

Fayetteville State University
School of Business and Economics
Department of Finance, Entrepreneurship, Economics and Marketing
Econ 310 D1, Managerial Economics

FSU Policy on Electronic Mail: Fayetteville State University provides to each student, free of charge, an electronic mail account (username@uncfsu.edu) that is easily accessible via the Internet. The university has established FSU email as the primary mode of correspondence between university officials and enrolled students. Inquiries and requests from students pertaining to academic records, grades, bills, financial aid, and other matters of a confidential nature must be submitted via FSU email. Inquiries or requests from personal email accounts are not assured a response. The university maintains open-use computer laboratories throughout the campus that can be used to access electronic mail.

Rules and regulations governing the use of FSU email may be found at

<http://www.uncfsu.edu/PDFs/EmailPolicyFinal.pdf>

II. Course Description: An in-depth study of managerial decision-making process and its tools, including such topics as forecasting demand, cost analysis, and product and resource pricing.

III. Disabled Student Services: In accordance with Section 504 of the 1973 Rehabilitation Act and the Americans with Disabilities Act (ACA) of 1990, if you have a disability or think you have a disability to please contact the Center for Personal Development in the Spaulding Building, Room 155 (1st Floor); 910-672-1203.

IV. Textbook: Baye, Michael, Managerial Economics: Economics and Business Strategy (New York: McGraw Hill, 2008). ISBN 978-07-337568-3

V. Student Learning Outcomes

Upon completion of the course, students should be able to:

1. Forecast demand, determine and measure the relationship between production and resource use, determine whether a firm is operating efficiently, determine optimum resource allocation, determine the relationship between cost and output and revenue and output, determine the minimum production cost, conduct breakeven analysis, analyze the market environment, price product and determine profit strategies under different market conditions, and learn how to apply the concepts of opportunity cost, economies of scale, income, price and cross elasticity of demand and time value of money and exchange rate to managerial decision making
2. Apply the above referenced concepts to solve practical managerial problems.
3. Understand and evaluate the various methods of measuring economic relationships and utilize empirical analysis for managerial decision-making.
4. Develop a better understanding of the domestic and global market environment in which a typical business firm must operate.
5. Compute and analyze the market conditions and financial ratios of a firm.

V COURSE OBJECTIVES:

After completing the course, the learner will be able to:

1. To explain what managerial economics is and how to learn it.
2. To explain how goals, constraints, incentives and market rivalry affect economic decisions.
3. To distinguish between economic profits and accounting profits and explain the role of profits in decision making.
4. To employ five forces framework to analyze the sustainability of an industry's profits.
5. To apply present value analysis and exchange rates to make investment decisions and determine the value of assets and firms.
6. To use marginal analysis to determine the optimum level of managerial control variable.
7. To explain the law of demand and supply and identify factors that cause demand and supply to shift
8. To calculate financial ratios and decide how to use them for investment decisions.
9. To use supply and demand analysis as a qualitative forecasting tool to see the "big picture" in competitive markets.
10. To explain and illustrate how government actions—such as excise taxes, ad valorem taxes, price floors and price ceilings – impact on the functioning of competitive markets.
11. To use various measures of elasticity of demand as a quantitative tool to forecast changes in revenues, prices and units sold
12. To illustrate the relationship between the elasticity of demand and total revenue, and identify three factors that influence whether the demand for a given product is relatively elastic or inelastic.
13. To explain the relationship between marginal revenue and the own price elasticity of demand.
14. To explain how regression analysis may be used to estimate demand functions, and how to interpret and use the output of a regression.
15. To identify and explain the different measures of the productivity of inputs and the role of a manager in the production process.
16. To determine derived demand and cost- minimizing combination of inputs for given production functions.
17. To derive cost function from a production function and explain how accounting costs differ from economic costs.
18. To distinguish between short-run and long-run production decisions and illustrate their impact on costs and economies of scale.
19. To determine whether a multiple –output production process exhibits economies of scope or cost complementarities and explain their significance in managerial decision making.
20. Discuss the economic trade-offs associated with obtaining inputs through spot exchange, contract or vertical integration.
21. Determine the optimum level of procuring inputs.
22. Describe the principal agent- problem as it relates to managers and owners and explain the three forces that owners can use to discipline the managers.
23. Identify the four tools that managers can use to mitigate the incentive problems in the workplace.
24. To provide alternative measures of industry structure, conduct, and performance and discuss their limitations.
25. To give examples of vertical, horizontal and conglomerate mergers and explain economic basis of each type of merger.
26. To explain the relevance of the Herfindhal- Hirschman index for antitrust policy and under the horizontal merger guidelines.
27. To describe the structure-conduct-performance paradigm, the feedback critique and their relation to the five forces framework.
28. To determine whether an industry is best described as perfectly competitive, a monopoly,

- monopolistically competitive or an oligopoly.
29. To use the marginal principle to determine the profit-maximizing price and output for perfectly competitive, monopolistically competitive and monopoly firms.
 30. To explain how long-run adjustments impact different market structures and analyze the ramifications of each market structure on social welfare.
 31. To determine the optimal output of a firm that operates two plants and the optimal level of advertising for a firm that enjoys market power.
 32. To distinguish among dominant, secure, Nash, mixed and sub-game perfect equilibrium strategies and identify such strategies in various games.
 33. Use simple elasticity-based markup formulas to determine profit-maximizing prices in different market structures.
 34. Explain how price matching guarantees, brand loyalty programs, and randomized pricing strategies can be used to enhance profits, extract additional consumer surplus and profits.

VI. Course Requirements and Evaluation Criteria -

The student evaluation criteria would be as follows:

The course grade will be based on the following:

Exam 1 (Test)	15 percent
Mini-Quizzes	15 percent
Mid-Term	15 percent
FINAL EXAM	20 percent
Research Paper	15 percent
Home-work assignments	15 percent
Discussion Board Issues	5 percent

GRADING SCALE:

The following scale will be used to compute the final grade:

A = 92 - 100
B = 83 - 92
C = 73 - 82
D = 64 - 72
F = Below 64

A letter grade represents the quality of work the student has achieved in the course. The grade is, therefore, an indication of the degree of mastery in a course. Accordingly, letter grade A, B, C and D represents respectively exceptionally high, good, satisfactory, marginally passing. Grade F denotes failure in the course.

Class Attendance Policy: Not Applicable : An on - line course

Other Course Requirements

1. An individual copy of the textbook

2. Timely completion of all reading assignments
3. Timely completion of all written work in the form designated by the instructor
4. **Ability to access documents on the Internet and access to a computer at home.**
5. Proficiency in the use of Blackboard.

Course Policies

1. Assignments, quizzes and exams must be submitted on time. Late submissions will not be graded. No excuse will be accepted for late submission.
2. Students must check their E-mails every day.
3. You must have a computer or an access to computer and internet at home.
4. You must submit the textbook page numbers for answers to the questions included in the assignment and quizzes. If you do not submit the page numbers, you will not given credit for the quiz and assignment.
5. You must submit your work in the digital dropbox. It is your responsibility to learn how to submit your work in the digital dropbox. If your work cannot be opened, it will not be graded. You must check your homework prior to submission to ensure the instructor can open it.
6. You must submit your work with separate and proper headings. For example, Assignment 1; Assignment 1 page numbers; Quiz 1 page numbers, Exam 1 etc.
7. You must submit the research paper through the Turnitin.
8. The research paper must be referred to the Smarthinking (see Tools) or campus writing lab prior to submission. Include in your submission the evidence that you have referred to and used the comments made by the Smarthinking or campus writing lab.

VII. Academic Support Resources : Smarthinking (see Tools)

VIII. COURSE OUTLINE WITH ASSIGNMENT SCHEDULE

Week 1 & 2 The Fundamentals of Managerial Economics

Competencies 1 through 6
 Baye, chapter 1 and Appendix 2

Assignment # 1 due on Monday, January 17 , 2011

Assignment received after the due date will not be graded

1. Post on the Discussion Board your response to the case study described in Q # 20 (chapter 1)
2. Answer end of the chapter 1 questions # 2, 3 and 7 (Hints: See Demonstration Problem 1-1; Demonstration Problem 1-3(page24) and opportunity cost concept (pages 5-6). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions
3. Complete Quiz 1. Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the quiz questions

To access quizzes, go to documents. Also, you must identify the page number in the textbook where the answer to the quiz question is available. The page numbers for each quiz must be deposited in the digital dropbox.

Weeks 3 & 4

Market Forces: Demand and Supply

Competencies 7 through 10

Baye, chapter 2 (required reading)

Assignments # 2 due by Monday, January 31, 2011.

Assignment received after the due date will not be graded

1. Post on the Discussion Board your response to the case study described in Q # 10 (chapter 2).
2. Answer textbook chapter 2 Problems and Applications # 9 and 14 (Hints: Review determinants of demand and supply; for question 14, set initial demand and supply equation equal to each other, solve for P. Set new supply equation to the original demand equation and solve for P and determine new P and compute the difference between the new P and old P). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions
3. Complete chapter 2 quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.

Week 5 & 6 - Quantitative Demand Analysis

Competencies 11 through 14

Bayes, chapter 3

Assignment # 3 due by Monday, February 14, 2011

Assignment received after the due date will not be graded

1. Post on the Discussion Board your response to the case study described in Q # 21 (chapter 3)
2. Answer chapter 3 problems #11 and 12 and Input the data on page 106 in the Excel spread sheet and run a regression. You must explain how a manager might use R^2 , t-statistics and F- test to make managerial decisions (Hints: pages 75-76; Demonstration Problem # 3-2; pages 98-102. Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions
3. Complete chapter 3 quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.

EXAM I

Monday, February 21, 2011, 9:00PM to 10:30PM (NO MAKE-UP EXAM)

Week 7& 8 - The Production Process and Costs

Competencies 15 through 19

Baye, chapter 5

Assignment # 4 due by Monday, March 7, 2011

Assignment received after the due date will not be graded

1. Post on the Discussion Board your response to the case study described in Q # 16 (chapter 5).
2. Answer textbook chapter 5 problems # 7,10, 12,and 13.
(Hints: Demonstration problem 5-6; Demonstration problem 5-3). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions
3. Complete chapter 5 Quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.

Week 8 & 9 - The Organization of the Firm

Competencies 20 through 23
Baye, chapter 6

Assignments # 5 due on Monday, March 21, 2011

Assignment received after the due date will not be graded

1. Answer textbook chapter 6 problems # 9, 10 and 12 (Hints: review the advantages and disadvantages of different types of contracts). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions.
2. Complete chapter 6 Quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.
3. Post your comments on the case study described in problem # 16.

Mid-Term Exam

Monday, March 28, 2011 9:00 PM to 10:30 PM.

Week 10& 11 - The Nature of Industry

- Competencies 24 and 27
Bayes, chapter 7

Assignment # 6 due on Monday, April 11, 2011

Assignment received after the due date will not be graded

- 1 Answer textbook chapter 7 problems # 9, 10, 11 and 13. (Hints:

Review the concepts of Herfindahl- Hirschman index; Rothschild index, Lerner's index, Concentration ratio and Dansby-Willig index). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions

- 2 Complete chapter 7 Quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.
- 3 Post on the Discussion Board your response to the chapter 7 question #20.

Week 13 & 14 – Managing in Competitive, Monopolistic and Monopolistically Competitive Markets

- Competencies 28 through 30
- Bayes, chapter 8 and also Appendix

Assignment # 7 due on Monday, April 18, 2010

Assignment received after the due date will not be graded

1. Post on the Discussion Board your response to the case study described in Q # 9 (chapter 8)
2. Answer textbook chapter 8 problems # 9, 10 and 14 (Hints: Review Profits maximizing output and price; shift in demand and supply, chapter 2). Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions
- 3 Complete chapter 8 Quiz. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox.

Research Paper Due Friday, April 22, 2011. Research paper received after the due date will not be graded.

Week 15-16 – Pricing Strategies for Firms with Market Power

- Competencies 31 through 35
- Bayes Chapter 11

Assignment #8 due on Friday, April 22, 2011

Assignment:

1. Complete quiz 11. You must identify the page number in the textbook where the answer to the quiz question is available. The page numbers should be deposited in the digital dropbox. Also, deposit in the digital dropbox under a separate heading the textbook page number(s) where you found the answers to the assignment questions

2. Answer questions # 17 and 21. (Hint: Review pricing strategies)

Final Exam: Graduating Seniors: April 29, 2011 8:00PM- 10:00PM ; others: To be announced.

IX. Teaching Strategies

On-line course. Group discussion and interaction with the instructor.

X Bibliography

Allen, D, Managerial Economics, New York: South Western Publisher, 2009
David Besanko, David Dranove, & Mark Shaneey, Economics of Strategy, New York: John Wiley & Sons, Inc., 2010.
Hirchey, Mark and Pappas, James, Fundamentals of Managerial Economics, Chicago: Dryden Press, 2009
Edwin Mansfield, Managerial Economics, New York: W. W. Norton, 2009.
McCormick, Robert, Managerial Economics, Prentice Hall, 2009.
McGuigan, Thomas and Charles Moyer, Managerial Economics: Applications, Strategy, and Tactics: New York: Southwestern Inc. 2001 Publishing Company, 2009.
Mulligan, James G. Managerial Economics: Strategy for Profit, New York: Allen & Bacon, 2009.
Pappas, James et al., Managerial Economics, New York: Dryden Press, 2010.
Seo, K. K. Managerial Economics: Text, Problems & Cases, New York: Richard Irwin Publications, 2008
Rabinovitch, Ramon, Managerial Economics: Theory & Applications, Kolb Publishers Co., 2009.
Research Paper builder software: *website: meedbuilder.com*

Journals: Applied Economics
Managerial and Decision Economics
Journal of Business
Journal of Contemporary Business
Journal of Finance
Wall Street Journal
Investor's Daily

Research Paper Format

**Managerial Economics in Action
The Case Study of the Music Industry**

It is recommended that you use research paper builder software to complete this paper. The software is available at the website: meedbuilder.com. The software is not free.

- 1. Select a firm in the music industry with the largest market share and compute financial ratios.**
2. Would you buy the shares of this company based on your analysis of financial ratios? You must explain your answer?

3. What are the market conditions in which your company is competing? In particular focus on:
 - Market structure?
 - Supply and demand conditions?
 - Price and Cross Price elasticity of demand?
 - Government regulations?
 - International competition?
 - Future conditions?
4. What price and output levels should the company set in order to maximize economic profits or minimize losses in the short-run?
5. How can the company organize its resources to maintain and increase its market share? In particular:
 - Product differentiation?
 - Focus on market niche?
 - Outsourcing, alliances, mergers and acquisitions
6. Summary and Conclusions