

Syllabus: Managerial Economics
MBA 790
University of Dayton
School of Business Administration

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Classes: Managerial Economics - MBA 790 – 01
Class: 12:00 pm - 2:30 pm, Thursday
Room Miriam Hall 109

Managerial Economics - MBA 790 - 02
Class: 5:55 pm - 8:30 pm, Thursday
Room 1717 South Patterson Bldg

Each session meets for 2-1/2 hours. You should plan on a 5-minute break about half-way through each class. You are free to leave the class and return at anytime for emergencies. I do request, however, that you keep these emergency exits and entrances to a minimum as they interrupt the class.

There has been some confusion concerning the starting date for this course. We were originally supposed to have an early starting date of Aug. 18. Given that the class is actually beginning on Thursday, Aug. 25, we are one class short. The class is supposed to officially end on Thursday, Oct. 13. Had we begun on Aug. 18 the final exam would have been on Oct. 13. However, in order to make-up the missed class, Oct. 13 will be regular session. The final exam will be on the following Saturday, Oct. 15, from 9:00 am until 11:00 am. Please let me know by email whether the Saturday final exam date poses a hardship.

Class Web Site

<http://academic.udayton.edu/mba790>

The class web site contains links to this syllabus and supporting class materials. The site is password protected. Only students that are registered for this course are allowed into the web site. When you enter the above address you will be prompted for your user name and password. You should enter your UD Novell user name and password. If you have trouble entering the class website, you should notify me immediately by email at frasca@udayton.edu.

Course Content and Objectives:

Managerial Economics is offered as a core course in most MBA programs. The topics covered in the text are the standard topics covered in these courses. In the UD MBA

program the course is limited to 1.5 hours. This presents a challenge since it typically takes an entire semester to cover all of the topics in a typical Managerial Economics course.

We intend to meet this challenge in two ways; first, by requesting that you fully review the foundational materials before class and two, by covering only selective topics. If you read the assigned materials before class, we can proceed more quickly through each topic by concentrating our discussion on those concepts you find most difficult. With regard to topic selection, only topics that are most likely to improve business decisions are included. Topics that are highly theoretical, such as game theory or consumer utility, are either ignored or only briefly discussed.

The objective of the course is to provide an understanding of how fundamental economic theory can be applied to decision making within the firm. The main topics covered will be the analysis of market demand, optimal use of resources, and pricing decisions. An introductory course in microeconomics is a prerequisite. You should be comfortable with employing basic algebra and elementary calculus.

Required Textbook

Managerial Economics, Christopher R. Thomas and S. Charles Maurice, 10th Edition, McGraw-Hill Irwin, 2011. ISBN: 0073375918 (with Student CD)

Online Learning Center to accompany text: www.mhhe.com/thomas10e

Office hours: Tuesdays, 12:00 – 3:00

These are my official office hours. However, because of conflicts I may not always be available during these hours. Consequently, it is best that we schedule meetings by email.

Course Grade

Your course grade will be entirely determined by the grades you receive on homework assignments, in-class quizzes and the final exam. The following weights will be used to calculate your course grade.

Homework	25%
Quiz 1	20%
Quiz 2	20%
Final Exam	35%

PowerPoint Slides

Class discussions will be structured around the PowerPoint slides that accompany the text. A customized and extended set of these slides can be downloaded from the class web site [academic.udayton.edu/mba 790](http://academic.udayton.edu/mba790). These slides may be amended throughout the semester. The upload date for each slide set can be found on the download page.

Homework

The due dates for the homework assignments are listed in the course outline below. The assignments list Homework Exercises in the Student Workbook to Accompany Managerial Economics. The workbook can be found on a CD that accompanies your text. If you do not have the CD, a copy of the workbook can be downloaded from the class web site academic.udayton.edu/mba790. The workbook contains self-study materials that can help you master managerial economics. The last section in each chapter contains the homework exercises listed in the outline.

The due dates for the assignments are listed in the outline. Late or sloppy homework will be downgraded. The home works should be viewed as learning projects. You may find some assignments challenging. Please do your best. Serious attempts to arrive at the correct answer will be rewarded. If for some reason you find it impossible to attend class, you should email me the completed homework before the scheduled class.

(Tentative Outline Follows)

Tentative Outline

Session 1 - Aug. 25

CHAPTER 1: Managers, Profits, and Markets

The emphasis in this chapter should be placed on understanding the following concepts:

- Economic cost
- Opportunity cost
- Implicit and explicit costs
- Economic profit versus accounting profit

CHAPTER 2: Demand, Supply, and Market Equilibrium

Skip Section 2.4 Measuring the Value of Market Exchange

Much of the discussion in this chapter is a recap of topics covered in a Principles of Microeconomics class. The graphical demand and supply model from principles is now presented in algebraic form. You should be able to interpret demand and supply functions and solve for market equilibrium. Be sure you understand the following:

- The difference between a change in demand and a change in the quantity demanded.
- Factors that can shift the demand curve
- The difference between a change in supply and a change in quantity supply.
- Market equilibrium and changes in market equilibrium given a change in demand or supply

Homework Due Next Session: Sept. 1

Chap. 1, Homework Exercises: Prob. 1 Cen Ter Realty

In addition to filling in the blanks, you should provide a spreadsheet that itemizes the components of explicit costs, implicit costs, total economic costs and economic profit. You should calculate these values at both a 14 percent and 9 percent rate of return.

Errata: Question 1-f The question states that, "The Board of Directors believes CenTer's owners can earn 14 percent, rather than 12 percent on funds invested elsewhere." It should state that, "The Board of Directors believes CenTer's owners can earn 14 percent, rather than 9 percent on funds invested elsewhere."

Chap. 2, Homework Exercises: Prob. 1,2,3,5,6,8,12,13

The questions on graphic and consumer surplus are not covered in this homework assignment.

Session 2 - Sept. 1

CHAPTER 3: Marginal Analysis for Optimal Decisions

The major emphasis in the chapter is placed on understanding the importance of marginal analysis. All relevant benefits and costs in optimal decision making are directly related to the decision. Cost and benefits that are not affected by the decision are sunk costs, fixed costs and historical cost. A related emphasis on making optimal allocations when resources are constrained. Be sure you understand:

- Marginal benefit, marginal cost and the relationship between these variables and net benefit
- The relationship between marginals and averages.
- The rule for optimal activity with no constraints
- The last dollar rule for constrained optimization

CHAPTER 4: Basic Estimation Techniques

This provides a basic review of linear regression techniques along with tests of significance. You should be able to identify and apply the various tests of significance that are provided in typical statistical software such as Excel.

The statistics to be evaluated include:

- Standard error of the mean
- T-test
- P-values
- Coefficient of determination
- F-statistic

Homework Due Next Session: Sept 8

Chap. 3, Homework Exercises, Probs. 1,2,3,4, 8 There is an Excel spreadsheet at the class with site that contains the data listed in these problems. (You may submit your answers on copies of the workbook pages or you may simply list your answers on a separate sheet.)

Chap. 4, Homework Exercises, Probs. 1 and 2

The statistical tables you need to answer these problems can be found at the end of the text and at the class website.

Chap. 4, Homework Exercises, Prob. 3

The illustration the problem refers to is on page 142 of the text. The data has been entered in an Excel spreadsheet that can be downloaded from the class web site. You are to estimate the parameters of the non-linear equation using the regression function in Excel. The Regression function is in the Analysis Toolpak. This is an Add-in for Excel. If you do not have it loaded on your computer, you may need to install it. In 2007 go to Excel Options and then Add-ins. The Analysis Toolpak should be listed under inactive add-ins. Click on it to install. After it is installed you will find it on the Data Menu listed as Data Analysis.

Session 3 – Sept. 8

Quiz 1 Chaps. 1-4

Homework Due Next Session: Sept 15

CHAPTER 6: Elasticity and Demand

The basic elasticity concepts are reviewed in this chapter. You probably calculated arc elasticities in Principles of Microeconomics. We will only examine point elasticities in the course. You should be able to evaluate:

- Price elasticity of demand
- Cross price elasticity of demand
- Income elasticity of demand

CHAPTER 7: Demand Estimation and Forecasting

The demand estimation techniques discussed in this chapter can only be used to estimate demand for firms that are price setters. Demand estimation in competitive markets requires advanced statistical techniques.

Homework Due Next Session: Sept 22

Chap. 6, Homework Exercises 1-2

Chap. 7, Homework Exercises Prob. 1,2,3

Excel spreadsheets with the data for problems 2 and 3 can be found on the class web site. Your hand-in should include a copy of your Excel output.

CHAPTER 8: Production and Cost in the Short Run

This is a review of the short-run production and cost curves. You should understand the relationship between the short run production and cost curves.

CHAPTER 9: Production and Cost in the Long Run

Your primary objective in this chapter is to master the decision rule for choosing the optimal combination of inputs in the long run. This can be related back to the decision rule for choosing the optimal combination of activities in Chapter 3.

Homework Due Next Session: Sept 29

Chap. 8, Homework Exercises, Probs. 1,2,3.

There is an Excel spreadsheet for completing Problem 2 on the class web site.

Chap. 9, Homework Exercises, Probs. 1-2.

Quiz 2 Chaps 6,7,8

CHAPTER 11: Managerial Decisions in Competitive Markets

CHAPTER 12: Managerial Decisions for Firms with Market Power

These two chapters can be studied together. Most of the discussion is a recap of Principles of Microeconomics. We interested in discovering optimal pricing decisions in firms that have market power and those that do not. We advance beyond the beginning course by algebraically solving for price and output.

Homework Due Next Session: Oct. 13

Chapter 12, Homework Exercises, Probs. 1,2

An Excel spreadsheet for Problem 2 can be found on the class web site.

Oct. 6 no class – Fall Break

Session 7 – Oct. 13

CHAPTER 14: Advanced Pricing Techniques

There is a major emphasis on discovering optimal pricing when a firm can engage in market discrimination. This can be tied in to the discussion on regulating pricing in under natural monopoly in Chapter 16. This is the only part of Chapter 16 we will be covering.

The homework assignment for this class will not be handed in. However, we may review relevant problems in the Student Workbook.

Comprehensive Final Exam – Saturday, Oct. 15 (9am – 11am)
Miriam Hall, O’Leary Auditorium

Addendum to Syllabus

The following materials are included in the syllabus at the request of either the School of Business Administration or the University of Dayton.

Mission of the UD SBA:

The School of Business Administration is a learning community committed in the Marianist tradition to educating the whole person and to connecting learning and scholarship with leadership and service in an innovative business curriculum designed to prepare students for successful careers in the contemporary business environment.

The Honor Pledge

I understand that as a student of the University of Dayton, I am a member of our academic and social community. I recognize the importance of my education and the value of experiencing life in such an integrated community. I

believe that the value of my education and degree is critically dependent upon the academic integrity of the university community, and so in order to maintain our academic integrity, I pledge to:

- Complete all assignments and examinations by the guidelines given to me by my instructors;
- Avoid plagiarism and any other form of misrepresenting someone else's work as my own;
- Adhere to the Standards of Conduct as outlined in the Academic Honor Code.
- In doing this, I hold myself and my community to a higher standard of excellence, and set an example for my peers to follow.

Students with Disabilities

Your learning in this course is important to me. I invite you to come talk with me about ways to ensure your full participation in the course. If you feel you need an accommodation based on the impact of a disability, please contact me privately to discuss your Self-Identification Form as provided by the LTC's Office of Student Learning Services (SLS). It is important that you be registered with SLS and notify me of your eligibility for reasonable accommodations in a timely manner, and, when appropriate, that we make special arrangements in case of an emergency building evacuation. For more information about disability services at the University of Dayton, please contact SLS at 937-229-2066, by email at disabilityservices@udayton.edu or stop by SLS in the LTC, room 023.

Intellectual Property Statement

The materials shared with you during this course are authored by and owned by the instructor, the department, the school and/or the book publisher. Copyright laws must be respected in using these materials. For example, unless authorized to do so, do not share course materials with anyone outside the course.

Academic Honesty

I encourage you to talk with each other about the readings and ideas brought up in class. But in all assignments to be graded as individual work you are expected to do your own written work. In the case of group work, all members of a group will be held responsible for the content of work turned in to satisfy group assignments. The instructor will keep a healthy eye out for possible plagiarism when reading your work. Here is some advice to help you avoid plagiarizing:

It is best to express the ideas you use in your own words. In the case of both individual and group work, words or ideas that come from someplace or someone else must be cited: "A good rule of thumb is this: Whenever you consciously borrow any important element from someone else, any sentence, any colorful phrase or original term, any plan or idea—say so, either in a footnote, bibliography, or parenthesis" (from "Academic Honesty in the Writing of Essays and Other Papers," Carleton College, 1990).

For specific university policies concerning academic honesty, see the University's Academic Honor Code in the Bulletin <http://bulletin.udayton.edu/>

Dropping the Course

You are responsible for understanding the university's policies and procedures regarding withdrawing from courses. And you should be aware of the current deadlines and penalties for dropping classes. Information on withdrawal from courses (<http://bulletin.udayton.edu/content.ud?v=29&c=3312&p=3286>) is available in the Bulletin under Grades and Scholarship and from your Dean's Office.

University Services (free for all students)

Support for Your Learning in This Course

The LTC's Office of Student Learning Services (SLS) is a learning resource for all students at the University of Dayton. SLS offers a wide variety of services to assist you in achieving academic success at the University, including study skills classes and workshops, tutoring and consultations, disability screenings, and a web site with many

resources (<http://learningservices.udayton.edu>). Please contact SLS at 937-229-2066 or visit their office on the ground floor of Roesch Library (LTC 023) if you would like to talk about how you could become a more effective learner.