

# Colbourne College

## SYLLABUS

### EC 302 Business Economics (3)

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Duration: 1 Semester/45 hours

Credits: 3

Lecturer:

Email:

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**Course Prerequisites:** EC 101

**Course Description:**

This module introduces students to a range of managerial economics topics, which relate to the organization and decision making of modern firms. Building on some of the theory introduced by the Foundations of Economics module, it examines areas of real world analysis and decision making such as firms' objectives, pricing, demand estimation, forecasting and cost estimation. In addition, it examines aspects of firm's growth such as mergers and acquisitions, plus the development multinational companies. Further topics cover issues of contractual relationship and the analysis of the competitive environment, while the related issues of privation and regulation are dealt with from both theoretical and practical perspectives.

**Course Objectives:**

The course Business Economics seeks to provide practical information that will allow students to apply economics economic principles to the real world of business and in their jobs. It uses economic theory and quantitative methods to analyze business enterprises and the factors contributing to the diversity of organizational structures and the relationships of firms with Labour, Capital and Product Markets.

**Required Textbook:**

Griffiths and Wall (2007)

Applied Economics, 11<sup>th</sup> Edition, Prentice Hall

**Supplementary Textbook**

Davies and Lam (2001)

Managerial Economics: An analysis of Business Issues

3<sup>rd</sup> Edition, Prentice Hall

## **COURSE OUTLINE AND LEARNING OBJECTIVES**

### **Week one: Introduction to Managerial Economics**

Contents: Subject matter and approach of managerial economics  
Role of models in managerial economics  
Profit maximization and maximization of shareholder wealth  
Managerial models of firm objectives  
Behavioral models of firm objectives

### **Week Two: Firm Behaviour in Reality**

Contents: Maximising objectives in practice  
Non maximizing objectives in practice  
Portfolio theory

### **Week Three: The Nature of the Firm**

Content: Different rationales for the existences of firms  
Introduction to transaction cost analysis  
Different forms of contractual relationships  
Implications of incomplete contracts  
In house production versus outsourcing

### **Week Four: Ownership and Control**

Content: Motivations of managers and shareholders  
The market for corporate control  
Principal-agent theory and incentives

### **Week Five: Diversification, Takeovers and Mergers**

Content: Different types of diversification  
Rationales for different forms of diversification  
Practical evidence concerning impacts of takeovers and mergers

### **Week Six: Multinational Companies**

Content: A brief of MNCs  
Different means by which MNCs emerge  
Different rationales for the development of MNCs

### **Week Seven: Forecasting Demand**

Content: Conceptual difficulties facing demand forecasting  
Different practical methods of demand/sales forecasting

### **Week Eight: Midterm Examination**

### **Week Nine: Cost Estimation**

Content: Conceptual difficulties facing cost estimation  
Methods of cost estimation  
Cost drivers  
Breakeven analysis

### **Week Ten: Analysing Competitive Structure**

Content: Porter's 5 forces model  
Power of buyers  
Power of suppliers  
Threat of entry  
Threat of substitution  
Intensity of rivalry

**Week Eleven: Pricing**

Content: Conceptual difficulties facing pricing  
Practical real world approaches to pricing

**Week Twelve: Group Presentation****Week Thirteen: Privatization**

Content: Arguments for privation  
Natural monopoly and privatization  
Practice of privatization  
Recent policy developments

**Week Fourteen: Regulation**

Content: Economic case for regulation  
Regulation of market power  
Rate of return versus price cap regulation  
Regulation of information asymmetries

**Week Fifteen: Final Examination**