



BSP 1005: Managerial Economics

AY2014/15 Semester1 Syllabus

Section 1
Tuesday
12pm-2pm

Section 2
Wednesday
8am-10am

Section 3
Wednesday
10am-12pm

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Office Hours

2pm-3:30pm, Tuesdays and by appointment

COURSE DESCRIPTION

This course will introduce you to managerial economics, the application of microeconomic theory to decision making in a wide variety of managerial settings. It will provide you—(future) managers, entrepreneurs, analysts and consultants—with knowledge to help you allocate scarce resources and develop competitive strategies.

The goal of this course is to give students the competence to recognize the benefits and costs associated with business activities, as well as the constraints firms face in varying economic scenarios, in order to make the optimal choice to fulfill managerial objectives. By the time you have completed this course, you will have learned to:

1. thoroughly understand the function of market mechanisms and the interaction among economic agents;
2. understand how the interplay between cost and demand fundamentals shape the prices that prevail in a market;
3. identify the categories of costs that are relevant for critical business decisions such as pricing and market entry and exit; and
4. use several important game-theory based models to understand oligopoly markets.

To achieve these objectives, the course will cover topics including demand and supply analysis; consumer theory; production theory; perfect competition; market power and monopoly; oligopoly; and game theory.

TEXTBOOKS, READINGS AND HANDOUTS

Required: *Microeconomics* by David Besanko and Ronald Braeutigam, 5th Edition

Supplemental: *Managerial Economics* by Ivan Png, 4th Edition

Both textbooks should be available at the bookstore before the first class. You can also use earlier versions of the textbooks. The lecture notes will be available at IVLE before each class meeting. Additional reading materials and answers to homework questions will also be posted regularly. To maximize your success in the class, you should read the relevant textbook chapters and skim through the lecture slides before coming to class.

GRADING COMPONENTS AND GUIDELINES

Final grade is based on the following components:

1. Homework problem sets, 15%
2. Project, 25%
3. Final exam, 60%

Important:

For *homework problem sets*, there will be two sets of individual homework. Each student is required to prepare a typed or clearly handwritten answer to be submitted on the assignment's due date.

For the *project*, each group will be assigned a topic and do a 15-minute presentation in tutorial. The *project* will be assessed based on group work: This means that all members in a group will receive equal assessment for their aggregate work. More details will be provided in the class.

The *final exam* covers all the lecture materials throughout the course. **Note that no make-up exam is available for a missed exam.**

COURSE OUTLINE

Part I: Determination of Prices

1. Introduction to Managerial Economics
2. Demand and Supply
3. Utility Maximization and Demand Theory
4. Cost Minimization and Supply Theory

Part II: Market Structure

5. Competitive Market
6. Market Power and Monopoly
7. Pricing with Market Power

Part III: Game Theory and Oligopoly

8. Simultaneous-Move Game and Cournot Model
9. Sequential-Move Game and Stackelberg Model