



# Victoria University of Bangladesh

58/11/A, Panthapath, Dhaka-1205

## Course Profile- Summer, 2017

Faculty	Business Administration		
Program	MBA/EMBA		
Course Code	ECO 622		
Course Title	Managerial Economics		
Course Instructor	MD. EDRICH MOLLA JEWEL Coordinator & Lecturer Department of Business Administration E-Mail: jewelmolla77@gmail.com Victoria University of Bangladesh		
Status	Compulsory		
Credit Hours	3 Credit hours		
Teaching Methodology	Class Attendance Work sheet Assignment Viva Mid-Term Final-Term		
Evaluation Method	Class Attendance.....15% Class Test.....5% Assignment.....5% Viva.....5% Presentation.....5% Mid-Term.....25% Final-Term.....40%		
Grading System	<b>Numerical Grade</b>	<b>Letter Grade</b>	<b>Grade Point</b>
	80% and above	A+ (A Plus)	4.00
	75% to less than 80%	A (A Regular)	3.75
	70% to less than 75%	A- (A Minus)	3.50
	65% to less than 70%	B+ (B Plus)	3.25
	60% to less than 65%	B (B Regular)	3.00
	55% to less than 60%	B- (B Minus)	2.75
	50% to less than 55%	C+ (C Plus)	2.50
	45% to less than 50%	C (Regular)	2.25
	40% to less than 45%	D (Regular)	2.00
Less than 40%	F (Fail)	0.00	
Course Objective	To help students better understand some of the more difficult topics about the methods of obtaining and analyzing on Managerial Economics.		
Book(s)	Basic Texts: 1. Managerial Economics Theory and Practice by Thomas J. Webster Reference Books: 1. Managerial Economics by H. Craig Perersen & W. Cris Lewis		



### Lecture Plan

Lecture No.	Main Topic	Sub-topics
1 <sup>st</sup>	<b>Chapter 01 : Introduction</b>	What is Economics 1 Opportunity Cost 3 Macroeconomics Versus Microeconomics 3 What is Managerial Economics 4 Theories and Models 5 Descriptive Versus Prescriptive Managerial Economics 8 Quantitative Methods 8 Three Basic Economic Questions 9 Characteristics of Pure Capitalism 11 The Role of Government in Market Economies 13 The Role of Profit 16 Theory of the Firm 18 How Realistic is the Assumption of Profit Maximization? 21 Owner-Manager/Principle-Agent Problem 23 Manager-Worker/Principle-Agent Problem 25 Constraints on the Operations of the Firm 27 Accounting Profit Versus Economic Profit 27 Normal Profit 30 Variations in Profits Across Industries and Firms
2 <sup>nd</sup>	<b>Chapter 02: Introduction to Mathematical Economics</b>	Functional Relationships and Economic Models 44 Methods of Expressing Economic and Business Relationships 45 The Slope of a Linear Function 47 An Application of Linear Functions to Economics 48 Inverse Functions 50 Rules of Exponents 52 Graphs of Nonlinear Functions of One Independent Variable 53 Sum of a Geometric Progression 56 Sum of an Infinite Geometric Progression 58 Economic Optimization 60 Derivative of a Function 62 Rules of Differentiation 63 Implicit Differentiation 71 Total, Average, and Marginal Relationships 72 Profit Maximization: The First-order Condition 76 Profit Maximization: The Second-order Condition 78 Partial Derivatives and Multivariate Optimization: The First-order Condition 81 Partial Derivatives and Multivariate Optimization: The Second-order Condition 82 Constrained Optimization 84 Solution Methods to Constrained Optimization Problems 85 Integration 88 Other Determinants of Market Demand 106 The Market Demand Equation 110 Market Demand Versus Firm Demand 112 The Law of Supply 113 Determinants of Market Supply 114 The Market Mechanism: The Interaction of Demand and Supply 118 Changes in Supply and Demand: The Analysis of Price Determination 123 The Rationing Function of Prices 129 Price Ceilings 130 Price Floors 134 The Allocating Function of Prices 136
3 <sup>rd</sup> & 4 <sup>th</sup>	<b>Chapter 03: The Essentials of Demand and Supply</b>	The Law of Demand 100 The Market Demand Curve 102 viii Contents Other Determinants of Market Demand 106 The Market Demand Equation 110 Market Demand Versus Firm Demand 112 The Law of Supply 113 Determinants of Market Supply 114 The Market Mechanism: The Interaction of Demand and Supply 118 Changes in Supply and Demand: The Analysis of Price Determination 123 The Rationing Function of Prices 129 Price Ceilings 130 Price Floors 134 The Allocating Function of Prices 136
5 <sup>th</sup>	<b>Chapter 04: Additional Topics in Demand Theory</b>	Price Elasticity of Demand 149 Price Elasticity of Demand: The Midpoint Formula 152 Price Elasticity of Demand: Weakness of the Midpoint Formula 155 Refinement of the Price Elasticity of Demand Formula: Point-price Elasticity of Demand 157 Relationship Between Arc-price and Point-price Elasticities of Demand 160 Price Elasticity of Demand: Some Definitions 160 Point-price Elasticity Versus Arc-price Elasticity 162 Individual and Market Price Elasticities of Demand 164 Determinants of the Price Elasticity of Demand 165 Price Elasticity of Demand, Total Revenue, and Marginal Revenue 168 Formal Relationship Between the Price Elasticity of Demand and Total Revenue 174 Using Elasticities in Managerial Decision Making 181 Class Test & Assignment
6 <sup>th</sup>	<b>Chapter 05: Production</b>	The Role of the Firm 195 The Production Function 197 Short-run Production Function 201 Key Relationships: Total, Average, and Marginal Products 202 The Law of Diminishing Marginal Product 205 The Output Elasticity of a Variable Input 207 Relationships Among the Product Functions 208 The Three Stages of Production 211 Isoquants 212 Long-run Production Function 218 Estimating Production Functions 222



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<b>Mid-Term Exam</b>		
7 <sup>th</sup>	<b><u>Chapter 06:</u></b> <b>Cost</b>	The Relationship Between Production and Cost 235 Short-run Cost 236 Key Relationships: Average Total Cost, Average Fixed Cost, Average Variable Cost, and Marginal Cost 238 The Functional Form of the Total Cost Function 241 Mathematical Relationship Between ATC and MC 243 Learning Curve Effect 247 Long-run Cost 250 Economies of Scale 251 Reasons for Economies and Diseconomies of Scale 255 Multiproduct Cost Functions 256
8 <sup>th</sup>	<b><u>Chapter 07:</u></b> <b>Profit and Revenue Maximization</b>	Profit Maximization 266 Optimal Input Combination 266 Unconstrained Optimization: The Profit Function 279 Constrained Optimization: The Profit Function 295 Total Revenue Maximization 299
9 <sup>th</sup> & 10 <sup>th</sup>	<b><u>Chapter 08:</u></b> <b>Market Structure: Perfect Competition and Monopoly</b>	Characteristics of Market Structure 313 Perfect Competition 316 The Equilibrium Price 317 Monopoly 331 Monopoly and the Price Elasticity of Demand 337 Evaluating Perfect Competition and Monopoly 340 Welfare Effects of Monopoly 342 Natural Monopoly 348 Collusion 350
11 <sup>th</sup>	<b><u>Chapter 09:</u></b> <b>Market Structure: Monopolistic Competition</b>	Characteristics of Monopolistic Competition 362 Short-run Monopolistically Competitive Equilibrium 363 Long-run Monopolistically Competitive Equilibrium 364 Advertising in Monopolistically Competitive Industries 371 Evaluating Monopolistic Competition 372 Class Test
12 <sup>th</sup>	<b><u>Chapter 10:</u></b> <b>Capital Budgeting</b>	Categories of Capital Budgeting Projects 486 Time Value of Money 488 Cash Flows 488 Methods for Evaluating Capital Investment Projects 506 Capital Rationing 537 The Cost of Capital 538
12 <sup>th</sup>	<b>Overall Class Review &amp; Viva</b>	
<b>Final Exam</b>		

**Instructions for Assignments & Term Paper:**

To be announced in the class

**Examination Rules:**

According to the existing Examination Policy of VUB

**Others:**

Any other issues & queries related to the course will be discussed and explained as and when required.