Course number : BADM 4300
Credits : 3
Academic Term :
Professor :
Office Hours :
Office Telephone Number :
E-mail :

II DESCRIPTION

Application of contemporary economic theory. Use of analytical instruments from other disciplines in the managerial decision-making process.
Prerequisites: MAEC 2212, 2221

III OBJECTIVE

Students will learn how to integrate the concepts of economic theory, mathematics and other functional areas of business in efficient managerial decision making.

IV CONTENT

A. Nature and Scope of Managerial Economics

1. Economic Theory and Managerial Decision Making
   1.1. Definition of managerial economics
   1.2. Economics and the decision making process
   1.3. The principal goal of the firm
   1.4. Concepts of economic profit and optimization principles
   1.5. The social responsibilities of the firm
   1.6. Marginal versus incremental analysis
B. Demand, Supply and Consumer Behavior

1. Demand and Supply
   1.1. Demand concepts (direct, derived, individual, market)
   1.2. Changes in quantity demanded and quantity supplied versus changes in demand or supply
   1.3. Determinants of demand
   1.4. Demand function and demand curve equation derivation
   1.5. Supply function and supply curve equation
   1.6. Determination of equilibrium price and output

2. Demand Sensitivity Analysis
   2.1. Price elasticity of demand
   2.2. Cross price elasticity of demand
   2.3. Income elasticity of demand
   2.4. Advertising elasticity of demand
   2.5. Total revenue and price elasticity
   2.6. Optimal price determination

3. Economic Concepts of Consumer Behavior
   3.1. Utility
   3.2. Marginal utility and the law of diminishing marginal utilities

C Pricing Strategies

1 Pricing Practices and Profit Maximization
   1.1. Cost plus pricing and price elasticity of demand
   1.2. Price discrimination and required feasibility conditions
   1.3. Transfer pricing methods

D Production and Cost

1. Short run Production analysis
   1.1. The production function
   1.2. Marginal product and average product
   1.3. Law of diminishing marginal returns
   1.4. Marginal Revenue product of an input

2. Long run production analysis
   2.1. Isoquant and isocost equations
   2.2. Least costly combination of inputs
   2.3. Output elasticity
   2.4. Returns to scale (increasing, decreasing and constant)
3. Short run Cost analysis
   3.1. Costs functions (total, variable and fixed)
   3.2. Average cost functions and marginal cost functions
   3.3. Relationships between marginal cost and average costs
   3.4 Implicit and explicit cost
   3.5 Historical cost, relevant cost, sunk cost

4 Long run Cost analysis
   4.1 Long run average cost function
   4.2 Economies of scale and scope
   4.3 The learning curve

E Market Structure

1. Competitive environment
   1.1. Definition of markets and market structure
   1.2. Indicators of the effects of the competitive environment
   1.3 Impact of potential entrants

2. Deterministic Features of the competitive environment
   2.1 Product differentiation
   2.2 Production methods
   2.3 Entry and exit conditions

3. Market of Perfect Competition
   3.1 Characteristic of perfect competition
   3.2 Profit maximization and measures of profit rates (ROE)
   3.3 Conditions that determine operations or shutdown of the firm
   3.4 Marginal cost and the firm’s short run supply curve
   3.5 Conditions for long-term viability of the competitive firm

4. Market Failure in a Competitive Market
   4.1 Factors of market failure in a competitive market

5. Government intervention in competitive markets
   5.1 Subsidies and taxes
   5.2 Price ceilings and price floors
   5.3 Tax incidence and burden
   5.4 Deadweight loss
6 Imperfect Markets

A Monopoly

6.1 Basic features of monopoly
6.2 Profit maximization under monopoly
6.3 Social cost and benefits of monopoly
6.4 Monopoly regulation and antitrust laws
6.5 Monopoly market strategies

B Monopolistic Competition

1.1 Characteristic of monopolistic competition
1.2 Profit maximization in monopolistic competition

7 Oligopoly

7.1 Features of oligopoly
7.2 Oligopoly output-setting models/price setting
7.3 Market structure measurements
   a. economic markets and cross price elasticity
   b. Economic Census
   c. Concentration ratios
   d. Herfindahl-Hirschmann Index

V ACTIVITIES

A Problem solving
B Term paper
C Class presentations
D Exams

VI EVALUATION

Exams 60%
Class presentation 20%
Term paper 20%
VII SPECIAL NOTES

A. Special Accommodations

Students who require special accommodations must request these services at the beginning of the course or as soon as they notice that they need help. Students can access this service with Professor Jose Rodriguez, Coordinator of Students With Special Needs at the Guidance and Counseling Office on the first floor at Metro’s Student Center.

B. Plagiarism

Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution. Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, article 1, Section B.2 of the Student’s Rules and Regulations handbook.


Inter American University has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter 5, article 1, Section B.2c of the Student’ Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

C. Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.
VIII  EDUCATIONAL RESOURCES

A  Required textbook:

IX  BIBLIOGRAPHY

A  News papers
1  Caribbean Business
2  El Nuevo Día
3  Wall Street Journal

B  Journals
1  The Economist
2  Businessweek

C.  Electronic Resources
1  http://www.businessweek.com
2  http://www.money.cnn.com
3  http://online.wsj.com

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