



MINISTRY OF SCIENCE AND HIGHER EDUCATION OF RUSSIAN FEDERATION
Federal state autonomous educational institution of higher education
Far Eastern Federal University
(FEFU)

SCHOOL OF ECONOMICS AND MANAGEMENT

Approved by
School of Economics and Management
Academic Program Director

_____ D.A. Sokolova _____
(signature) (surname and initials)
« ____ » _____ 20 ____ г.

Approved by
Head of Management Department

_____ E.A. Glotova _____
(signature) (surname and initials)
« ____ » _____ 20 ____ г.

COURSE SYLLABUS

“Managerial economics (Управленческая экономика)”

Field of training: 38.04.02 Management

Master’s Degree Program in “International Business and Project Management”

Mode of study (full-time)

Year 1 semester 1

Lectures 12 hours

Practical studies 24 hours

Including interactive teaching methods: lectures 12, practical studies 24

Total hours of teaching loads 108 hours

Individual work 45 hours

including preparation for the exam 27 hours

pass – semester

exam 2 semester

The course syllabus has been prepared in accordance with the regulations of the federal state educational standard of higher education for field of training: 38.04.02 Management approved by Order of Ministry of Science and Education of Russia № 322 of March 30, 2015 / educational standard of the Far Eastern Federal University for field of training: 38.04.02 Management approved by academic decision (record № 06-15 of June 04, 2015) and Order of President № 12-13-1282 of July 07, 2015)

The course syllabus has been discussed at the department of management meeting on « ____ » _____ 20 ____ г.

Head of Management Department _____ E.A. Glotova « ____ » 2018 г.

Author: _____ Inga Ivanova, associate professor

Back side of cover page of the syllabus

I. Course Syllabus has revised at the meeting of the department:

«_____» _____ 20____, record № _____

Head of Management Department _____ E.A. Glotova

II. Course Syllabus has revised at the meeting of the department:

«_____» _____ 20____, record № _____

Head of Management Department of _____ E.A. Glotova

ABSTRACT

Master's degree in 38.04.02 Management

Master's Program "Title": Master's Degree Program "International Business and Project Management"

Course title: Managerial Economics (Управленческая экономика)

Compulsory discipline of the variable part, 3 credits

Instructor: Inga Ivanova, associate professor

At the beginning of the course a student should be able to:

- ability to self-organization and self-education;
- learn new subject areas quickly, identify contradictions, problems and develop alternatives to address them;
- think abstractly, analyze;
- comprehensively use the tools of project management solutions for strategic and tactical management tasks.

Learning outcomes:

general professional competences (GPC-2):

- Willingness to lead the team in their professional activities, tolerantly perceiving social, ethnic, religious and cultural differences (GPC-2)

professional competences (PC):

- The ability to determine the prospects for the development of an organization based on an assessment of the company's position in the market and trends in the influence of environmental factors (PC -5);
- Possession of the methods of economic and strategic analysis of the behavior of economic agents and markets in a global environment (PC -9);
- Ability to apply research & organization methods and research strategies PC-14.

Course description:

Managerial Economics is the application of economic theory and methodology to managerial decision making problems within various organizational settings such as a firm or a government agency. The emphasis in this

course will be on demand analysis and estimation, production and cost analysis under different market conditions, forecasting and decision making under uncertainty. Students taking this course are expected to have had some exposure to economics and be comfortable with basic algebra. Some knowledge of calculus would also be helpful although not necessary.

Main course literature: (*список основной литературы*)

1. Principles of Managerial Economics, Open University of Hong Kong. URL: http://www.opentextbooks.org.hk/system/files/export/15/15497/pdf/Principles_of_Managerial_Economics_15497.pdf
2. Managerial Economics. Ray Technology University. URL: [http://164.100.133.129:81/econtent/Uploads/Managerial_Economics%20\(1\).pdf](http://164.100.133.129:81/econtent/Uploads/Managerial_Economics%20(1).pdf)
3. Managerial Economics: TutorialsPoint. URL: https://www.tutorialspoint.com/managerial_economics/managerial_economics_tutorial.pdf
4. Managerial Issues in Finance and Banking [Electronic resource] / Ümit Hacıoglu, Hasan Dincer, Springer International Publishing, 2014. URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:862627&theme=FEFU>
5. Srinivas R. Rao Managerial Economics. URL: <https://www.free-ebooks.net/business-textbooks/Managerial-Economics>
6. General foundation of Managerial Economics. URL: <http://www.pondiuni.edu.in/storage/dde/downloads/h1020.pdf>

Form of final control: *exam.*

ABSTRACT

The “Managerial Economics” course was designed for degree program 38.04.02 “Management” (Master Degree), Master program “International Business and Project Management” in compliance with the requirements of Federal state educational standards of higher professional education (FSES HPE) and FEFU regulations on teaching materials for the courses for the educational programs of higher professional education (Approved by the order of Rector of 12.05.2015 № 12-13-850).

The course “Managerial Economics” is included into the basic part of the variation block named by “Disciplines (modules)”.

The total intensity of the course is 3 credit units, 108 hours. The curriculum provides lectures (12 hours), practical classes (24 hours, including 24 hours of MAE), independent work of students (45 hours, including 27 hours devoted to the preparation for the exam). The course is implemented at the 1st year in the 1st semester.

The “Managerial Economics” course is based on knowledge, skills and abilities, obtained as a result of studying such courses like “Basics of Management”, “Strategic Management”, “Financial Management”, “Basics of Project Activity”, “Microeconomics”, “Basic Algebra” and allows you to prepare students to master a number of courses like: “Organization Theory and Organizational Behavior”, “Risk Management” and “Methods of Research in Management”.

The content of the course consists of three sections and covers the following range of issues:

1. Theoretical foundations of managerial economics: The meaning of managerial economics, basic concepts, characteristics of managerial economics, the scope of managerial economics, why managers need to know economics, the methods of managerial economics, the use of managerial economics, the tools of decision-making processes and economics of management

2. Orientation and principles of activity of companies in various market conditions: Principles of competitiveness, the main features of monopolies, oligopolies, price discrimination, principles of production and costing, the theory of supply and demand, including: fundamentals, law, function, determinants, elasticity, forecasting demand, the importance of demand forecasting and forecasting methods.

3. Orientation and principles of activity of companies in various market conditions: Principles of competitiveness, main features of monopolies, oligopolies, price discrimination, principles of production and costing, theories of supply and demand, including: fundamentals, law, function, determinants, elasticity, forecasting demand, the importance of demand forecasting and forecasting methods.

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 as well as some more specific issues related to risk and uncertainty.

Responsibilities:

- to reveal the basic concepts of “managerial economics”;
- to give an idea of systematization, management activities and management methods;
- to give the fundamental characteristics of tools of science of decision-making and managerial economics;
- to form the management skills of companies in various market conditions;
- to promote the development of skills for analyzing the competitiveness of a company
- to promote the development of principles and methods of inter-company interaction.

Successful study of the course « Managerial Economics» requires the following set of prerequisite competencies:

- ✓ ability to upgrade personal cultural and professional status;
- ✓ ability to modify professional specialization;

- ✓ ability to acquire and apply new knowledge and skills;
- ✓ ability to make organizational managerial decisions and evaluate their results;
- ✓ ability to use foreign language as the means of professional communication fluently;
- ✓ skills of public communication in business and science.

As a result of studying this course, students form the following general and professional competencies (elements of competencies):

The competence's code and wording	The Stages of competence's formation	
GPC-2 Willingness to lead the team in their professional activities, tolerantly perceiving social, ethnic, religious and cultural differences	know	The principles and features of the implementation of a business transaction
	able to do	To rate feasibility of a business transaction from the point of view of its content
	possess	The knowledge, that are demanded in the implementation of a business transaction from the point of view of its economic feasibility
PC-5 The ability to determine the prospects for the development of an organization based on an assessment of the company's position in the market and trends in the influence of	know	Quantitative and qualitative methods in scientific research and business process management
	able to do	To use quantitative and qualitative methods in scientific research and business process management
	possess	The ability to identify the most appropriate quantitative or/and qualitative method

environmental factors		
PC-9 Possession of the methods of economic and strategic analysis of the behavior of economic agents and markets in a global environment	know	The tools of economic description of the international operations or a project
	able to do	To use the tools adopted by the world's economic society for assessment of international operations or projects; to assess the risks related to the implementation or operation of the project, and to propose the ways to reduce them
	possess	The economic assessment instruments for evaluating the international operations or projects
PC-14 Ability to apply research & organization methods and research strategies	know	research & organization methods and research strategies
	able to do	To apply research & organization methods and research strategies
	possess	The ability to choose a proper research & organization methods and research strategies

To form the above competencies in the "Managerial Economics" course, the following methods of active / interactive learning are used: a case study, "Write-Restrict-Repeat-Comprehend-Scan" – the principle of lectures, essays, and discussions.

SYNOPSIS: GENERAL CONTENT

The course syllabus “Managerial Economics” has been prepared in accordance with the regulations of the federal state educational standard of higher education approved by Order of Ministry of Science and Education of Russia № 322 of Marth

30, 2015 and educational standard of the Far Eastern Federal University (approved by academic decision (record № 06-15 of June 04, 2015) and Order of President № 12-13-1282 of July 07, 2015) for field of training: 38.04.02 “Management” for the students of Master of Science in Project Management Program.

The course “Managerial Economics” is one of the obligatory disciplines of variable part of the curriculum.

COURSE CREDITS: This course combines 108 hours for 3 credits including 36 hours in-class learning and 72 hours independent work.

Managerial Economics provides a conceptual framework for understanding the economic forces at work in firms and markets and supplies models and tools for improving managerial decision making. This course aims to make the participant familiar with the language and methods of economic analysis while emphasizing issues of practical relevance in business management. Not only will you learn how supply and demand effect prices, or the fundamentals of differentiation in a firm’s strategy, but you will also learn how game theory and develop decision-trees can improve your decision-making processes, at a strategic level within the organization.

Learning Objectives

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 as well as some more specific issues related to risk and uncertainty.

Responsibilities:

- to reveal the basic concepts of “managerial economics”;
- to give an idea of systematization, management activities and management methods;
- to give the fundamental characteristics of tools of science of decision-making and managerial economics;

- to form the management skills of companies in various market conditions;
- to promote the development of skills for analyzing the competitiveness of a company

- to promote the development of principles and methods of inter-company interaction.

Successful study of the course « Managerial Economics» requires the following set of prerequisite competencies:

- ✓ ability to upgrade personal cultural and professional status;
- ✓ ability to modify professional specialization;
- ✓ ability to acquire and apply new knowledge and skills;
- ✓ ability to make organizational managerial decisions and evaluate their results;
- ✓ ability to use foreign language as the means of professional communication fluently;
- ✓ skills of public communication in business and science.

As a result of studying this course, students form the following general and professional competencies (elements of competencies):

Code and competence’s description	The Stages of competence’s formation	
Willingness to lead the team in their professional activities, tolerantly perceiving social, ethnic, religious and cultural differences (GPC-2)	know	The principles and features of the implementation of a business transaction
	able to do	To rate feasibility of a business transaction from the point of view of its content
	possess	The knowledge, that are demanded in the implementation of a business transaction from the point of view of its economic feasibility

The ability to determine the prospects for the development of an organization based on an assessment of the company's position in the market and trends in the influence of environmental factors (PC-5)	know	Quantitative and qualitative methods in scientific research and business process management
	able to do	To use quantitative and qualitative methods in scientific research and business process management
	possess	The ability to identify the most appropriate quantitative or/and qualitative method
Possession of the methods of economic and strategic analysis of the behavior of economic agents and markets in a global environment (PC-9)	know	The tools of economic description of the international operations or a project
	able to do	To use the tools adopted by the world's economic society for assessment of international operations or projects; to assess the risks related to the implementation or operation of the project, and to propose the ways to reduce them
	possess	The economic assessment instruments for evaluating the international operations or projects
Ability to apply research & organization methods and research strategies (PC-14)	know	research & organization methods and research strategies
	able to do	To apply research & organization methods and research strategies
	possess	The ability to choose a proper research & organization methods and research strategies

Course Method and Materials

The course is delivered using a balanced combination of video, presentation, workshops, discussion sessions, poster presentations, written self-reflections in groups and individually. The workshops and discussions are focused on putting into practice the techniques covered in the presentation and video.

The workshops are used extensively to reinforce learning and to contribute to the development of understanding.

I. STRUCTURE AND CONTENT OF THE THEORETICAL PART OF THE COURSE

Lectures (12 hours)

#	Topic	Content	Hours
1	Introduction to Managerial Economics	What is Managerial Economics? Why Managerial Economics is relevant for managers? Managerial Economics as applicable to Different types of organizations	2
2	Key Measures and Relationships	A simple business venture The Impact of price changes Marginal Analysis	2
3	Demand and Pricing	Theory of the consumer Determinants of demand Modelling consumer demand Forecasting demand	2
4	Cost and production	Average cost curve Economies of scope and joint products Productivity and the learning curve	2
5	Economics of organization	Reasons to expand an enterprise Horizontal integration Vertical Integration Conglomerates	2

6	Market Equilibrium and Perfect Competition Model	Assumptions of the perfect competition model Firm supply curves and market supply curves Market equilibrium Why perfect competition is desirable Monopolistic competition	2
---	--	---	---

II. STRUCTURE AND CONTENT OF THE PRACTICAL PART OF THE COURSE

Practical Studies (24 hours)

#	Practice work	Hours
1	Case "Corporate governance"	2
2	Case "The demand for coffee"	2
3	Workshop "A problem-solving approach"	3
4	Workshop "Problem-oriented studies"	3
5	Case "CVP (Cost-volume-profit) analysis"	2
6	Case "Mathematical analysis of cost relationships"	2
7	Workshop "Short-run cost estimation"	2
8	Workshop "Long-run cost estimation"	2
9	Workshop "Investing in a corporate fitness program"	2
10	Practical task for finding solutions	4

Content of the practical part of the course is presented in Appendix 2.

III. EDUCATIONAL-METHODICAL SUPPORT FOR THE INDEPENDENT STUDENT WORK

Teaching and methodological support for the independent student work in the discipline "Managerial Economics" is presented in Appendix 1 and includes:

- a schedule for performing independent work on the discipline, including approximate time limits for execution for each assignment;
- characteristics of tasks for independent work of students and methodological recommendations for their implementation;
- requirements for the presentation and registration of the results of independent work;
- criteria for evaluating the performance of independent work.

IV. CONTROL OF ACHIEVING THE PURPOSES OF THE COURSE

#	Controlled topics	Codes and stages of forming competences		Evaluation tools	
				current control	intermediate control
1	Topic 1. Introduction to Managerial Economics	PC-5	Know	Discussion	Essay
			Be able	Oral Presentations	
			Master	Case Study Analysis	
2	Topic 2. Key Measures and Relationships	GPC-2	Know	Discussion	Essay
			Be able	Oral Presentations	
			Master	Case Study Analysis	
3	Topic 3. Demand and Pricing	PC-5	Know	Discussion	Essay
		PC-9	Be able	Case Study Analysis	
			Master	Case Study Analysis	
4	Topic 4. Cost and production	PC-5	Know	Discussion	Essay
		PC-9	Be able	Workshop	
			Master	Case Study Analysis	
5	Topic 5. Economics of organization	PC-5	Know	Discussion	Essay
		PC-14	Be able	Workshop	
			Master	Case Study Analysis	
6	Topic 6. Market Equilibrium and Perfect Competition Model	GPC-2	Know	Discussion	Final Essay
		PC-9	Be able	Workshop	
		PC-14	Master	Case Study	

				Analysis	
--	--	--	--	----------	--

Typical control tasks, methodological materials that determine the procedures for assessing knowledge, skills and / or experience, as well as the criteria and indicators necessary for assessing knowledge, skills, and characterizing the stages of forming competences in the process of mastering the educational program are presented in Appendix 2.

V. LIST OF EDUCATIONAL LITERATURE AND INFORMATION AND METHODOLOGICAL SUPPORT OF DISCIPLINE

Main Literature

(electronic and printed publications)

1. Principles of Managerial Economics, Open University of Hong Kong. URL: http://www.opentextbooks.org.hk/system/files/export/15/15497/pdf/Principles_of_Managerial_Economics_15497.pdf
2. Managerial Economics. Ray Technology University. URL: [http://164.100.133.129:81/econtent/Uploads/Managerial_Economics%20\(1\).pdf](http://164.100.133.129:81/econtent/Uploads/Managerial_Economics%20(1).pdf)
3. Managerial Economics: TutorialsPoint. URL: https://www.tutorialspoint.com/managerial_economics/managerial_economics_tutorial.pdf
4. Managerial Issues in Finance and Banking [Electronic resource] / Ümit Hacıoglu, Hasan Dincer, Springer International Publishing, 2014. URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:862627&theme=FEFU>
5. Srinivas R. Rao Managerial Economics. URL: <https://www.free-ebooks.net/business-textbooks/Managerial-Economics>
6. General foundation of Managerial Economics. URL: <http://www.pondiuni.edu.in/storage/dde/downloads/h1020.pdf>

Additional Literature

(electronic and printed publications)

1. Managerial Economics: Theory and Practice / Thomas J. Webster, San Diego. London: Elsevier, 2003. – 739 p. URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:241136&theme=FEFU>
2. Managerial economics: A mathematical approach / M. J. Alhabeeb, L. Joe Moffitt. Hoboken, New Jersey: John Wiley & Sons, Inc., 2013 URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:703291&theme=FEFU>
3. Managerial Economics in a global economy / D. Salvatore, Mason: Thomson, 2004. – 739 p. URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:252332&theme=FEFU>
4. Ahrens Frank (2008-03-19). "*Moral Hazard: Why Risk Is Good*". The Washington Post. <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/18/AR2008031802873.html>. Retrieved 2009-03-17.(Unit 1, 2, 3, 4)
5. Strategic management: Concepts and cases / Fred R. David. New Jersey : Pearson Education, 2009. – 326 p. URL: <http://lib.dvfu.ru:8080/lib/item?id=chamo:292681&theme=FEFU>
6. Practical Methods of Financial Engineering and Risk Management [Electronic resource] / Rupak Chatterjee. Apress. 2014. URL: <https://link.springer.com/book/10.1007%2F978-1-4302-6134-6>
7. Wighton David (2008-09-24). "'Paulson bailout: seizing moral high ground can be hazardous'". Times Online. <http://business.timesonline.co.uk/tol/business/columnists/article4813975.ece>. Retrieved 2009-03-17.(Unit 5, 6)
8. Samuelson, William. Managerial economics/William F. Samuelson, Stephen G. Marks. –7th ed., 2012. – 824 p. <http://www.mim.ac.mw/books/Samuelson%20Managerial%20Economics%207e.pdf>

Internet resources

1. Yahoo! Economics: <http://dir.yahoo.com/>
Social Science/Economics/U.S. economic data, indicators, and statistics:

2. Bureau of Economic Analysis: <http://www.bea.gov/>
3. Bureau of Labor Statistics: <http://www.stats.bls.gov/>
4. Census Bureau: <http://www.census.gov/>
5. Department of Commerce: <http://www.commerce.gov/>
6. Department of the Treasury: <http://www.ustreas.gov/>
7. Economic Indicators Monthly: <http://www.gpo.gov>
Economic analysis and forecasts:
8. Citicorp Market Information: <http://finance.yahoo.com/q?s=c>
9. J.P. Morgan: <http://www.adr.com>
Financial data and financial market information:
10. Board of Governors, Federal Reserve System: <http://www.federalreserve.gov/>
11. Federal Reserve: <http://www.research.stlouisfed.org/fred2>
12. Yahoo! Finance: <http://finance.yahoo.com>
13. U.S. stock markets: http://money.cnn.com/data/us_markets
14. World stock market indexes: http://money.cnn.com/data/world_markets
15. Currency exchange rates:
<http://www.money.cnn.com/markets/currencies.html>
International economic data, indicators, and statistics:
16. International Monetary Fund: <http://www.imf.org/external/index.htm>
17. Organization for Economic Cooperation and Development:
<http://www.oecd.org>
18. World Bank: <http://www.worldbank.org>
19. World Trade Organization: <http://www.wto.org>
Current national and international business news:
20. Bloomberg Business News: <http://www.bloomberg.com/>
21. Financial Times: <http://www.ft.com/home/us>
22. The Wall Street Journal interactive edition: <http://online.wsj.com/home-page>
23. Business Week: <http://www.businessweek.com/>
24. Forbes: <http://www.forbes.com/>

25. Fortune: <http://money.cnn.com/magazines/fortune>

26. The Economist: <http://www.economist.com/>

List of information technologies and software

Standard Microsoft Office package are used in the educational process of the discipline "Managerial Economics".

VI. METHODOICAL INSTRUCTIONS FOR THE DEVELOPMENT OF DISCIPLINE

Homework and exams will be closely related to material discussed in lectures and to some extent in the readings as well. But as the readings only vaguely track the farranging discussions in class, students are encouraged to attend lectures. It is assumed that students will complete the homework's by themselves although casual discussion with other class members is allowed. Homework's will be given out each week and due at class one week later. Grades on late homework's are penalized.

At the end of the semester, a final exam is conducted, including questions on the entire course.

Grading is based on comprehension and mastery of the material. Homework 30%, take home midterm exam 30%, final exam 40%.

VII. MATERIAL-TECHNICAL SUPPORT OF DISCIPLINE

To implement the educational process in the discipline "Managerial Economics", the following material and technical support is required:

- computers equipped with standard software included in the Microsoft Office suite and access to the Internet;
- projector, screen.



MINISTRY OF SCIENCE AND HIGHER EDUCATION OF RUSSIAN FEDERATION
Federal state autonomous educational institution of higher education
Far Eastern Federal University
(FEFU)

SCHOOL OF ECONOMICS AND MANAGEMENT

**EDUCATIONAL-METHODICAL SUPPORT
FOR THE STUDENT'S INDEPENDENT WORK
in the course «MANAGERIAL ECONOMICS»**

Field of training: 38.04.02 Management

Master's Degree Program "International Business and Project Management"

Mode of Study: full-time

**Vladivostok
2018**

Schedule of independent work on discipline

#	Date / timeframe	Type of independent work	Approximate time limits for implementation	Form of control
1	Week 1	Task on the Topic 1	5 hours	UO-4 (Discussion)
2	Week 2	Task on the Topic 2	10 hours	UO-4 (Discussion)
3	Week 3	Task on the Topic 3	7 hours	UO-4 (Discussion)
4	Week 4	Task on the Topic 4	7 hours	UO-4 (Discussion)
5	Week 5	Task on the Topic 5	8 hours	UO-4 (Discussion)
6	Week 6	Task on the Topic 6	8 hours	UO-4 (Discussion)

Recommendations for independent work of students

Independent work of students consists of preparation for practical studies; work on recommended literature, writing reports on the topic of the seminar, preparing presentations, solving problems.

Methodical recommendations for the preparation of presentations

Presentations in MS Power Point format are carried out by students based on the results of practical assignments and tasks for independent work.

General requirements for the presentation:

- the presentation should not be less than 10 slides;
- the first sheet is the title page, on which the project name must necessarily be submitted; surname, name, patronymic of the author;
- the next slide should be the content, where the main stages (moments) of the presentation are presented; it is desirable that from the content of the hyperlink you can go to the necessary page and return again to the content;
- design ergonomic requirements: color compatibility, a limited number of objects on the slide, text color;
- The last slides of the presentation should be a glossary and a bibliography.

TASKS FOR INDEPENDENT WORK OF STUDENTS

Task on the Topic 1 – Nature and scope of economic analysis

Issues for discussion sessions

(Managerial Economics / RAI Technology University: Engineering minds)

Discuss various aspects relating to the management decision making or Managerial Decision Making.

- What Is Management?
- Basic Management Functions
- Kinds of Managers
- What Makes Effective Managers?
- Managerial Decision Making

Discuss the various factors affecting decision making.

- Conditions Affecting Decision Making
- Conditions that affect decision making: (certainty, risk and uncertainty)
- Decision Making Models

Task of the Topic 2 – Optimal Decisions Using Marginal Analysis

Issues for discussion sessions

(Samuelson, William. Managerial economics/William F. Samuelson, Stephen G. Marks. –7th ed., 2012)

1. A manager makes the statement that output should be expanded as long as average revenue exceeds average cost. Does this strategy make sense? Explain.
2. The original revenue function for the microchip producer is $R = 170Q - 20Q^2$. Derive the expression for marginal revenue, and use it to find the output level at which *revenue is maximized*. Confirm that this is greater than the firm's profit-maximizing output, and explain why.
3. Because of changing demographics, a small, private liberal arts college predicts a fall in enrollments over the next five years. How would it apply marginal analysis to

plan for the decreased enrollment? (The college is a nonprofit institution, so think broadly about its objectives).

4. Suppose a firm's inverse demand curve is given by $P = 120 - 5Q$ and its cost equation is $C = 420 + 60Q + Q^2$.

a. Find the firm's optimal quantity, price, and profit by using the profit and marginal profit equations and by setting MR equal to MC. Also provide a graph of MR and MC.

b. Suppose instead that the firm can sell any and all of its output at the fixed market price $P = 120$. Find the firm's optimal output.

5. a. As in Problem 4, demand continues to be given by $P = 120$, but the firm's cost equation is linear: $C = 420 + 60Q$. Graph the firm's revenue and cost curves. At what quantity does the firm break even, that is, earn exactly a zero profit?

b. In general, suppose the firm faces the fixed price P and has cost equation $C = F + cQ$, where F denotes the firm's fixed cost and c is its marginal cost per unit. Write down a formula for the firm's profit. Set this expression equal to zero and solve for the firm's break-even quantity (in terms of P , F , and c). Give an intuitive explanation for this break-even equation.

c. In this case, what difficulty arises in trying to apply the $MR = MC$ rule to maximize profit? By applying the logic of marginal analysis, state the modified rule applicable to this case.

6. A television station is considering the sale of promotional videos. It can have the videos produced by one of two suppliers. Supplier A will charge the station a set-up fee of \$1,200 plus \$2 for each DVD; supplier B has no set-up fee and will charge \$4 per DVD. The station estimates its demand for the DVDs to be given by $Q = 1,600 - 200P$, where P is the price in dollars and Q is the number of DVDs. (The price equation is $P = 8 - Q/200$.)

a. Suppose the station plans to give away the videos. How many DVDs should it order? From which supplier?

b. Suppose instead that the station seeks to maximize its profit from sales of the DVDs. What price should it charge? How many DVDs should it order from which

supplier? (*Hint: Solve two separate problems, one with supplier A and one with supplier B, and then compare profits. In each case, apply the $MR = MC$ rule.*)

Task of the Topic 3 – Demand concepts

Issues for discussion sessions

1. Define law of demand? What are its basic assumptions?
2. Why demand curve slopes downward?
3. What are the exceptions to the law of demand?
4. Explain the extension and contraction of demand?
5. Explain the shift in demand?
6. What are different types of demand?
7. Define demand. Discuss various determinants of demand?
8. Explain and illustrate shift in demand, extension and contraction of demand and make a comparative study?

Task of the Topic 4 – Supply and production analysis

Issues for discussion sessions

(Managerial Economics / RAI Technology University: Engineering minds)

1. What do you understand by “cost efficiency”? Draw a long run cost diagram and explain.
2. Distinguish between historical costs and replacement costs. Why is this distinction useful?
3. Can all direct costs be treated as variable costs?
4. Comment on the nature of costs involved in depreciation from both economic and accounting standpoints?
5. Give examples to distinguish between fixed overheads and variable overheads.

Task of the Topic 5 – Calculus and Optimization Techniques

Issues for discussion sessions

(Samuelson, William. Managerial economics/William F. Samuelson, Stephen G. Marks. –7th ed., 2012)

1. The economist Arthur Laffer has long argued that *lower* tax rates, by stimulating employment and investment, can lead to *increased* tax revenue to the government. If this prediction is correct, a tax rate reduction would be a win-win policy, good for both taxpayers and the government. Laffer went on to sketch a tax revenue curve in the shape of an upsidedown U.

In general, the government's tax revenue can be expressed as $R = t * B(t)$, where t denotes the tax rate ranging between 0 and 1 (i.e., between 0 and 100 percent) and B denotes the tax base. Explain why the tax base is likely to shrink as tax rates become very high. How might this lead to a U-shaped tax revenue curve?

2. The economic staff of the U.S. Department of the Treasury has been asked to recommend a new tax policy concerning the treatment of the foreign earnings of U.S. firms. Currently the foreign earnings of U.S. multinational companies are taxed only when the income is returned to the department seeks a tax rate that will maximize total tax revenue from foreign earnings. Find the optimal tax rate if

a. $B(t) = 80 - 100t$

b. $B(t) = 80 - 240t^2$

c. where $B(t)$ is the foreign earnings of U.S. multinational companies returned to the United States and t is the tax rate.

3. A firm's total profit is given by $\pi = 20x - x^2 + 16y - 2y^2$.

a. What values of x and y will maximize the firm's profit?

b. Repeat part (a) assuming the firm faces the constraint $x + y \leq 8$.

c. Repeat part (a) assuming the constraint is $x + .5y \leq 7.5$.

Task of the Topic 6 – Pricing policy and practices

Issues for discussion sessions

1. What is pricing policy?
2. What is cost plus pricing?
3. What is target pricing?
4. What is marginal cost pricing?
5. What is price discrimination?
6. What you mean by skimming price?
7. What is penetration price strategy?
8. What is psychological pricing or charm pricing?
9. Mention various method of pricing?
10. What are the objectives of pricing policy?
11. What is the role of cost and demand factors in price determination?
12. Explain the pricing strategies of new products?
13. What is the role of consumer psychology in pricing?
14. Define pricing policy? What are the factors to be considered while making pricing decision?
15. Explain important methods of pricing?

Evaluation Criteria (oral response)

5	if the answer shows a solid knowledge of the basic processes of the studied domain, it is distinguished by the depth and completeness of the disclosure of the topic; possession of terminological apparatus; the ability to explain the essence, phenomena, processes, events, to draw conclusions and generalizations, to give reasoned answers, to give examples; fluency in monologue speech, consistency and consistency of response; the ability to give examples of contemporary problems of the studied area
4	a response that reveals solid knowledge of the basic processes of the studied subject area is distinguished by the depth and completeness of the disclosure of the topic; possession of terminological apparatus; the ability to explain the essence, phenomena, processes, events, to draw conclusions

	<p>and generalizations, to give reasoned answers, to give examples; fluency in monologue speech, consistency and consistency of response.</p> <p>However, one or two inaccuracies in the response are allowed.</p>
3	<p>the answer is evaluated, which testifies mainly about the knowledge of the processes of the studied subject area, which is characterized by insufficient depth and completeness of the disclosure of the topic; knowledge of the main issues of the theory; poorly formed skills of analyzing phenomena, processes, insufficient ability to give reasoned answers and give examples; not enough fluency in monologue speech, logic and consistency of response. There are several errors in the content of the response; inability to give an example of the development of a situation, to make a connection with other aspects of the studied area</p>
2	<p>a response that reveals ignorance of the processes of the studied subject area, which is distinguished by a shallow disclosure of the topic; ignorance of the main issues of the theory, unformed skills of analysis of phenomena, processes; the inability to give reasoned answers, weak possession of monologue speech, lack of consistency and consistency. Serious errors are made in the content of the response; ignorance of modern problems of the studied area</p>



MINISTRY OF SCIENCE AND HIGHER EDUCATION OF RUSSIAN FEDERATION
Federal State Autonomous Educational Institution of Higher Education
Far Eastern Federal University
(FEFU)

SCHOOL OF ECONOMICS AND MANAGEMENT

ASSESSMENT TOOLS FUND
in the course «MANAGERIAL ECONOMICS»
Field of training: 38.04.02 Management
Master's Degree Program «International Business and Project Management»
Mode of Study: full-time

Vladivostok
2018

**Passport of the assessment tools fund
for the discipline “Managerial Economics”**

Code and competence’s description	The Stages of competence’s formation	
Willingness to lead the team in their professional activities, tolerantly perceiving social, ethnic, religious and cultural differences (GPC-2)	know	The principles and features of the implementation of a business transaction
	able to do	To rate feasibility of a business transaction from the point of view of its content
	possess	The knowledge, that are demanded in the implementation of a business transaction from the point of view of its economic feasibility
The ability to determine the prospects for the development of an organization based on an assessment of the company's position in the market and trends in the influence of environmental factors (PC-5)	know	Quantitative and qualitative methods in scientific research and business process management
	able to do	To use quantitative and qualitative methods in scientific research and business process management
	possess	The ability to identify the most appropriate quantitative or/and qualitative method
Possession of the methods of	know	The tools of economic description of the international operations or a project

economic and strategic analysis of the behavior of economic agents and markets in a global environment (PC-9)	able to do	To use the tools adopted by the world's economic society for assessment of international operations or projects; to assess the risks related to the implementation or operation of the project, and to propose the ways to reduce them
	possess	The economic assessment instruments for evaluating the international operations or projects
Ability to apply research & organization methods and research strategies (PC-14)	know	research & organization methods and research strategies
	able to do	To apply research & organization methods and research strategies
	possess	The ability to choose a proper research & organization methods and research strategies

Evaluation tools for testing the formation of competencies

The competence & it's code	Task
GPC-2 Willingness to lead the team in their professional activities, tolerantly perceiving social, ethnic, religious and cultural differences	<p>Irina has been working under the leadership of the same boss for 11 years. One day, her old friend asked her for a tea and asked how she could work with her boss? Something like this sounded: "Actually, nothing. He does not bother me. I do my job." Then a friend asked: "But you work in one place for 11 years. How do you work? Will you ever be promoted? Please do not be offended, but I don't understand at all how the work you do has to do with the work of the company."</p> <p>Irina thought: "I really don't know if I work well ... My boss never talks to me about it. True, I have always believed that the lack of news is already good news. As for the content and importance of my work, when I was admitted to the company, something was not</p>

	<p>clearly explained to me and there was no more talk about it. We do not particularly communicate with the boss.”</p> <p>Questions to analyze the situation:</p> <ol style="list-style-type: none"> 1. What are the goals and conditions for effective communication between the supervisor and the subordinate are missing? 2. How can I determine the level of vertical communications? 3. Are there opportunities for upstream communication in this situation? 4. How can you more effectively build feedback? 													
<p>PC-5 The ability to determine the prospects for the development of an organization based on an assessment of the company's position in the market and trends in the influence of environmental factors</p>	<p>Estimate the sales for 2019, 2022 and fit a linear regression equation and draw a trend line, if sales in the following years are:</p> <p>2009 – 22734 2010 – 24731 2011 – 31489 2012 – 44685 2013 – 55319 2014 – 91021 2015 – 146234 2016 – 107887 2017 – 127483 2018 – 97275</p>													
<p>PC-9 Possession of the methods of economic and strategic analysis of the behavior of economic agents and markets in a global environment</p>	<p>Two firms are in the chocolate market. Each can choose to go for the high end of the market (high quality) or the low end (low quality). Resulting profits are given by the following matrix:</p> <table border="1" data-bbox="868 1440 1481 1592"> <tr> <td colspan="2" rowspan="2"></td> <td colspan="2">Firm 2</td> </tr> <tr> <td>Low</td> <td>High</td> </tr> <tr> <td rowspan="2">Firm 1</td> <td>Low</td> <td>-20, -30</td> <td>900, 600</td> </tr> <tr> <td>High</td> <td>100, 800</td> <td>50, 50</td> </tr> </table> <p>a) What outcomes, if any, are Nash equilibrium? b) What is the cooperative outcome? c) Which firm benefits most from the cooperative outcome? How much would that firm need to offer to persuade it to collude?</p>			Firm 2		Low	High	Firm 1	Low	-20, -30	900, 600	High	100, 800	50, 50
				Firm 2										
		Low	High											
Firm 1	Low	-20, -30	900, 600											
	High	100, 800	50, 50											
<p>PC-14 Ability to apply research & organization methods and research strategies</p>	<p>Based on the demand data below: a) build a graph and then determine the price elasticity of demand for each of the four price changes by \$1. How does the value of the price elasticity</p>													

	of demand change over the course of the demand curve? b) Calculate the value of total revenue based on demand data. Build a graph of total revenue for your demand curve. What is the ratio of price elasticity and total revenue?
--	--

#	Controlled topics	Codes and stages of forming competences		Evaluation tools	
				current control	intermediate control
1	Topic 1. Introduction to Managerial Economics	PC-5	Know	Discussion	Essay
			Be able	Oral Presentations	
			Master	Case Study Analysis	
2	Topic 2. Key Measures and Relationships	GPC-2	Know	Discussion	Essay
			Be able	Oral Presentations	
			Master	Case Study Analysis	
3	Topic 3. Demand and Pricing	PC-5 PC-9	Know	Discussion	Essay
			Be able	Case Study Analysis	
			Master	Case Study Analysis	
4	Topic 4. Cost and production	PC-5 PC-9	Know	Discussion	Essay
			Be able	Workshop	
			Master	Case Study Analysis	
5	Topic 5. Economics of organization	PC-5 PC-14	Know	Discussion	Essay
			Be able	Workshop	
			Master	Case Study Analysis	
6	Topic 6. Market Equilibrium and Perfect Competition Model	GPC-2 PC-9 PC-14	Know	Discussion	Final Essay
			Be able	Workshop	
			Master	Case Study Analysis	

ASSESSMENT DETAILS

Type of activity	Date (period)	Weighting %
Case Paper / Presentation	every week	30

Class Participation	every week	20
Final Exam	Last week	50
Total for the semester		100

Completion of Assignments: Students are required to complete every assignment, including any case analyses, presentations, course projects and exams. The weight of specific assignments is shown below.

Student Group Case Paper and Presentation: Each student group will analyze one of the cases that are located at the end of each chapter in the textbook. The group will identify an Issue (a problem or opportunity), show the Application of Text Material to the company issue, discuss three possible Alternatives for resolution of the issue and select the most appropriate alternative as a Recommendation. The group will make a 10-minute presentation to the class to discuss the results of its analysis of the company and submit a 5-page paper on the company, using the underlined items above as topic headings.

Class Participation: Participation is a subjective perception and observation of each individual's class participation. It includes attendance, punctuality, contributions to class discussion, contributions to group efforts, etc. Those students who show innovation, creativity leadership, and extra effort without attempting to dominate class discussions score higher. Those who demonstrate average active participation and attitude score accordingly. Examples of quality participation include: asking relevant questions, stimulating discussion with relevant examples from your workplace, and supplementing class discussions with reference to timely newspaper/magazine/internet articles related to the practical application of course material.

Structure of presentation:

- *Standard history, the goal of creation*
- *Basic principles of management methodology standards*
- *Practical examples of the standards application (success stories about implementation this standards)*

- *Professional certification (describe levels of certification, price, terms, lead the statistics: how many people are certified to present moment)*
- *Other interesting facts*
- *References*

Report recommended time is not more than **15 minutes**.

Examples of tasks for current control

I. Practice work

Case 1 “Corporate governance”

How can company boards be given more spine? ‘Coote got me in as a director of something or other. Very good business for me – nothing to do except go down into the City once or twice a year to one of those hotel places – Cannon Street or Liverpool Street – and sit around a table where they have some very nice new blotting paper. Then Coote or some clever Johnny makes a speech simply bristling with figures, but fortunately you needn’t listen to it – and I can tell you, you often get a jolly good lunch out of it.’

The blotting paper has vanished. But to judge by the crop of scandals currently tormenting American business, little else about life in the boardroom has changed since Agatha Christie wrote ‘The Seven Dials Mystery’ in 1929. As some of America’s best-known bosses lied, swindled and defrauded their way through hundreds of millions of shareholders’ funds in the effervescent late 1990s, boards of directors, supposedly the guardians and protectors of shareholders’ interests, appear to have snoozed through it all.

Dennis Kozlowski, recently ousted from the top of Tyco, an ill-fitting conglomerate, stands accused of evading taxes on fine art, which his board may have lent him the money to buy. Bernie Ebbers, former boss of WorldCom, a telecoms firm, persuaded his board to lend him hundreds of millions of dollars so that he could bet on his company’s share price. The board of Adelphia, a publicly owned cable company with a stock worth little, put the company’s name on \$2.3 billion-worth of bank loans to the founding family, which owns one-fifth of the

shares. Not to mention Enron, whose board rode roughshod over its own rules in order to allow Andrew Fastow, its chief financial officer, to benefit personally from the off-balance-sheet vehicles that he set up.

Scandal leaps from company to company with bewildering speed, and as share prices collapse the lawsuits mount. Directors are in the front line.

PricewaterhouseCoopers, an accounting/consulting firm, has counted almost 500 securities lawsuits filed by investors in the past year. Marsh, an insurance firm, reports that the premiums that companies pay to insure their directors against lawsuits have shot up by between 35% and 900% recently, depending on the business. Companies at greatest risk, says Steve Anderson of Marsh, could be paying \$2m a year for a \$10m policy – if they can find an insurer willing to underwrite the risk at all.

‘What to do when you become a target of the SEC’ is the topic that exercises the latest issue of Directors & Boards magazine. The SEC, meanwhile, is urging state and federal prosecutors to bring more criminal cases against securities-law violators, and on June 12th it voted to introduce a new rule requiring chief executives to vouch personally for their companies’ financial statements. America’s boards have been in scrapes before. Never, however, has their reputation sunk so low.

With such forces on the loose, even boards themselves have begun to understand that something needs to be done. And not only in America. Corporate governance is a hot topic around Europe too. The scandals there may not have been as great as on the other side of the Atlantic, but recent experience in America has helped to highlight an issue that has been on Europe’s corporate agenda for some time.

In Britain, a former director of the Prudential insurance company, Derek Higgs, was appointed by the government in April to head a review into the role and effectiveness of non-executive directors (more or less equivalent to America’s independent directors).

On June 7th, Mr Higgs issued a consultative document inviting comments on, inter alia, whether existing relationships with shareholders need to be strengthened, and on what can be done to attract and recruit the best people to non-executive roles. He is due to report by the end of this year.

One person from whom he will not need to canvass views is Lord Young of Grafham, a former trade minister in Margaret Thatcher's government. As outgoing president of the Institute of Directors, Lord Young shocked an audience in April by suggesting that non-executives can do more harm than good and should be abolished. George Cox, the institute's director-general, had to explain sheepishly that Lord Young's views did not reflect the official views of the institute. 'We believe non-executives have a valuable role to play,' affirmed Mr Cox.

In Germany, where companies have two boards – a supervisory board of non-executives and a management board responsible for running the company – a government-appointed commission issued a code of corporate governance in February.

Most attention was focused on a suggestion that companies publish top managers' pay, hitherto regarded as a private matter. But the longest section of the code was concerned with turning supervisory boards into better watchdogs. They should, it suggests, contain no more than two ex-members of the management board. Their work should be delegated to small, competent committees; and no member of a management board should sit on more than five supervisory boards of unrelated companies.

In such countries as France and Italy, the issue of corporate governance has yet to come to the fore.

Many of the biggest public companies in these countries – from LVMH to Fiat – still have large family shareholdings, family representatives among their senior management, and strong family representation on their boards. In France, it has been claimed that only about one director in five on the boards of public companies is truly independent.

Such a structure may help to resolve the perennial conflict between owners and managers. But it limits the role of the board as a check on management. It also leads to even greater cosiness among leading businessmen, who love to appoint each other to be external directors of their boards. For example, Bernard Arnault, chairman of LVMH, a luxury-goods group and one of the largest companies in France, sits on the board of Vivendi Universal, a media group that is also among the largest companies in the country.

The chairman of Vivendi Universal, Jean-Marie Messier, in turn sits on the board of LVMH. In Italy, the high-level business and financial club of directors is known as the *salotto buono*, literally ‘the good drawing-room’. It’s that cosy.

One reaction to the corporate scandals in America has been to seem to act tough, in the hope of restoring investor confidence. In this spirit, the New York Stock Exchange (NYSE) published on June 6th a set of proposals for new boardroom standards for its listed companies. These include everything from boardroom ‘executive sessions’ without the boss to mandated ‘orientation programmes’ (including a field trip to corporate headquarters) for incoming directors.

Institutional investors, corporate-governance activists, regulators, corporate lobbies and Congress are all jostling for position with ideas for reform.

Working against this, meanwhile, is a countervailing impulse to protect the best bits of the existing system from poor, or unnecessary, regulation. The periodic worry that America may be asking too much of its boards has begun to return.

Headhunters such as Spencer Stuart and Korn/Ferry say that, as the legal risks rise, emptying chairs around the boardroom table are getting harder to fill.

Others warn that shackling the boss with an interventionist board may threaten America’s entrepreneurial business culture.

The origins of the board lie in the 17th century among early forms of the joint-stock company, notably the British East India Company. After merging with a rival, it organised itself into a court of 24 directors, elected by and reporting to a

‘court of proprietors’, or shareholders. America has dabbled with other models of governance from time to time.

In the 1920s, the chairman of General Electric, Owen Young, pushed the idea of stakeholder boards. But since the rise of pooled investment savings in the 1940s and 1950s, the trend has been towards the East India Company model, with the board accountable to shareholders. Corporate law, the courts and activist institutional investors such as Calpers (which began publishing lists of ‘underperforming’ boards in the 1980s) have further entrenched the shareholder model.

One strand of history traces a push by shareholders for greater board independence. In the 1970s, many shareholders became particularly upset by public companies whose boards were beholden to powerful private interests, often the founding family. These sorts of tension still linger. Bill Ford, the boss of Ford, did not get his job on merit. And until last month, Adelphia’s board accommodated no fewer than four members of the Rigas family – the company founder, John Rigas, and his three sons.

‘There should never be more than one Rigas on any board,’ comments Dennis Block of Cadwalader, Wickersham & Taft, a Wall Street law firm. Modern problems of board independence tend to be more nuanced than this, although not hugely so. In America, the chief executive tends to chair the board. In good times Americans heap praise on the strong business leadership that such a system cultivates. But during bad times, they fret about the worrying lack of spine elsewhere around the boardroom table – the ‘nodders and yes-men’, as the author P.G. Wodehouse once called them.

This matters particularly in America, where the tyrannical corporate leader is a well-established figure. John Patterson, once boss of NCR, a computer company, fired an underperforming executive by removing his desk and chair, parking it in front of the company’s factory, and having it soaked in kerosene and set alight in front of the poor man. Armand Hammer, when boss of Occidental Petroleum, kept signed,

undated letters of resignation from each of his board directors in his desk. Among Jack Welch's top tips for bosses: never put an academic in charge of your compensation committee. They are more susceptible to envy than rich old men.

Sure enough, in the midst of the latest corporate governance disasters stand the usual feudal-baron types – such as Mr Kozlowski of Tyco, Mr Ebbers of WorldCom and Gary Winnick, the founder of Global Crossing, a bust telecoms firm. These burly ex-sports jocks get things done quickly. But they also tend to bully their boards into meek docility. The symptoms are clear: egomaniacal corporate strategies and extravagant personal rewards. IBM's board recently rewarded Lou Gerstner on his retirement from the chair not with the stereotypical gold watch but with \$100m-worth of company stock.

Most people reckon that one of the board's most important duties should be to plan a replacement for the boss should he die or need to be jettisoned. Yet many boards seem to lack the backbone even to raise this topic. 'It is surprising and distressing how few boards have a clearly thought-out process,' says Don Gallo of Sibson Consulting Group. 'I think it's a huge failing in their fiduciary duties towards shareholders.'

Tyco and other companies have chosen to bring back former chief executives when they have lost their bosses, a clear sign (if not conclusive proof) that their boards had no plan for succession. Nell Minow of The Corporate Library, a watchdog website, recalls talking to board directors of a public company who got into a shouting match with the boss about succession. 'His policy was: "I'm not going to die"', says Ms Minow.

Reformers start with the way in which directors get elected. 'The CEO puts up the candidates, no one runs against them and management counts the votes,' says Ms Minow. 'We wouldn't deign to call this an election in a third-world country.' In theory, shareholders can put up their own candidates, in what is known as a proxy contest. But proxy fights are exorbitantly expensive. The recent tussle at Hewlett-Packard between its boss, Carly Fiorina, and Walter Hewlett, a dissident board director, may have cost the company's shareholders \$150m.

As the incumbent management has the corporate coffers at its disposal, this expense tends to make proxy fights one-sided affairs: even the smallest of Hewlett-Packard shareholders reported receiving 20 or more calls from the company. As a final blow to shareholder activists, the courts in Delaware, where the majority of American companies are incorporated, found insufficient evidence that Ms Fiorina had unfairly coerced a big shareholder, Deutsche Bank, despite hints to the contrary. Proxy contests happen at less than 1% of public companies each year in America.

The British and Canadian solution to the overbearing boss is to split the role of chief executive from that of chairman of the board, a post that can then be filled by a 'lead' independent director. This idea has found some support in America. Harold Williams, a former chairman of the SEC, championed it in 1978. Institutional investors, says Roger Raber of the National Association of Corporate Directors, are keener than ever before to split the roles. But support among companies, says Mr Raber, is going the other way. They say they fear conflict in the boardroom, threatening precious 'collegiality'.

The NYSE is thought to have toyed with the idea of a separate chairman, but it does not appear in its published proposals. The exchange is, however, proposing new standards for director independence, along with a requirement that all boards contain a majority of these newly defined independent directors. (Almost all American boards already have a large majority of non-executive directors.) The NYSE's proposed executive sessions without the boss ought to give directors a chance to escape the perils of 'groupthink', intimidation and what Victor Palmieri, a crisis-management expert in the 1980s, called a 'progressive loss in the collective grasp of reality'.

Companies seem to hate the idea of executive sessions – which might mean they could actually work. Some embrace these reforms as part of a creeping 'professionalisation' of the board. This need not mean that the job becomes full-time. But it does mean raising and standardising the qualifications for joining a board. Part of the NYSE's answer to the proliferation of accounting scandals among

listed companies, for instance, has been to set clearer and more detailed qualifications for board directors who serve on audit committees.

To get the right people, consultants say, their pay may have to rise. Outside the top 100 companies in America, whose directors typically earn \$250,000–300,000 a year, the rest make do on \$50,000–75,000. The consultants point out that exchanges, regulators and Congress have been heaping extra burdens on the board for years.

Boardroom committees, for instance, have proliferated. Even audit committees were uncommon 20 years ago. Now any board worth its salt needs a compensation committee, a nomination committee, a finance committee, a public-policy committee and now a governance committee as well.

This creates unrealistic expectations among investors, say critics. No director can be expected to catch sophisticated fraud by company insiders. The head of Enron's audit committee, Robert Jaedicke, is a professor of accounting at Stanford University, who could hardly have been more qualified for the job. 'Shit happens,' says one Wall Street financier. He calls the NYSE proposals 'a lot of nonsense'.

The most powerful catalyst for change ought to be the big institutional investors that have their own fiduciary duty to protect their investors. Right now, these institutions are busily blaming boards for recent wrongs. But this seems rather convenient. One of the more interesting features of the assorted revelations now scandalising the market is that many of them are hardly news. Everybody suspected that America's energy-trading companies inflated their revenues. Software-contract accounting was an acknowledged black art. And the fact that telecoms firms bought from each other to boost their numbers has shocked nobody but neophytes. The big institutions knew who the cheats were. But life was good, and they nodded and winked and chose to go along with it. In many ways, they now have nobody to blame but themselves.

As part of its reforms, the NYSE proposes to give shareholders more opportunity to monitor and participate in governance. This includes allowing them to vote on stock and stock-option plans for bosses, and making companies disclose

codes of business conduct and ethics on their websites. In Delaware, judges seem more willing to put their faith in the judgment of sophisticated institutions, and may increasingly throw open contentious issues to a vote. When it comes – as it inevitably will – the next wave of corporate scandals might put institutions, not boards of directors, in its crosshairs.

Questions

- 1) What is the problem of the CEO being chairman of the board, as is common in the United States?
- 2) What is the role of non-executive or independent directors?
- 3) What are the problems of having a more active board?
- 4) What is the purpose of having executive sessions without the CEO being present?
- 5) What could be the role of the institutional investors in changing corporate governance?
- 6) Why has corporate governance not become an issue in France and Italy?

Case 2. “The demand for coffee”

An empirical study by Huang, Siegfried and Zardoshty estimated a demand function for coffee in the United States between 1961 and 1977, using quarterly time-series data. The results were:

$$\begin{aligned} \ln Q_t = & 1.2789 - 0.1647 \ln P_t + 0.5115 \ln Y_t \\ & \quad \quad \quad (-2.14) \quad \quad \quad (1.23) \\ & + 0.1483 \ln P_t^* - 0.0089 T - 0.0961 D_1 \\ & \quad \quad \quad (0.55) \quad \quad \quad (-3.326) \quad \quad \quad (-3.74) \\ & - 0.1570 D_2 - 0.0097 D_3 \\ & \quad \quad \quad (-6.03) \quad \quad \quad (-0.37) \\ R^2 = & 0.80 \end{aligned}$$

Where

Q = pounds of coffee consumed per head

P = the relative price of coffee per pound at 1967 prices

Y = per capita personal disposable income (in \$,000 at 1967 prices)

P^{*} = the relative price of tea per quarter pound at 1967 prices

T = the trend factor, with T =1 for 1961-I to T = 66 for 1977-II

D1 = 1 for the first quarter

D2 = 1 for the second quarter

D3 = 1 for the third quarter

Questions

- 1 Interpret the PED for coffee; does price significantly affect consumption?
- 2 Interpret the YED for coffee; does income significantly affect consumption?
- 3 Interpret the CED between tea and coffee; does the price of tea significantly affect the consumption of coffee?
- 4 Why do you think that advertising expenditure is omitted from the equation?
- 5 Interpret the trend factor.
- 6 Interpret the seasonal pattern in coffee consumption in the USA.
- 7 How well does the model fit the data?

Workshop 3. “A problem-solving approach”

1) Revenue relationships

KA Products has just carried out a survey of the demand for their guidebooks to spoken English. They have found the following results over the last six months.

Sales revenue (\$,000)	356	398	372	360	365	350
Price (\$)	4.5	4.0	4.2	4.5	4.3	4.8

- a. Estimate an appropriate demand relationship.
- b. Draw a graph of the data and the above relationship.
- c. Make a forecast of sales revenue for a price of \$5, stating any assumptions.
- d. Estimate the price elasticity of demand for the data as a whole.
- e. If price is raised 10 per cent in general terms, what will happen to revenue?

2) Lagged relationships

MC Corp. makes alarm clocks and has observed the following pattern of sales over the last 8 months:

	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Sales (units)	380	430	410	420	450	440	480	500
Income (\$,000)	26	25	27	29	28	31	32	32

- Is it appropriate to use a lagged relationship in the above situation? Give your reasons.
- Estimate an appropriate relationship.
- Draw a graph of the data and appropriate relationship.
- Estimate sales in March, stating any relevant assumptions.
- How much of the variation in sales is explained by the relationship with income?

3) Interpretation of regression model

The following regression is based on a random sample of 200 persons:

$$\text{LOGIN} = 0.12\text{LOGFIN} + 0.05\text{EDUC} - 0.15\text{FEMALE}$$

(t ratios)	(3.28)	(2.50)	(3.05)
(p values)	(.001)	(.006)	(.001)

$$R^2 = 0.82$$

where:

LOGIN = natural log of the person's income

LOGFIN = natural log of the father's income

EDUC = number of years in education

FEMALE = 1 if female; 0 if male.

- Interpret the regression coefficients.
- Interpret the p-values for the t-statistics.
- John and Jim are alike in all respects except income and their father's income. John's father earns £60,000 and John himself earns £40,000. If Jim's father earns £54,000, estimate Jim's income.
- Jane is John's sister but has had three more years in education; estimate her income.
- Interpret the R^2 .

Workshop 4. "Problem-oriented studies"

Optimal combination of inputs

A bottling plant employs three different types of labour: unskilled manual workers, technicians and supervisors. It has estimated that the marginal product of the last manual worker is 200 units per week, the marginal product of the last technician is 275 units per week and the marginal product of the last supervisor is 300 units per week.

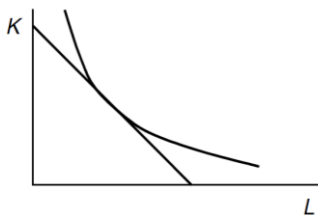
The workers earn £300, £400 and £500 per week respectively.

- a. Is the firm using the optimal combination of inputs?
- b. If not, advise the firm on how to reallocate its resources.

Review questions:

- 1 Give examples of daily activities where the law of diminishing returns applies.
- 2 Explain the difference between technical and economic efficiency.
- 3 What is meant by the three stages of production in the short run?
- 4 Explain the shapes of the total product, marginal product and average product curves for a Cobb–Douglas production function in the short run.
- 5 Figure below shows an isoquant and an isocost curve. Show the effects of the following changes:
 - a. The price of L rises.
 - b. The prices of L and K rise by the same proportion.
 - c. The firm's budget increases.
 - d. Improved technology makes K more productive.
 - e. Improved technology makes both L and K more productive by the same proportion.

Figure - Isoquant and isocost curves.



Case 5. “CVP (Cost-volume-profit) analysis”

1) Last month Susie Q sold 24,000 litres of ice-cream. The variable costs were £2.70 per litre and each litre contributed 25 per cent of its revenue to fixed costs and profits. It has just discovered a new supplier which will enable it both to reduce its cost by £0.40 per litre and to improve its quality. However, it estimates that it will have to spend another £3,000 on advertising per month to inform customers of the improvement.

Profits last month were £10,000.

- a. What is the previous month's cost function?
- b. What is the new cost function with the new supplier?
- c. How many litres will Susie Q have to sell to increase profit by 20 per cent, assuming it keeps its price the same?
- d. If Susie Q can raise its price by 10 per cent, what difference will this make to the sales in (c) above?

2) CVP analysis

Lite and Brite produce lamps which they sell for £40. Lite has fixed costs of £8,000 less than Brite and average variable costs of £33, which is 10 per cent more than Brite. Lite has a break-even output which is 15 per cent less than Brite, and produces 25 per cent less revenue than Brite.

Lite also makes £12,000 less profit than Brite.

- a. Calculate the cost functions of both firms.
- b. Calculate the outputs of both firms.
- c. Calculate the profits of both firms.

Case 6. "Mathematical analysis of cost relationships"

XTC Ltd has total costs of £45,000 and it is currently producing 5,000 units. It has examined its cost structure and has found that, of its variable costs, half vary in a linear relationship with output; the other variable costs increase by £1 for every

1,000-unit increase in output. Fixed costs are £10,000, and these determine the capacity of 6,000 units. The market price is £10.

- Determine the MC, AVC and ATC functions for the firm.
- Determine the current profit of the company.
- Determine the degree of operating leverage at current output.

Workshop 7. “Short-run cost estimation”

A study is carried out for DP Corp. regarding its costs and output over a period of eight months, during which time its capacity has remained constant. The results are:

Output ('00)	50	64	60	64	70	60	68	76
Total costs (£ '000)	23	29	27	30	35	26	34	42

- Draw a graph of the average cost curve.
- Estimate an appropriate total cost function for the firm.
- Estimate total costs if the firm produces 8,000 units.
- What can be said about returns to scale in the industry? Give your reasoning.
- Estimate average costs at 8,000 units.
- Estimate the marginal cost of the 8,000th unit.

Workshop 8. “Long-run cost estimation”

A survey is carried out regarding the costs and outputs for eight firms in an industry that have different plant sizes. Some of the firms use a newer Hiflow (H) technology, whereas the others use the older Loflow (L) technology.

The results are:

Firm	A	B	C	D	E	F	G	H
Technology	L	L	L	H	L	H	H	H
Output ('00)	60	134	90	178	84	200	152	108
Total costs (£ '000)	28	56	40	51	38	52	45	35

- Estimate an appropriate cost function in the industry.
- Does the newer technology significantly affect costs? If so, by how much?

- c. What can be said about returns to scale in the industry? Give your reasoning.
- d. Estimate costs for a firm using the newer technology that produces 12,000 units.
- e. Estimate the marginal cost of the 12,000th unit for the firm above.

Workshop 9. “Investing in a corporate fitness program”

Procal Co. is considering establishing a corporate fitness programme for its employees. The firm currently employs 500 workers, mainly managerial and administrative, in a number of offices in one local area. The type of programme being considered involves subsidizing employees by paying 50 per cent of any membership fees to a specific fitness centre. This subsidy represents the cost of operating the programme, while the main benefits expected are in terms of increased productivity, reduced sickness and absenteeism, and reduced staff turnover costs. The average salary paid to employees is £50, 000 per year, and employees work a fortyhour week for fifty weeks in the year. The firm has researched the extent of these costs and benefits and discovered the following information:

- 1 10 per cent of employees can be expected to participate in the programme.
- 2 The membership fees are £400 per individual on a group scheme.
- 3 Workers who do not participate in any fitness programme suffer a drop in productivity of 50 per cent in their last two hours of work each day.
- 4 The normal sickness/absenteeism rate of eight days lost per year is reduced by 50 per cent for those workers on a fitness programme.
- 5 Staff turnover should be reduced from 20 per cent a year to 10 per cent.
- 6 Each new employee involves a total of twelve hours of hiring time.
- 7 Each new employee takes five days to train, and training is carried out in teams of five new employees at a time.
- 8 Each new employee has a productivity that is 25 per cent lower than average for their first six weeks at work.

Questions

- 1 Estimate the costs of operating the programme described above.
- 2 Estimate the benefits in terms of increased productivity.
- 3 Estimate the benefits from reduced sickness and absenteeism.
- 4 Estimate the benefits from reduced staff turnover.
- 5 What conclusion can you come to regarding the operation of the programme?

10. Practical task for finding solutions

Suppose that you have the opportunity to invest \$50,000 in a new restaurant in South Bend. (FYI: Dr. HG Parsa of Ohio State University has done a study that shows that 59% of restaurants fail within the first three years!).

a) Given the following data, what is your opportunity cost here? Explain.

Asset	Annual Return
5 year Government Bond	1.25%
DJIA (Stocks)	7%
“Junk” Bonds (CCC or below)	13%

Note: CCC bonds have an average default rate of 27%

b) Now, suppose that as a part owner, you are allowed to eat for free as often as you like. How does this change your calculation from (a)?

2) Suppose that Amtrak builds a new train line from Chicago to Los Angeles. Unfortunately, the train line passes through thousands of acres of cornfields in Iowa. When the train passes through the cornfields, it throws off sparks that destroy the corn. The corn farmers take Amtrak to court in an attempt to get the train line shut down.

a) What would be the “right” outcome in this case? Explain.

b) The Coase theorem states that as long as negotiation between the two parties involved is relative costless, the “right” outcome will result regardless of how the judge might rule. Explain.

ESSAY TOPICS ON DIFFERENT ASPECTS OF THE COURSE

General aspects

Analyze the major factors of demand for a pair of companies from different industries. Note that they should be identified specifically for a certain industry and companies and not be copied from theoretical texts). How good are the companies in their responses to those factors. Do they cope with global issues.

- 1) Apple vs Samsung (battle of smartphones);
- 2) Ford vs Toyota;
- 3) Procter & Gamble vs Henkel (detergents);
- 4) Bosch vs LG (kitchen appliances);
- 5) Fesco vs ICLC (logistics);
- 6) DHL vs Fedex;
- 7) Roshen vs Orkla Brands Russia;
- 8) Pfizer, Inc. Vs Boehringer Ingelheim GmbH;
- 9) Baolai Medical vs 3M ESPE (dental products);
- 10) Lloyds Banking Group vs Japan Post Bank;
- 11) CLAAS KGaA mbH vs Narlant Import AB (agricultural machinery);
- 12) Parker vs Sheaffer (elite pens);
- 13) Assicurazioni Generali S.p.A. vs Japan Post Holding Co, Ltd (insurance services);
- 14) Delta Airlines vs. Lufthansa;
- 15) China State Construction Eng'g Corp. Ltd., Beijing, China vs. Abeinsa SA, Seville, Spain (contractors);
- 16) Hill's Pet Nutrition vs Royal Canin (pet food);
- 17) Japan Tobacco International vs. Rothmans International (tobacco companies)
- 18) Lego vs. Mega Brands (toys);
- 19) Lerner Publishing Group vs. Offset Press Inc. (printing services);
- 20) Kimberly-Clark Corp. Vs. Stora Enso (paper producers);
- 21) Adidas vs. Merrell (sports equipment);
- 22) Smirnoff vs. Grey Goose (vodkas).

Competition

You are a company's owner. Choose a country and an industry by yourself. Provide an analysis of your decisions for the following:

- ✓ major characteristics of your initial business strategy;
- ✓ important aspects of price-making;
- ✓ planning for future development at the chosen market.

In your answers consider 3 situations:

- 1) You perform at the perfectly competitive market
- 2) You perform at monopolistically competitive
- 3) You are a monopoly

How would your decisions depend on company's size (explain).

Intermediate essays

(are chosen by the student's last name number in the group list, are to be performed individually)

1. You work as a consultant for a large holding company. Which firm theories can be applied (and how) for the motivation of workers (non-managers)? What problems could and should be addressed specifically for the company of such size and organizational structure.
2. You work as a consultant for a large holding company. Which firm theories can be applied (and how) for the motivation of and managers? What problems could and should be addressed specifically for the company of such size and organizational structure.
3. You consult a sole proprietorship (with 5-10 employees). Which firm theories can be applied (and how) for the motivation of workers (non-managers)? What problems could and should be addressed specifically for the company of such size and organizational structure.
4. You consult a sole proprietorship (with 5-10 employees). Which firm theories can be applied (and how) for the motivation of managers? What problems

- could and should be addressed specifically for the company of such size and organizational structure.
5. Your task is to provide some advice to an open global corporation that needs to increase its reputation and market value. It is known that this corporation faces a conflict of interests between its owners and managers because managers tend to serve their personal interests. Using firm's theories write a list of recommendations addressing the issues mentioned above. Be as specific as you can.
 6. You work as a consultant for a medium size closed corporation. The company is disturbed by the volume of employees' turnover. Which firm theories can be applied (and how) for the motivation of workers? What other problems could and should be addressed specifically for the company of such size and organizational structure.
 7. Your task is to provide some advice to a small size company new to the market. It struggles to grab a share of the market and gain good reputation. Using firm's theories write a list of recommendations addressing the issues arising out of agency theory. Be as specific as you can.
 8. You are hired by a state-owned enterprise (in the form of closed corporation) who wishes to expand its operations into several foreign markets. Consider the situation from the point of view of different firm theories to identify the proper structure (if you believe that it has to be changed) and possible sources of trouble relevant to that structure and suggest some decisions.
 9. What kinds of opportunism ex-post will be common (in your opinion) for a medium size company adhering to a set of very strict and numerous internal rules. According to different firm theories how is it possible to lessen such problems.
 10. How can the efficiency of contracts enforcement be identified for the economy as a whole? What are the determinants of this efficiency? How this efficiency can be raised.

Final essay topics

(are chosen by the student's last name number in the group list, are to be performed individually)

1. You work as a consultant for a medium size closed corporation. The company is disturbed by the volume of employees' turnover. Which firm theories can be applied (and how) for the motivation of workers? What other problems could and should be addressed specifically for the company of such size and organizational structure.
2. Discuss the following issue: Employee usually is subject to uncertainty in terms of his/her employer's intentions. What are the possible remedies to this problem (be sure to write on both internal and external ones). Which of them do you consider to be the most efficient? How will your answer depend on employee's propensity to risk.
3. You work as a consultant for a large holding company. Which firm theories can be applied (and how) for the motivation of workers (non-managers)? What problems could and should be addressed specifically for the company of such size and organizational structure.
4. Taking into consideration all possible concepts out of those we had discussed in class, explain the point of view that it is more profitable for the firms to have high-tech production combined with low skilled workers instead of spending higher amounts of money for high-skilled labor. Do not forget to discuss the transaction costs of new technology implementation.
5. You work as a consultant for a large holding company. Which firm theories can be applied (and how) for the motivation of and managers? What problems could and should be addressed specifically for the company of such size and organizational structure.
6. Can a one-time (only for one specific job) hire contract serve as an insurance against adverse selection problem. Is it possible to substitute a long-term employment contract by the series of periodically resumed one-time contracts. Discuss advantages and disadvantages of one-time contracts versus infinite employment contracts.

7. You consult a sole proprietorship (with 5-10 employees). Which firm theories can be applied (and how) for the motivation of workers (non-managers)? What problems could and should be addressed specifically for the company of such size and organizational structure.
8. Discuss how e-commerce affects the transaction costs. You can select several industries involved in the process and should identify the most and least affected. Be sure to illustrate your analysis by proper real-world examples.
9. You consult a sole proprietorship (with 5-10 employees). Which firm theories can be applied (and how) for the motivation of managers? What problems could and should be addressed specifically for the company of such size and organizational structure.
10. Your task is to provide some advice to an open global corporation that needs to increase its reputation and market value. It is known that this corporation faces a conflict of interests between its owners and managers because managers tend to serve their personal interests. Using firm's theories write a list of recommendations addressing the issues mentioned above. Be as specific as you can.

Questions list for the course of “Managerial Economics”

1. Meaning of Managerial Economics
2. Definitions of Managerial Economics
3. Characteristics of Managerial Economics
4. Scope of Managerial Economics
5. Techniques of Managerial Economics
6. Managerial Economics - Its application in Marginal Analysis and Optimization
7. Tools of Decision Science and Managerial Economics
8. Law of Demand and Demand Function
9. Determinants of Demand
10. Elasticity of Demand
11. Demand Forecast and Sales Forecast

- 12.Components of Demand Forecasting System
- 13.Objectives of Demand Forecast
- 14.Importance of Demand Forecast
- 15.Methods of Demand Forecast
- 16.Production Function: uses and types
- 17.Short run and Long run Production Functions
- 18.Short run Cost Function
- 19.Relation between AC and MC
- 20.Long run Cost Function
- 21.Concept of Economies of Scale
- 22.Economies and Diseconomies of Scale
- 23.Economies of Scope
- 24.Definition and Characteristics of Perfect Competition
- 25.The perfectly competitive firm in the short-run
- 26.The perfectly competitive firm in the long-run
- 27.Price under Perfect Competition
- 28.Features of Monopolistic Competition
- 29.Assumptions of Monopolistic Competition
- 30.Monopolistic competition in the short-run
- 31.Monopolistic competition in the long-run
- 32.Price determination under Monopolistic Competition
- 33.Defects or Wastes of Monopolistic Competition
- 34.Definition and of Characteristics of Oligopoly
- 35.Price-Output Determination under Oligopoly
- 36.Game Theory and oligopolistic behavior
- 37.Kinked demand curve model
- 38.Stackelberg model
- 39.Bertrand oligopoly
- 40.Characteristics of Monopoly. Price under Monopoly
- 41.Types and sources of Monopoly

42. Two-part tariff
43. First-degree price discrimination
44. Second-degree price discrimination
45. Third-degree price discrimination
46. Types of contracts and their possible applications
47. Complete contracts
48. Classical contract
49. Neoclassical contract
50. Implicit (relational) contracts
51. Formal vs. Informal Contracts
52. Opportunism & Contract Renegotiation
53. Incomplete contracts: characteristics
54. Grossman and Hart Model
55. Opportunism ex-ante: Adverse Selection
56. Adverse selection and its consequences at various markets: quality of goods
57. Adverse selection at the labor market
58. Remedies for Adverse Selection at the labor market: signaling; screening.
59. Opportunism ex-post: Moral Hazard
60. Principal-Agent Issues and Managerial Compensation
61. The principal-agent problem: modeling
62. Moral hazard in “manager-owner” relations and internal remedies
63. Moral hazard in “manager-owner” relations and external remedies
64. Principal-Agent Issues and Workers Compensation
65. Moral hazard in teams
66. The firm in neoclassical theory
67. Complete Contracting and Economic Organization: Principal-Agent Theories
68. Incomplete Contracting Theories
69. Criticisms of the Modern Theory of the Firm