

Course Code-MS 103**Course Name- Managerial Economics****Course Credits-6**

Course Objective- The objective is to give students grounding in the basic understanding of economic environment and tools for better analysis of economic situations and thus helping in decision making.

Block I Introduction to Managerial Economics**Unit I Basics of Managerial Economics**

Meaning, Scope and Nature of Managerial Economics

Unit II The Economy and its Basic Problems: Scarcity and Choices

Economy and its working, kinds of economic system, Production Possibility of an Economy, How market mechanism works, Efficiency and reasons for failure of market system, role of government in an economy.

Unit III Law of Demand and Supply

Law of Demand, Demand Function, Law of Supply, Supply Function, Equilibrium of Demand and Supply, determination of equilibrium price and quantity.

Unit IV Elasticity of Demand and Supply

Price Elasticity of Demand and its determination, Price Elasticity and Marginal Revenue, Price Elasticity and Consumption Expenditure, Income Elasticity of demand, Cross-Elasticity of Demand, Elasticity of Price expectation, use of elasticity, Price Elasticity of Supply.

Unit V Failure of the Market Economy and Role of the Government

Imperfect market information and Market failure, growth of monopolies and market failure, market failure in case of Public goods, public provision of Public Goods, Externalities and Government Intervention.

Unit VI Cardinal Utility Theory

Cardinal Utility Theory, Law of Diminishing Marginal Utility, Consumer's Equilibrium, derivation of demand curve, drawback of Cardinal Approach.

Unit VII Ordinal Utility Approach

Indifference curve analysis, diminishing marginal rate of substitution, properties of indifference curves, Indifference curve map, budget line, consumer's equilibrium, effect of income and price change in consumer's equilibrium, income effect and substitution effect of inferior goods, complementarity and substitutability, the extreme choices, derivation of individual demand curve, comparison of ordinal and cardinal utility approach, application of indifference curve analysis.

Unit VIII Consumer's Surplus

The Marshallian Consumer's Surplus, Hicksian Method of Measuring Consumer Surplus, application of consumer's surplus concept.

Block II Supply Side Economics

Unit IX Theory of Production

Production with one variable input: Meaning of production, production related concepts, production function, and law of production.

Production with two variable input: Isoquants, Marginal rate of technical substitution, Properties of Iso-quants, Isoquant map and economic region, other forms of isoquants, elasticity of substitution, law of returns to scale.

Unit X Optimum Combination of Inputs

Isocost line, optimum combination of inputs, choice of optimum expansion path, change in input prices and input combinations.

Unit XI Theory of Production Cost

Cost Concepts, Short-run Cost-output relation, Long-run Cost-Output relation, Economies of Scale, Dis-economies of Scale, cost function and cost curves.

Block III Market System

Unit XII Business Firms and Market Structure

Objective of Business Firms, profit maximization, alternative objectives of Business firms, the market structure.

Unit XIII Perfect Competition Market

Perfect competition market and its features, perfect v/s pure competition, equilibrium of the firm, derivation of the supply curve of the firm, derivation of the supply curve of the industry, price and output determination under perfect competition, price and output determination in long run, long run supply curve of a competitive industry.

Unit XIV Monopoly Market

Monopoly market, its source and feature, demand and revenue curve under monopoly, cost and supply curves under monopoly, profit maximization under monopoly, absence if supply curve under monopoly, monopoly v/s perfect competition: comparison of Long run price and output, equilibrium of Multiplant monopoly, price determination by monopoly, measure of monopoly power.

Unit XV Monopolistic Competition Market

Monopolistic completion market and its features, foundation of monopolistic competition model, price and output determination under monopolistic competition, analysis of selling cost and firm's equilibrium, critical appraisal of Chamberlin's theory of Monopolistic Competition.

Unit XVI Oligopoly Market

Oligopoly market its meaning and characteristics, duopoly model, oligopoly models, game theory approach to oligopoly.

Block IV Basics of Macro Economics

Unit XVII The Circular Flow Model of the Economy

Circular flow in a simple economy model, circular flow of goods and money in a three sector economy, circular flows in a four sector model: a model with foreign sector.

Unit XVIII National Income: Concept and Measurement

Measure of national income, methods of measuring national income, choice of methods, measurement of national income in India, growth and composition of India's national income,.

Unit XIX Theory of National Income Determination

Determination of National Income: Two Sector Model, the consumption function, derivation of saving function, a formal model of national income determination, shift in aggregate demand function and multiplier.

Unit XX Income Determination with Government and Foreign Trade

Income Determination Model with Government: The three sector Model, Income determination with foreign trade: A Four Sector Model.

Unit XXI Theories of Aggregate Consumption

The absolute income hypothesis, the relative income hypothesis, the permanent income hypothesis, the life-cycle hypothesis.

Unit XXII Keynesian Theory of Interest

Money demand and supply: the Keynesian approach, the Keynesian theory of interest, drawbacks of the Keynesian theory of interest.

Unit XXIII Investment Theory and Acceleration Principle

Basic concepts, investment decisions, change in interest rates, MEC and Capital Accumulation, the acceleration principle,

Unit XXIV Money and Banking

Money: definition and function, types of Money, M1, M2, M3 and M4, high power money. Banks: Banking in India, Reserve Bank of India and its functions, Repo, Reverse Repo, CRR, SLR, MSF, credit creation by banks.

Suggested Readings-

1. H.L.Ahuja, "Business Economics: Micro & Macro", S. Chand & Sons, New Delhi.
2. M.Adhikari "Managerial Economics", Khosla Education Publishers, New Delhi.
3. O.P. Chopra, "Managerial Economics", Tata McGraw Hill, New Delhi.
4. Trivedi "Managerial Economics" ,Tata McGraw-Hill, 2002
5. Dwivedi "Managerial Economics", Vikas Publishing House Pvt Ltd, 6th edition, 2001.
6. Shappiro, Macro Economics, TMH
7. Christopher R Thomas & S Charles Maurice, Managerial Economics: Concepts and Applications; Eighth Edition, TMH