

California State University Channel Islands
Martin V. Smith School of Business & Economics

ECON 329: Managerial Economics:
Fall 2013

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Course Description:

This course covers basic economic tools and techniques underlying effective decision making and planning. This course will focus on a solid understanding of the application of economic analysis tools to solve problems you will encounter as a manager in your professional life. Being able to conduct the necessary calculations to support business decisions is a highly noted administrative skill. This course will help you to acquire that skill.

Program Learning Goals: These are the skills we try to help you build in all MVS courses

1. Critical Thinking
2. Oral Communication
3. Written Communication
4. Collaboration
5. Conduct (Ethics)
6. Competency in Discipline

Student Learning Objectives:

- Understand and apply basic tools in business decision making 1
- Identify business objectives; profit maximization and cost minimization (1,3)
- Apply sensitivity analyses in business decisions by using concept of elasticity (1,6)
- Identify positive and normative methods of analysis. (1,6)
- Derive and interpret the optimality conditions for the constrained optimization problems faced by consumers and producers. (1,6)
- Identify the key factors affecting demand and supply (1,3)
- Incorporate risk considerations as part of business optimal decision-making. 1
- Determine the efficiency implications of various forms of market structure. (1,5)
- Project the economic consequences of business decisions or policy changes from the short run to the long run. (1, 3, 5)
- Identify circumstances where markets may fail and forecast likely outcomes of such failures. (1,5)
- Analyze government solutions to market failures. 1

Prerequisites: Economics 110 and 111 and Mathematics 140 (or 150).

Required Text: Managerial Economics by Samuelson, William F. and Mark, Stephen G. 2012 (7th Edition), Published by John Willey & Sons, Inc.: New York.

Optional Text: Study Guide to Managerial Economics by Samuelson, William F. and Mark, Stephen G. 2012 (7th Edition).
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Homework

Homework problems will be assigned regularly. The homework assignments count as 15 percent of the final class grade. Each assigned problem set will be worth 4 points and will be counted toward your final grade. These assignments are due in class on the day indicated. Late assignments would only receive 2 points (out of 4 points).

Oral Presentation Assignment

Each student is required to conduct a presentation on a company performance. Assume a corporation has hired you as an Economic/Financial Analyst. Your task is to develop a set of strategies (i.e., managerial and/or promotional) to help this company gain competitive advantage and add market value. To begin, you conduct a market analysis of the company’s performance in the stock market. Based on the outcome of your market analysis, you propose a set of strategies that would exert the best potential for profitability. In your proposal, detail your strategies and propose a set of goals. You also need to summarize your analyses and findings in a two page report. For more details, please refer to the CI Learn.

Examinations

There will be two mid-term exams given on Monday **September 30th** and **November 4**. The final exam will be given at the scheduled time (**December 9**). Mid-term and final exams contain multiple choice and problems. Equations required to do the problems are provided on the test or on the blackboard. Your grade will be based on your average score.

Grading **Semester’s Grade Determination**

50%	Two mid-term exams
25%	Final Exam
15%	Homework
10%	Presentation

The following scale will be used to determine the letter grade:

<u>Percentage</u>	<u>Letter grade</u>
95 – 100%	A
90 – 94.9	A-
87 – 89.9	B+
83 – 86.9	B
80 – 82.9	B-
77 – 79.9	C+
73 – 76.9	C
70 – 72.9	C-
67 – 69.9	D+
63 – 66.9	D
60 – 62.9	D-

Incompletes and Late Withdrawal

Incomplete grades will only be awarded under extraordinary circumstances. Not doing well in the course does not constitute an extraordinary circumstance. To avoid being assigned failing grades, students who decide not to complete the class must withdraw themselves from the class in accordance with the procedures described in the University catalog.

Drop Policy

According to University policy, non-attendance does not constitute withdrawal; to withdraw from this class you must file a drop form with the University. If you fail to attend this class, and you do not formally drop the class, a "WU" (unauthorized withdrawal), the equivalent of a failing grade, will be recorded.

Academic Dishonesty

University rules prohibit cheating, fabrication, facilitating the academic dishonesty of another student, and plagiarism. In accordance with the CSU Channel Islands policy on academic dishonesty, students in this course who submit the work of others as their own (plagiarize), cheat on tests and examinations, help other students cheat or plagiarize, or commit other acts of academic dishonesty will receive appropriate academic penalties, up to and including failing the course.

Course Outline and Chapter Assignments

I. Introduction: Economic Decision Making

The Theory of the Firm and Profits

Chp. 1, Aug. 26

September 2th. Labor Day Holiday

II. Review of Optimization Techniques

Chp. 2, Sep. 9

Calculus of Optimization; (Average-Marginal/Incremental
Concepts in Decision Making, Incremental Analysis
in Economics) Appendix .

III. Demand Analysis and Optimal Pricing

Chp. 3, Sep. 16

(Demand and Supply Functions; Firm vs. Industry Demand
and Supply, Market Equilibrium, Comparative Static)
Consumer surplus
Elasticity Concepts
Price Elasticity and Optimal Pricing Policy
Consumer Preferences and Demand

Chp. 3, Sep.16

IV. Demand Estimation and Forecasting

Chp. 4, Sep. 23

The Identification Problem; Market experiment; Regression
Analysis Consumer Survey)
(Time series, Extrapolations, Econometric Models, and Market Survey)

First Mid-Term Exam (Chp 1-4) September 30

V. Production Analysis

Chp. 5, Oct. 7

(Production Functions, Law of Diminishing Returns,
Optimal Input Combinations, Stages of Production,
Efficiency, Return to Scale, Productivity Measurements)

VI. Cost Analysis

Chp. 6, Oct. 14

(Various Cost Concepts, Short-Run and Long-Run Costs,
Cost Functions; Economies of Scale/Scope; Breakeven Analysis,
Empirical Cost Estimation Techniques)

VII. Competing within Markets

Chp. 7-8, Oct.21

Perfect Competition, Monopoly, Monopolistic Competition
Price/Output Decisions
Performance and Strategy in Competitive Markets

VIII. Oligopoly

Chp. 9,10, Oct.28

(Price/Output Decisions and Competition)
Concentrations and Prices
Game Theory and Competitive Strategy
(Price/Output Decisions under Oligopoly, Game Theory)
Analyzing Payoff Tables

Second Mid-Term Exam (Chp. 5-10) November 4

November 11. Veteran's Day Holiday

IX. Regulation, Public Goods, and Benefit and Cost Analysis

Chp. 11, Nov.18

(Market Failure Due to Externalities and Monopolies)

The Basics of Benefit and Cost Analysis

X. Decision Making Under Uncertainty

Chp. 12, Nov.25

Economic Risk and Uncertainty, Probability Concept,

Expected Value and Decision Trees

Utility Theory and Risk Analysis, Adjusting the Valuation

Decision –Making Applications

Chp. 13-14, Dec. 2

Value of Information

Asymmetric Information

Organizational Design

Final Exam (Chp. 11-14) Dec. 9