

UNDERGRADUATE PROGRAMME IN BACHELOR OF MANAGEMENT STUDIES

PAPER No. 6 MANAGERIAL ECONOMICS

Learning Objective: The purpose of this course is to apply microeconomics concepts and techniques in evaluating business decisions taken by firms. The emphasis is on explaining how the tools of standard price theory can be employed to formulate a decision problem, evaluate alternative courses of action and finally choose among alternatives. Simple geometry and basic concepts of mathematics will be used in course of teaching.

Course contents:

Unit I

Lectures: 5

Demand, Supply and Market Equilibrium; Elasticities of Demand & Supply, short run vs. Long run Elasticities.

Unit II

Lectures: 10

Theory of Consumer Behaviour, Indifference curve theory, Indifference curves & its properties, Budget Constraints, Consumer Choice, Revealed Preference, Marginal Utility and Consumer Choice.

Unit III

Lectures: 12

Production: Technology of Production; Production with one variable input, Production with two variable input, Returns to Scale. Cost: Measuring Costs, Costs in the Short & long run, Long run vs. Short run cost curves; Economies of Scope, Learning Curve.

Unit IV

Lectures: 23

Theory of Firm & Market Organization: Perfect Competition: Perfectly Competitive markets, Profit Maximization, Marginal revenue, Marginal Cost, Output in the short run & long run, Industry's long run supply curve, Consumer and producer surplus, Minimum prices, price support, Import Quota and tariff, Impact of Tax or subsidy. Monopoly: Monopoly Power & its sources, Social Cost of Monopoly Power, Monopsony, Monopsony Power, Price Discrimination, Peak-load Pricing & Inter-temporal Price Discrimination, Two-part Tariffs. Monopolistic Competition & Oligopoly: Price Competition, Prisoner's Dilemma, Cartels. Pricing of Factors: Competitive Factor Markets, Equilibrium in Factor Markets, Factor Markets with Monopsony & Monopoly Power.

Unit V

Lectures: 6

Market Failure: Externalities, Ways of correcting Market Failure, Stock Externalities & Property Rights, Common Property Resources, Public Goods, Private Preferences for Public Goods.

Text books:

1. Pindyck, Rubinfeld & Mehta (2009). *Microeconomics* (7th ed.). Pearson.

References:

1. Lipsey and Chrystal. (2008). *Economics*. (11th ed.). Oxford University Press.
2. Koutosyiannis (1979). *Modern Microeconomics*. (2nd ed.). Palgrave Macmillan.
3. Dominick Salvatore (2009). *Principles of Microeconomics* (5th ed.). Oxford University Press.