

BSc. (Applied Accounting) General/Special Degree Programme

School of Accounting and Business, No. 30A,
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Course Code : BEC 30325
Course Title : Managerial Economics
Credit Value : 2.5
Year and Semester : Year 3 Semester I

No of Contact Hours : 30 hours of Lectures and 15 hours of tutorials

Aims and Objectives

This course unit is designed to provide interdisciplinary knowledge and skills on economics, management and quantitative techniques applying in the decision making process.

Learning outcomes:

Upon successful completion of this course, the student should be able to understand:

- Role of assumptions in economics and management
- Behavioral patterns of economic variables
- Rationale behind economic theories
- Application of economic theories in decision making process and improve their skills in terms of applying quantitative techniques.

Course Outline:

1. Introduction to Managerial Economics (1 Session)

- a. Nature and scope of Managerial Economics
- b. Goals and Constraints of business organizations
- c. The Theory of the firm
- d. The nature and importance of profit
- e. Economic Profit and Accounting Profit
- f. Quantitative techniques in Managerial Economics

2. Demand estimation (3 Session)

- a. Demand for a commodity and price elasticity of demand
- b. Objectives and usefulness of demand estimation, population, sample, surveys, interviews, Market Simulation.
- c. Demand estimation methods, advantages and disadvantages of various estimation methods
- d. Quantitative and qualitative techniques of demand estimation
- e. Moving Averages, Weighted Average, Exponential functions
- f. Techniques of demand estimation: simple linear and multiple regressions, coefficient of determination, p value, t statistic and f statistic.
- g. How to interpret estimated parameters and their practical usage, validation of estimated coefficients

3. Demand forecasting (2 Sessions)

- a. Meaning of demand forecasting
- b. Techniques of demand forecasting: qualitative methods of demand forecasting
- c. Quantitative Methods of Demand Forecasting, Trend Projection, Smoothing Techniques, Barometric Techniques, Econometric Methods
- d. Limitations of Demand Forecasting, Change in Fashion, Consumers' Psychology
Uneconomical, Lack of Experts

4. Application of theory of production and cost analysis (2 Session)

- a. Introduction to theory of production and cost analysis
- b. Rational area of production and cost in the short run
- c. Rational area and production and costing in the long run
- d. Elasticity of Production and Business decision making
- e. Elasticity of Cost and Business decision making

5. Linkages among Production, Cost, Revenue and Output through Optimization (2 sessions)

- a. Total Revenue, Average Revenue, Marginal Revenue, Relationship between Marginal Revenue and Average Revenue
- b. Rules of Profit Maximization
- c. Break Even Analysis: Graphical Method, Algebraic Method, Contribution Margin, PV Ratio Margin of Safety Limitations of Break Even Analysis
- d. Economies of Scale: Internal Economies, External economies, Economies of Scope, Cost and Learning Curves

6. Decision making under imperfect markets (3 sessions)

- a. Introduction to imperfect competition
- b. firm behavior under the monopolistic completion and oligopoly
- c. Game theory and strategic decision making , Introduction to game theory, Prisoner's Dilemma, Basic concepts in Game Theory: Nash Equilibrium, Dominant Strategy, Repeated Games and decision Trees
- d. Asymmetric information
- e. The role of government in the marketplace

7. Pricing Practices and Strategies (2 sessions)

- a. Introduction to pricing practices and strategies
- b. Types of pricing practices and strategies
- c. Pricing under four market structures in the short run and long run
- d. Price Discrimination and Profit Maximization

Recommended Texts

1. Dominic Salvatore, Ravikesh Srivasta Managerial Economics : Principles and Worldwide Applications, 7th edition, Oxford.
2. Petersen HC and WC Lewis, Managerial Economics, 4th edition, Pearson

Assessment

- Continuous Assessments 30%
- Final Examination 60%