

EC554(C) MANAGERIAL ECONOMICS

➤ **Learning Objectives and Outcome**

- Main purpose of this paper is to impart knowledge on Managerial economics.
- By studying this paper students are expected to know about- The Nature and Scope of Managerial Economics, Demand Estimation and Forecasting, Optimization Technique: Linear Programming, Price of Profits, Styles and Profit Analysis, Pricing Practices and Strategies, Capital Budgeting, Regulation and Risk Analyses.

Module I: The Nature and Scope of Managerial Economics:

Introduction - Definition, Relationship Managerial Economics to Economic Theory as well as Decision Science. Organization of Business Firms - Concepts and Types of Business Organization, Proprietorship, Partnership, Joint Stock Company, Corporation, Cooperatives.

Reasons for the existence of Firms and their Functions - The Objective and Value of the Firm: Model of Profit Maximization, Managerial Theories of Firm, Baumol's Sales Revenue Maximization Model, Baumol's Theory with Advertisement, Dynamic Model, Williamson's Model, Marris Model of Managerial Enterprises, Behavior Theories - Simon's Satisfying Model - Cyert and March's Theory of Firm. Measuring Efficiency of the Firm: Profitability Ratios, Financial Stability, Solvency and Gearing.

Module II: Demand Estimation and Forecasting:

The Identification Problem - Marketing Research Approaches - Regression Analysis - Problems in Regression Analysis - Demand Estimation.

Demand Forecasting: Time Series Analysis - Smoothing Techniques - Barometric Methods Econometric Models (Input-Output Forecasting).

Module III: Optimization Technique: Linear Programming:

Problems of Optimization - Linear Programming for Optimization - Meaning, Assumptions and Applications of Linear Programming, Basic Linear Programming Concepts - Procedure used in Formulating and Solving Linear Programming Problem - Linear Programming and Profit Maximization - Linear Programming and Cost Minimization - Graphical Solution and Simplex Method - The Dual Problem and Shadow Prices - Linear Programming and Logistics in the Global Economy. Game Theory and Optimization Technique in Decision Making Process.

Module IV: Price of Profits, Styles and Profit Analysis:

The Nature and Function of Profits: Business versus Economic Profit – Theory of Profit: Residual Claimant Theory, Wage Fund Theory, Dynamic Surplus Theory, Innovation Theory - Profit Policy - Break-Even Analysis and Profit Measurement, Profit Forecasting.

Module V: Pricing Practices and Strategies:

Specific Pricing Problems - Popular Pricing Practices: Cost-Oriented Pricing, Cost-Plus Pricing and Other Price Determinants, Peak-Load Pricing, Price over the Life Cycle of the Product, Penetration Price - Pricing of Multiple Products - Price Discrimination - International Price Discrimination and Dumping - Transfer Pricing.

Module VI: Capital Budgeting:

Capital Budgeting - an Overview - The Capital Budgeting Process.

Capital Budgeting Decision, Factors Influences in Investment Decision, Determining the Size of Capital Budget, Methods used to make Investment Decisions, Sources of Fund for Long-Term Financing, Measurement of Cost.

Module VII: Regulation and Risk Analyses:

The Role of the Government in the Economy - Risk and Uncertainty in Managerial Decision - Making - Long Run Investment Decisions.

Text Books:

Salvatane Dominick (1993), Managerial Economics in a Global Economy, McGraw-Hill Inc., New York.
Mc Guigon R. James, R. Charles Moyer, Frederick H Deb, Harris (2002), Managerial Economics: Applications, Strategy and Tactics, South Western, USA.

References:

Thomas Christopher R. and Charles Maurice S. (2005), Managerial Economics, McGraw-Hill Irwin, Boston.
Keat Paul G. and Philip K.Y. Young (2003), Managerial Economics - Economic Tools for Today's Decision Makers, Prentice Hall, New Jersey.
Samuelson William F. and Stephen G. Marks (2006), Managerial Economics, John Wiley and Sons, Inc., New Jersey.
Petersen H. Craig and W. Cris Lewis (1986), Managerial Economics, Maxwell Macmillan International Editions, New York.
Mehta P.L. (1997), Managerial Economics: Analysis, Problems and Cases, Sultan Chand and Sons, New Delhi.
Shankaran S. (1999), Managerial Economics, Margham Publications, Madras.