

## SEMESTER: II

Total Marks: 100

Paper Code: BMHCR2121

### MANAGERIAL ECONOMICS

#### 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.

#### Learning Outcomes:

1. Apply the knowledge of the mechanics of supply and demand to explain working of markets
2. Describe how changes in demand and supply affect markets
3. Understand the choices made by a rational consumer
4. Explain relationships between production and costs
5. Define key characteristics and consequences of different forms of markets

#### Detailed Syllabus:

##### Unit 1.1: Scarcity and choice

- Opportunity Cost, Production Possibility Frontier - Price system as an economic mechanism.

##### Unit 1.2: Demand, Supply and Market equilibrium:

- Individual demand, market demand, individual Supply, market supply, market equilibrium; Elasticity of demand and supply: Price Elasticity of demand, income elasticity of demand, cross price elasticity of demand, Elasticity of supply; movement along the curve vs. shift of the curve; effect of Price Ceiling and Price Floor, tax and Subsidy on market equilibrium; consumer and producer surplus. (15L)

##### Unit 2: Theory of consumer Behavior (15L)

- Cardinal vs. ordinal utility, ordinal utility theory (indifference curves, budget line, consumer choice, demand curve, price effect, substitution effect, income effect (for normal, inferior and Giffen goods))

##### Unit 3: Production and Cost (10L)

- Theory of Producer Behavior: Technology and Production function, optimizing behavior in short run( geometry of total, average and marginal product curves, law of diminishing margin productivity, three stages of production), optimizing behavior in long run (isoquants, isocost line, optimal choice of inputs), returns to a variable input and returns to scale, factor demand curves ; Costs: theory of cost ( short run and long run, geometry of cost curves,) , economies of scale Learning Curve, economies of scope.

**Unit 4: Market structure****(20L)**

- 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) ; Short and long run supply curves, monopoly (sources of monopoly, natural monopoly, Basic features of monopoly market, 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); Features of monopolistic competition; Oligopoly: Competition and Collusion (Cournot's model, Stackelberg Model, dominant price Leadership model, cartel, prisoner's dilemma)

**Unit 5: Market Failure****(5L)**

- Sources of Market Failure: Public Good and Private Good – Externality - Asymmetric Information, Adverse Selection, Moral Hazard

**References:**

1. Dominick Salvatore (2009). Principles of Microeconomics (5thed.) Oxford University Press
2. Lipsey and Chrystal. (2008). Economics. (11thed.) Oxford University Press
3. Koutosyannis (1979). Modern Micro Economics. Palgrave Macmillan
4. Pindyck, Rubinfeld and Mehta. (2009). Micro Economics. (7thed.). Pearson.
5. Varian, Hall, Intermediate Microeconomics
6. Paul A. Samuelson and William D. Nordhaus, Economics (19th edition) Indian
7. Adaptation by Sudip Chaudhuri and Anindya Sen and SudipChoudhuri, Tata McGraw-Hill , 2010
8. Mankiw : Principles of Microeconomics