202 MANAGERIAL ECONOMICS

Duration: 2.5 hrs. Marks: 90 (Term end examination 56; Marks for Attendance 4 internal assessment 30 (2 marks for attendance) Lectures: 65

COURSE OBJECTIVE: The purpose of this course is to apply micro economic concepts and techniques in evaluating business decisions taken by firms. The emphasis is on explaining how 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 the course of teaching.

UNIT I

Demand, Supply and Market equilibrium: individual demand, market demand, individual supply, market supply, market equilibrium; Elasticities of demand and supply : Price elasticity of demand, income elasticity of demand, cross price elasticity of demand, elasticity of supply; Theory of consumer behavior : cardinal utility theory, ordinal utility theory(indifference curves, budget line, consumer choice, price effect, substitution effect, income effect for normal, inferior and giffen goods), revealed preference theory.

UNIT II

Producer and optimal production choice: optimizing behavior in short run(geometry of product curves, law of diminishing margin productivity, three stages of production), optimizing behavior in long run (isoquants, isocost line, optimal combination of resources) Costs and scale : traditional theory of cost (short run and long run, geometry of cot curves, envelope curves), modern theory of cost (short run and long run), economies of scale, economies of scope.

UNIT III

Theory of firm and market organization : perfect competition (basic features, short run equilibrium of firm/industry, long run equilibrium of firm/industry, effect of changes in demand, cost and imposition of taxes) ; monopoly (basic features, short run equilibrium, long run equilibrium, effect of changes in demand, cost and imposition of taxes, comparison with perfect competition, welfare cost of monopoly), price discrimination, multiplant monopoly ; monopolistic competition (basic features, demand and cost, short run equilibrium, long run equilibrium, excess capacity) ; oligopoly (Cournot's model, kinked demand curve model, dominant price leadership model, prisoner's dilemma)

UNIT IV

Factor market: demand for a factor by a firm under marginal productivity theory (perfect competition in the product market, monopoly in the product market), market demand for a factor, supply of labour, market supply of labour, factor market equilibrium.

UNIT V & UNIT VI (For Internal Assessment)
Tutorials

Analysis of case studies based on syllabi of Unit I to Unit IV/ Assignments based on field survey/subject tours wherever feasible/Quiz Programs/moot courts wherever feasible/class presentations/class room seminars/Group discussions

SUGGESTED READINGS:

1. Dominick Salvatore (2009). Principles of Microeconomics (5^{th} ed.) Oxford University Press
2. Lipsey and Chrystal. (2008). Economics. (11^{th} ed.) Oxford University Press
3. Koutosyannis (1979). Modern Micro Economics. Palgrave Macmillan
4. Pindyck, Rubinfeld and Mehta. (2009). Micro Economics. (7^{th} ed.). Pearson.
5. H. Craig Peterson, W. Cris Lewis. Managerial Economics (Latest Ed.). Prentice Hall.
6. Paul Samuelson, William Nordhaus. Economics (Latest Ed.). Tata McGraw Hill.