MANAGERIAL ECONOMICS-II
100 Marks-75 Lectures

The purpose of Managerial Economics is to apply a series of basic economics principles to the decision making process within the firm. Issues related to optimal pricing strategies; demand analysis & forecasting, profit analysis, optimal financing and investment decisions, among others, can be successfully tackled with managerial economics tools.

Objectives of the Course: The basic objective of this course is to further familiarize the students with the approach, language and advanced techniques of managerial economics that are applied in business decision making.

Unit 1: Market Structures (20 marks; 10 lectures)
Market – meaning and classification; Revenue concepts – Total, Average, and Marginal; equilibrium of a firm;

Perfect Competition: Features; demand and revenue of a firm; market and firm's demand and supply curve; price determination; short and long run equilibrium

Monopoly: Features; types; demand and MR curves; price and output decisions in short and long run; supply curve; price and output decisions of multi-plant monopoly; price discrimination – meaning, objectives, conditions, types, degrees; price and output decisions of discriminating monopolist

Monopolistic Competition: Features; demand and MR curves; price and output decisions in short and long run; role of advertising, selling costs

Oligopoly: Features; price and output decisions; kinked demand curve, collusive oligopoly (cartels), price leadership, duopoly

Unit 2: Pricing (25 marks, 20 lectures)
Pricing Strategies and Methods: Cost based pricing (cost plus, marginal cost & target return pricing), competition based pricing (penetration, entry deterring and going rate pricing), product life cycle based pricing (price skimming, packaging, perceived value, loss leader pricing), Cyclical pricing (rigid and flexible pricing), multi-product pricing, peak load pricing, sealed bid pricing, retail pricing, administered pricing, export pricing, and dumping
General considerations and objectives of pricing policy; Price forecasting – meaning and brief explanation of factors to be taken into consideration (changes in prices and availability of inputs, changes in demand, changes in overall economic conditions)

Unit 3: Profit Analysis (25 marks, 20 lectures)
Profit: Meaning, different concepts, nature, kinds and role of profit; profit policy, profit limiting factors

Break Even Analysis: meaning, assumptions, uses, limitations, application, break even chart and calculation of Break-Even Quantity and Break-Even Sales, contribution margin, safety margin, targeted sales volume and expected profits; Profit-volume (P/V)analysis -meaning, chart, assumptions and measurement (Numerical Problems to be included)

Profit forecasting: meaning and methods

Unit 4: Capital Budgeting and Risk Analysis (30 marks, 25 lectures) **Capital budgeting: Meaning; nature; process; significance; factors influencing investment decisions; approaches to determine size of capital budget; types of projects; steps in capital project evaluation; methods of project evaluation with numerical problems (payback period, Average rate of return (ARR), Net Present Value (NPV), Profitability Index(PI) and Internal Rate of Return (IRR) methods); social cost- benefit analysis (concept, objectives, steps involved and evaluation)**

Cost of capital: sources of funds for long-term financing; cost of debt, cost of preference share capital, cost of equity capital, cost of retained earnings – the weighted cost of capital (numerical problems to be included)

Business decision-making – certainty, risk and uncertainty, sources of business risk, steps involved in analysis of risky decisions, risk premiums, risk adjustment

Books for study and Reference:

Ahuja. H. L. 'Advanced Economic Theory (microeconomic Analysis)' S. Chand Limited,New Delhi

Geetika, Ghosh. P. & Roy Choudhury. P. 'Managerial Economics' Tata McGraw Hill Education Pvt Ltd, New Delhi.

Indira Gandhi National Open University: School of Management: Managerial Economics- MS/9

Mehta, P.L. 'Managerial Economics', Sultan Chand & Sons, Educational Publishers, New Delhi.

Mithani.D.M. 'Managerial Economics (Theory & Application)' Himalaya Publishing House,New Delhi.

Mukherjee Sampat, 'Business and Managerial Economics', New Central Book Agency (P) Ltd., Calcutta.

Samuelson, Paul A and Nordhaus, W.P., 'Economics', McGraw Hill, New York.

Varshney R.L. & Maheshwari. K.L., 'Managerial Economics' Sultan Chand & Sons, Educational Publishers, New Delhi