

**INTERAMERICAN UNIVERSITY OF PUERTO RICO
METROPOLITAN CAMPUS
ECONOMICS AND ADMINISTRATIVE SCIENCES FACULTY
MBA PROGRAM**

COURSE SYLLABUS

I **COURSE TITLE** : **Managerial Economics**
Course number : **BADM 5020**
Credit hours : **3**
Contact hours : **45**
Requisites: None
Term:
Professor: Dra. Baltazara Colón
Phone Number:

II **DESCRIPTION**

Nature of demand and economic aspects of production in firms. Optimization techniques and use of analytical economic methods in the managerial decision-making process. Analysis of risk and decision-making under conditions of uncertainty.

III **OBJECTIVES**

After finishing this course the student should be able to:

1. Explain the nature and scope of managerial economics
2. Integrate concepts of consumer behavior, demand, supply and demand sensitivity analysis in business decision making
3. Explain the different pricing strategies used in business decision making
4. Integrate concepts of production and cost analysis in decision making
5. Evaluate firm's conduct and economic performance under competitive conditions and imperfect competition
6. Evaluate the impact of Government intervention in markets
7. Apply concepts of risk and uncertainty analysis in decision making

IV. **CONTENT**

A **Nature and Scope of Managerial Economics**

1. Economic Theory and Managerial Decision Making

- 1.1. Definition and scope of managerial economics
- 1.2. Economics and the decision making process
- 1.3. The principal objective of the firm

- 1.4 Profit theories and optimization principles
- 1.5 Marginal and incremental concepts
- 1.6 Revenue functions
- 1.7 The social responsibilities of the firm

B Demand, Supply, Elasticity and Concepts of Consumer Behavior

1. Consumer demand and producer supply concepts

- 1.1. Concepts of demand (direct, derived, individual, market)
- 1.2. Changes in demand or supply and changes in quantity demanded or quantity supplied
- 1.4 Demand function and demand curve equation
- 1.5 Supply function and supply curve equation
- 1.6 Equilibrium price and output
- 1.7 Demand elasticity and advertising elasticity
- 1.8 Total revenue and price elasticity of demand
- 1.9 The optimum price and quantity
- 1.10 The optimum consumption bundle and individual demand curve
- 1.11 Consumer surplus
- 1.12 Overview of statistical tools in demand analysis

D Pricing Strategies

1 Pricing Practices and Profit Maximization

Cost plus pricing

Price discrimination and required feasibility conditions

Transfer pricing methods

Other Pricing strategies

- a. Penetration pricing
- b. Loss leader pricing
- c. Prestige pricing
- d. Discounting
- e. Price lining

E Production and Cost

1 Production and operations management

- 1.1 Organization of production
- 1.2 The process of production
- 1.3. The production functions and isoquants
- 1.4. Marginal analysis in production decision making
- 1.5. Law of diminishing marginal returns
- 1.6 Returns to scale
- 1.7 Optimum combination of input condition

2. Cost analysis

- 2.1 Types of costs (Explicit, implicit, sunk, relevant, historical)
- 2.2. Costs functions (total, marginal, average, variable and fixed)
- 2.3 Relationship between cost functions and with production functions
- 2.4 Economies of scale, scope and experience
- 2.5 Breakeven analysis
- 2.6 Degree of operating leverage

F The Competitive Environment and Market Structure

1. Competitive environment

- 1.1 Frame work of the five forces
- 1.2 Internal rivalry
- 1.3 The threat of entry
- 1.4 The threat of substitute products
- 1.5 Supplier and buyer bargaining in the industry
- 1.6 Strategies for dealing with the five forces
- 1.7 Perfect competitive markets and characteristics
- 1.8 Factors of market failure in a competitive market

2. Imperfect Market Structures

- 2.1 Characteristics of different imperfect market structures
- 2.2 Market concentration ratios
- 2.3 Hirschman Herfindahl index

G Risk Analysis

1 Concepts of Risk And Uncertainty

Definition of risk and uncertainty

Types of risk

- 1.3 Discrete and continuous probability methods in risk analysis
- 1.4 Utility concepts of risk aversion, neutrality and risk seeking

2 Risk Valuation Models

- 2.1 The basic valuation model
- 2.2 Certainty Equivalent Adjustment
- 2.3 Risk- Adjusted Discount rate

V Activities

- A. Assigned readings from textbooks or web material
- B. Problem solving exercises
- C. Short case studies from textbook
- D. Readings from journals or newspapers

VI Evaluation Criteria

Exams	60%	100 (2) each
Class presentations or readings	40%	100

VII Special Notes

A. Special Accommodations

Students who require special accommodations must request these services at the beginning of the course 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.

<http://metro.inter.edu/servicios/documentos/reglamentosestudiantes2006.pdf>

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 favorable 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 Textbooks:

Hirschey, Mark, (2007) **Managerial Economics**. Thompson SouthWestern, 11th edition.

Besanko, Dranove, Shanley, Schaefer, (2007) **Economics of Strategy**, Wiley, 4th edition

IX. Bibliography

News papers

A Caribbean Business/ El Nuevo Día

Journals

A The Economist/ Fortune 500

B. Web Pages:

<http://www.businessweek.com>

<http://www.money.cnn.com>

<http://online.wsj.com>

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