American University of Beirut

Suliman S. Olayan School of Business

Fall 2011-2012

Course Syllabus

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| **Course Number:** | BUSS 230 |
| **Course Name:** | Managerial Economics |
| **Credit Hours:** | 3 |
| **Section Number and Time:** | Section 1, TTH 17:00-18:15  Section 2, TTH 15:30-16:45 |
| **Instructor:** | Abdallah Nassereddine, PhD |
| **Office:** | Olayan School of Business, Part-time Room, Third Floor |
| **Phone:** | 01-350000 Extension: |
| **E-mail:** | [an42@aub.edu.lb](mailto:an42@aub.edu.lb) |
| **Office Hours:** | Tuesday and Thursday, 14:30 to 15:30 or by appointment. |
| **Required Materials:** | Dominick Salvatore, *Managerial Economics: Principles and Worldwide Applications*, Sixth Edition, Oxford University Press |
| **Prerequisites:** | Business majors only; *Prerequisites:* ECON 211, BUSS 200 |
| **Course Description:** | Managerial Economics is the use of economic theory and mathematical and statistical techniques in order to examine how a firm can make optimal managerial decisions given the constraints it faces. The main objective of this course is to equip students with the necessary theory and techniques and the ability to apply them in order to inform and enhance managerial decision making. Topics covered include: goals of the firm, optimization techniques, demand theory and estimation, forecasting and measurement, theory of production and estimation, cost theory and estimation, pricing and output determination under different market structures, game theory, and pricing in practice. |
| **Relationship to Other Coursework:** | Managerial economics builds upon prerequisites and complements them by providing the economic and analytical-quantitative tools available for optimal managerial decision making. The course relates to a number of other functional areas in business, such as management, marketing and decision making, through its decision making and strategic components. |
| **BBA- Program Learning Goals Emphasized** | This course equips OSB graduates with the essential tools of economic theory and statistical techniques that allow them to devise optimal managerial decisions. Managerial and strategic decision making will be discussed and OSB graduates will show competency in applying the tools that allow the firm to efficiently allocate its resources and to successfully compete within its business environment. The BBA program learning goals addressed are the following:   * ***B-LG1: Business Professional Knowledge & Competence –***   OSB graduates will **acquire** the essential tools of economic theory to study the optimal allocation of resources within the firm. Within this context, demand analysis, production theory as well as cost theory will be emphasized. The strategic element of managerial decision making is also discussed. To that end, the market structure/environment in which the firm operates (monopoly, perfect competition, oligogoply or monopolistic competition) and the main determinants of competition facing the firm are discussed. OSB graduates will be able to **apply** strategies that allow the firm to successfully compete within its environment. In applying these strategies graduates will **use concepts, principles and theories** from economic and game theory.   * ***B-LG2: Decision Making*** – OSB graduates will **recognize** and **describe** appropriate analytical-quantitative techniques that support optimal managerial decision making. Within this context, regression analysis, forecasting and game theory are emphasized. OSB graduates will **demonstrate** competency in the **application** of these analytical-quantitative techniques through problems sets, a practical Excel regression assignment and a case analysis setting. |
| **Specific Learning Objectives (SLO) for the Course:**  **Instructional Methodology:** | The Specific Learning Objectives (SLOs) for this course that map to the BBA program learning goals discussed above are as follows:  ***B-LG1: Business Professional Knowledge & Competence***   1. Use the tools of marginal analysis to explain the optimal allocation of resources within the firm. 2. Identify and describe the environment and the main determinants of demand and competition facing the firm. 3. Use the tools of economic theory to explain optimal production and pricing decisions by the firm in each market structure. 4. Explain the different pricing practices available to and used by firms.   ***B-LG2: Decision Making***   1. Apply regression analysis and forecasting to guide managerial decision making. 2. Use game theory to define the optimal course of action a firm can take when dealing with competitors.   Lecture, class discussion and individual problem sets. |
| **Performance Evaluation and Grading:** | |  |  | | --- | --- | |  |  | | Midterm Exam (Chapters 1 to 6) | 35% | | Final Exam (Chapters 7 to 11) | 40% | | Assignments (3) | 10% | | Case Analysis | 10% | | Attendance and participation | 5% | | Total | 100% | |  |  | |
| **Summary**  **of Topical**  **Coverage:** | |  |  |  |  | | --- | --- | --- | --- | |  | SLO  Referenced |  |  | |  | Hours | % of time | | Chapter 1: The nature and scope of managerial economics | 2 | 1.25 | 3.33 | | Chapter 2: Optimization techniques | 1,3 | 1.25 | 3.33 | | Chapter 3: Demand theory | 2 | 2.5 | 6.67 | | Chapter 4: Demand estimation | 2,6 | 5 | 13.33 | | Chapter 5: Demand forecasting | 2,7 | 5 | 13.33 | | Chapter 6: Production theory and estimation | 1,3,5 | 2.5 | 6.67 | | Chapter 7: Cost theory and estimation | 1,3,5 | 2.5 | 6.67 | | Chapter 8: Market structure: Perfect competition, monopoly and monopolistic competition | 2,3,4 | 3.75 | 10 | | Chapter 9: Oligopoly and firm architecture | 2,3,4,6 | 5 | 13.33 | | Chapter 10: Game theory and strategic behavior | 6 | 3.75 | 10 | | Chapter 11: Pricing practices | 4 | 5 | 13.33 | | Total |  | 37.5 | 100% | |  |  |  |  | |
| **Use of Technology:** | MS word, MS PowerPoint and MS excel will be used in the course. The course includes a regression assignment that deals with estimating and forecasting regression equations. Students will be expected to use MS Excel for this assignment. |
| **Academic Honesty:** | Students are expected to complete all work with the highest standard of integrity in line with AUB’s Student Code of Conduct and the Olayan School of Business Honor Code. Any form of academic misconduct will not be tolerated. |
| **Other Course Policies:** | Attendance: According to AUB policy: “Students who, during a semester, miss more than one-fifth of the sessions of any course in the first ten weeks of the semester (five weeks in the case of summer term) are dropped from the course if the faculty member has stated in the syllabus that attendance will be taken”  Case Analysis: Students will work in groups to analyze a case. The group will present a suggested solution to the case and will provide a short report (not to exceed 5 pages) detailing their solution. Students must contribute their **fair share** to any group effort resulting in a deliverable to the instructor. |
| **Additional**  **Information:** | Attendance will be recorded starting the second week of classes.  **Students are to attend the section in which they are registered.**  Missing an exam for no valid (medical) reason results in a grade of zero for that exam.  A student who misses the midterm exam for a **valid reason** will have the **midterm exam’s weight shifted to the final exam**. **There will be no makeup midterm exams**.  Students are expected to avoid conversations and the use of their cell phones during class.  **Students are expected to be in class on time.** |