

## SEMESTER-II

### COURSE 3: MANAGERIAL ECONOMICS

Theory

Credits: 4

4 hrs/week

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#### Course Objectives

This course is designed to:

- Familiarize students with the application of economic principles to managerial decisions.
- Enable students to analyze demand, supply, and consumer behavior using economic tools.
- Apply optimization techniques (e.g., derivatives) in managerial problem-solving.
- Understand pricing strategies and production decisions under different market conditions.
- Introduce macroeconomic indicators relevant to business decisions and policy environments.

#### Course Outcomes (COs)

Upon successful completion of this course, students will be able to:

**CO1:** Understand and apply core concepts of managerial economics in decision-making.

**CO2:** Analyze consumer behavior, demand elasticity, and supply responses.

**CO3:** Utilize marginal analysis and optimization techniques in pricing and output decisions.

**CO4:** Examine cost structures and production behavior in the short and long run.

**CO5:** Evaluate market structures and macroeconomic indicators affecting business performance.

#### Unit I: Introduction to Managerial Economics

Definition, nature, and scope of managerial economics – Role of managerial economics in decision-making – Microeconomics vs. Macroeconomics – Basic principles: Opportunity Cost Principle, Incremental Principle, Discounting Principle, Equi-marginal Principle, and Time Perspective – Application of managerial economics in business problems.

#### Unit II: Demand, Supply and Consumer Behavior (Basics)

Law of demand and determinants of demand – Elasticity of demand: Price, Income, and Cross Elasticity – Measurement and interpretation of elasticity – Factors affecting elasticity – Law of supply – Demand forecasting: types and importance (conceptual overview only).

#### Unit III: Utility Theory and Consumer Equilibrium

Cardinal Utility Approach: Total utility and Marginal Utility – Law of Diminishing Marginal Utility – Law of Equi-Marginal Utility – Ordinal Utility Approach: Indifference Curve Analysis – Marginal Rate of Substitution – Budget Line and Consumer Equilibrium – Impact of changes in income and prices on equilibrium.

#### Unit IV: Production, Cost and Market Structures

Production Function – Fixed and Variable Inputs – Laws of Production: Law of Variable Proportion and Returns to Scale – Cost Concepts: Explicit, Implicit, Private, and Social Costs – Cost Curves in Short and Long Run – Economies and Diseconomies of Scale – Market Structures: Features and Pricing under Perfect Competition, Monopoly, Monopolistic Competition, and Oligopoly.

## **Unit V: Macroeconomic Analysis for Managers**

National Income Concepts: GDP, GNP, NDP, NNP, and Methods of Calculation (overview) – Theories of Income and Employment: Classical and Keynesian Views – Business Cycles and their Impact on Business – Relevance of Macroeconomic Indicators in Managerial Decision-making – Role of Government Policies in Economic Stabilization.

### **Student-Centric Activities**

- Elasticity Case Study: Analyze demand elasticity for real-life products.
- Consumer Choice Simulation: Model consumer equilibrium using budget lines.
- Cost Curve Plotting: Prepare cost curves using sample industry data.
- Market Structure Role Play: Enact pricing strategies under different markets.
- Economic Indicator Report: Present business impact of GDP, inflation, etc.

### **Recommended Textbooks and Readings**

1. Ivan Png (2021). *Managerial Economics*. Blackwell Publishers.
2. Dominick Salvatore (2022). *Managerial Economics in a Global Economy*. Cengage/Thomson South-Western.
3. Paul G. Keat & Philip K. Y. Young (2022). *Managerial Economics: Economic Tools for Today's Decision Makers*. Pearson.
4. D.N. Dwivedi (2022). *Managerial Economics*. Vikas Publishing House.
5. L. Varshney & K.L. Maheshwari (2022). *Managerial Economics*. Sultan Chand & Sons.
6. Lipsey & Chrystal (2022). *Economics*. Oxford University Press.