

## SUBJECT SYLLABUS

Subject name:	<b>Managerial Economics</b>	Subject code:	ERN-0-0006T
Subject type:	Compulsory		
Number of hours:	2+2	credit	5
Semester:	I.	Classes:	Erasmus
Major/ specialty:			
Preconditions:	Microeconomics and Mathematics		
Coordinator:	Dr. Melles Hagos Tewolde PhD	Status	Professor
Instructor:	Dr. Melles Hagos Tewolde PhD	Status	Professor
Department:	Business Management		
The object of the course:	<p>In today's dynamic economic environment, effective managerial decision making requires timely and efficient use of information. The purpose of this course is to provide students with a basic understanding of the economic theory and analytical tools that can be used in decision making problems. Students who successfully complete the course will have a good understanding of economic concepts and tools that have direct managerial applications. The course will sharpen their analytical skills through integrating their knowledge of the economic theory with decision making techniques. Students will learn to use economic models to isolate the relevant elements of a managerial problem, identify their relationships, and formulate them into a managerial model to which decision making tools can be applied. Among the topics covered in the course are: price determination in alternative market structures, demand theory, production and cost functions, and decision making under uncertainty. In addition, the course will provide a basic introduction to econometric analysis and its role in managerial decision making.</p>		
Highlight of the course	<p>Managerial Economics is the application of economic theory and methodology to managerial decision making problems within various organizational settings such as a firm or a government agency. The emphasis in this course will be on demand analysis and estimation, production and cost analysis under different market conditions, forecasting and decision making under uncertainty. Students taking this course are expected to have had some exposure to economics and be comfortable with basic algebra. Some knowledge of calculus would also be helpful although not necessary.</p>		
<b>Learning outcomes</b>	<p>When the students have successfully completed this course, they will be able to:</p> <ul style="list-style-type: none"> <li>✓ Use the rational-actor paradigm to predict firm and individual behavior.</li> <li>• Compute the relevant costs of any decision.</li> <li>✓ Use marginal analysis to make extent (how much) decisions.</li> <li>✓ Make investment decisions that increase firm value.</li> <li>✓ Set optimal prices and price discriminate.</li> </ul>		

	<ul style="list-style-type: none"> <li>✓ Predict industry-level changes using demand/supply analysis.</li> <li>✓ Develop long-run strategies to increase firm value.</li> <li>✓ Use game theory to predict how your actions influence those of others.</li> <li>✓ Bargain effectively</li> <li>✓ Make decisions in uncertain environments.</li> <li>✓ Solve the problems caused by moral hazard and adverse selection.</li> <li>✓ Align individual incentives with the goals of the company</li> <li>✓ Align division incentives with the goals of the company</li> <li>✓ Manage relationships between upstream suppliers or downstream retailer</li> <li>✓ Identify unconsummated wealth-creating transactions and devise ways to profitably consummate them.</li> </ul>
<p><b>Topic of the course:</b></p>	<ul style="list-style-type: none"> <li>I. Introduction <ul style="list-style-type: none"> <li>✓ What Is Managerial Economics?</li> <li>✓ Firms and Managerial Objectives</li> <li>✓ Economic Optimization</li> <li>✓ Firms and Profits</li> <li>✓ Tools of Economic Analysis</li> <li>✓ Marginal Analysis</li> </ul> </li> <li>II. Demand and Supply <ul style="list-style-type: none"> <li>✓ Demand</li> <li>✓ Supply</li> <li>✓ Demand Analysis</li> <li>✓ Elasticity</li> </ul> </li> <li>III. Regression Analysis: Demand Estimation <ul style="list-style-type: none"> <li>✓ Measuring Economic Relationships</li> <li>✓ Statistical Relations and Regression Analysis</li> <li>✓ Forecasting</li> <li>✓ The Business Cycle</li> <li>✓ Time Series Trends</li> </ul> </li> <li>IV. Production and Cost <ul style="list-style-type: none"> <li>✓ Theory of Production</li> <li>✓ Cost and Profit Analysis</li> <li>✓ Empirical Analysis of Production and Cost</li> </ul> </li> <li>V. Market Structure <ul style="list-style-type: none"> <li>✓ Perfect Competition</li> <li>✓ Monopolies</li> <li>✓ Measuring Firms' Performance</li> <li>✓ Making Decisions under Noncompetitive Conditions</li> <li>✓ Oligopolies</li> <li>✓ Pricing Methods</li> </ul> </li> <li>VI. Regulating the Market Economy</li> </ul>

	<ul style="list-style-type: none"> <li>✓ Economies of Scale</li> <li>✓ Taxes and Subsidies</li> <li>✓ Costs of Regulation</li> </ul> <p>VII. Project Decisions</p> <ul style="list-style-type: none"> <li>✓ Decision Making under Uncertainty: Risk Analysis</li> </ul>
<b>Teaching methods:</b>	<p>Theoretical: The teacher gives the necessary materials to learn, explains, analyses in class all the concepts and methods and clarifies the students' doubt with help of examples.</p> <p>Practical: The students solve exercises applying the theoretical knowledge they have learned.</p>
<b>Course Requirements:</b>	<p>We will be drawing heavily on the accounting vocabulary and concepts that you learned in Accounting.. You are expected to have a thorough grasp of this material before beginning your study of finance.</p> <p>Your active participation in class is necessary, both for you and for your classmates. Your participation score will reflect my assessment of your attendance, your contributions to class discussions, and your overall positive demeanor during class. The semester will be closed by taking examination 70% of the total point and presenting during the semester, which include 30 % of your final results.</p> <p>Grades: 90-100    5                  80-89        4                  70-79        3                  60-69        2                  0-59         1 failed.</p>
<b>required materials:</b>	<ul style="list-style-type: none"> <li>• Mark Hirschey, <i>Managerial Economics</i>, 10th edition, Thomson/South-Western College Publishing: 2003</li> <li>• Mark Hirschey, Eric Bentzen, <i>Managerial Economics</i> Published by Cengage Learning, ©2014.</li> </ul>
<b>Offered readings:</b>	<ul style="list-style-type: none"> <li>• Paul G. Keat and Philip K.Y. Young. <i>Managerial Economics: Economic Tools for Today's Decision Makers</i>, 5th/6th edition, Pearson</li> </ul>