

**MBA First Year (1<sup>st</sup> Semester)**  
**Paper – 102: Managerial Economics**

**Objective:**

The objective of this course is to develop ability to apply the concepts, tools and techniques of Managerial Economics in analyzing and interpreting business decisions.

**Unit – I**

Nature and Scope of Managerial Economics: Objectives of a Firm; Economic Theory and Managerial Theory; Role and Responsibilities of the Managerial Economist; Fundamental Economic Concepts – Incremental Principle, Opportunity Cost Principle, Equi-Marginal Principle.

Demand Analysis: Individual and Market demand functions; Law of demand, Determinants of demand; Elasticity of demand – Concept and Importance; Price elasticity; Income elasticity and Cross elasticity; Using elasticity in Managerial decisions.

**Unit – II**

Theory of Consumer Choice: Cardinal utility approach, indifference approach, revealed preference and theory of consumer choice under risk; Demand estimation for major consumer durable and non-durable products. Demand forecasting techniques.

**Unit – III**

Production Theory: Production function – Production with one and two variable inputs; Stages of production; Economies of scale; Estimation of production function; Cost theory and estimation; Economic value analysis; Short and long run Cost functions – their nature, shape and inter-relationship; Law of variable proportions; Law of returns to scale.

**Unit – IV**

Price Determination under different Market Conditions: Characteristics of different market structure; Price determination and firm's equilibrium in short-run and long-run under perfect competition, Monopolistic competition, Oligopoly and Monopoly.

Pricing Practices: Methods of price determination in practice: Pricing of multiple products; Price discrimination; International price discrimination and dumping; Transfer pricing.

**Unit – V**

Business Cycle: Nature and phases of a business cycle; Theories of business cycles – Psychological, Profit, Monetary, Innovation, Cobweb, Samuelson and Hicks Theories.

Inflation: Definition, Characteristics and Types; Inflation in terms of demand – pull and cost – push factors; Effects of Inflation.

**Suggested Readings:**

1. Peterson, H. Carig and W. Cris Lewis: Managerial Economics, Prentice Hall, New Delhi
2. Salvatore, Dominick: Managerial Economics in a Global Economy, McGraw Hill, New York.
3. Baumol, William J: Economic Theory and Operations Analysis, Prentice Hall, London
4. Dean, Joel: Managerial Econom