1. Course 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. An introductory course in microeconomics is a prerequisite. You should be comfortable with employing basic algebra and elementary calculus.

By the end of the course, students will develop skills to:
- Explain the role of economic theory in managerial economics.
- Describe the characteristics of various market structures such as perfect competition and monopoly.
- Know the difference between economic and accounting profit.
- Understand and graphically illustrate the way market forces determine prices and production in competitive markets.
- Learn the fundamental principles of optimization theory for finding the optimal level of business activities.
- Predict how revenue will be affected by a change in the price of a product by using the concept of price elasticity.
- Determine the optimal level of inputs and the cost of production in two different decision-making time frames: short run and long run.
- Analyze how managers make pricing and output decisions in competitive markets and monopoly.
- Understand how techniques of price discrimination and multi-product pricing can increase profit.

2. Required Readings
Textbook:

* These policies will be strictly enforced.
If you do not follow these guidelines, your instructor will penalize you for it.

3. Evaluation of Work/Grading Policy
Grade will be based upon completion of the following: first examination, second examination, final examination and projects. The final course grade will be based on the following:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>90-100</td>
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<tr>
<td>B</td>
<td>80-89</td>
</tr>
<tr>
<td>C</td>
<td>70-79</td>
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<tr>
<td>D</td>
<td>60-69</td>
</tr>
<tr>
<td>F</td>
<td>59 and below</td>
</tr>
</tbody>
</table>

Tests (Quizzes and Exams)
The tests will not be easy, and will surely require extensive study. Quizzes will be given during the semester (if there are) - their purpose is to keep you up to date in your studying. If you are not present for a quiz or a scheduled examination, you will not be excused unless you submit an approved third-party official document. The
date for the midterm exams will be given in class. It is impossible to make two examinations which are comparable in coverage and difficulty but essentially different. For this reason, requests to take special examinations (early or late) will be granted only in exceptional circumstances that are beyond the control of a student (e.g., serious illness, university business, a death in the family). I expect you to contact me the day of the examination or before the examination if you must miss an exam or quiz for any reason. The make-up exam is expected to be taken upon your return to class, no exceptions. If a student fails to take an exam and no arrangements were made, a score of zero will be recorded. Each student will be allowed to make-up only one test (midterm, final exam or quiz) during the semester, regardless of the reason for absence.

Third-Party Official Document Policy
The following policy applies to all excused absent:

- After the missed class period, documentation is required for an excused absence.
- The document should contain your name and date (or period) of absence.
- It is the student’s responsibility to request excuse and document absence.
- Student need to present third-party official documents which show that there was a compelling reason (e.g., a medical emergency, a doctor’s note, a death in the family, jury duty, call up for military service, police report) for your absence.
- I do not accept nor acknowledge e-mail notification.
- The official documents need to be provided within a reasonable period of time (NO documents will be accepted after one week) and/or before the final examination if the date of absence is the last week of the semester.
- The submission of falsified documents will be grounds to expel the student from the class.

Late & E-mailed Assignments
Late and/or e-mailed assignments will not be accepted unless prior arrangements have been made with the Instructor and because of extreme circumstances (Not coming to class, or forgetting, doesn’t rate as an extreme circumstance.).

No “Extra Credit” Work
Students sometimes ask for some extra credit work near the end (or middle) of the semester in an attempt to bring up poor grades. No extra credit work will be given to any student on an individual basis. Again, there is no extra credit offered at any time during the semester (please don’t ask).

Grades via E-mail
Because of the large number of students in each class, instructor will not be able to reply to individual e-mail requests for exam and/or class grades at the end (or middle) of the semester.

Contesting a Grade
If you wish to contest your grade on any work you complete for this class, please do so within one week after the assignment is returned. To contest your grade, contact me to schedule an appointment within one week of receipt of the grade. At the conference, bring the assignment (if it was returned to you) and any other documentation that may support your case. If you do not hang on to old tests, then the grades I have recorded will stand and you will have nothing to argue your case. Appeals will not be heard unless you have scheduled an appointment with me within the one-week time frame following receipt of the grade.

4. Expectations
The student has read the material before coming to class. The class session should not serve as the student’s first encounter with the material. The class session is a time to clarify and analyze the material. The instructor will assume that the student has an adequate grasp of algebra which is crucial to an understanding of the economic models to be used. Many economics courses, familiarity with graphical analysis is a must. That the student will actively participate in class discussions in the form of questions, answers and comments is strongly encouraged, and will count towards the student’s final grade. I also hope that each of you will contribute significantly to our class discussions and group work. Be prepared to
ask questions, raise concerns and demonstrate your thinking skills.

5. **Attendance Policy**
Students take responsibility for their learning. It is expected that students attend all scheduled classes during the time indicated in the Schedule of Classes for your section. I also expect you to arrive on time and stay for the entire class period. If you must leave class early, please let me know in advance, and then to sit as near the door as possible and leave quietly. Please remember that late arrivals and early departures distract other students (not to mention your instructor), and hinder your progress in the course. If you are not in class at the scheduled time for your section of the class, it is difficult for the instructor to provide you with timely feedback and other information about your work. If you miss a class, you are still responsible for all material covered and any assignments given. Instructor will answer specific questions but instructor will not re-teach any lesson. It is your responsibility to do the readings and come prepared to listen to the lecture.

6. **Institutional Policies and Procedures**
In all respects, the policies of the Department, School, IPFW and the University shall be applied in this course.

   **ADA Policy**
Students with documented physical, learning, psychological and other disabilities are entitled to receive reasonable accommodations. If you need classroom or testing accommodations, please contact the Office of Services for Students with Disabilities (Walb Union, Room 113, 481-6657). The SSD will provide forms verifying the need for accommodation. As soon as the instructor receives the form, you will be provided with the appropriate accommodations. Students are encouraged to request accommodations as close to the beginning of the semester as possible.

   **Disruptive Behavior**
Students who exhibit behaviors which are considered to obstruct or disrupt the class or its learning activities will be considered Disruptive Behavior. Behaviors which are considered to be inappropriate in this classroom include refusing to stay seated during class, sleeping, eating, coming in late, companions, interrupting others, talking, inappropriate behavior during group work, verbal behavior that is disrespectful of other students or the instructor, or others that may be disruptive. Students who exhibit such behavior will be given a verbal warning by the class instructor, then will be given a written warning in a meeting with the chair of the Department/Division, and then will be subject to disciplinary procedures.

   **Academic Dishonesty**
Any form of academic dishonesty is prohibited. Students are expected to maintain the highest standards of honesty in their college work. Cheating, forgery and plagiarism are serious offenses, and students found guilty of any form of academic dishonesty are subject to disciplinary action. Incidences of violation of academic integrity will result in a grade of F for the course, dismissal of the student from the course and may lead to additional actions. Students are expected to be familiar with and adhere to the university policies with regard to academic dishonesty. These policies can be found on http://www.ipfw.edu/academics/regulations/honesty.shtml.

   **Cell Phone & Computer**
Cell phone is NOT allowed in the classroom. A cell phone violation will cause your cell phone to be detained until you leave the classroom. Your cell phone needs to be out of sight and turned off. Other than note taking, no activities such as surfing the Internet, playing computer games, typing a paper, etc. is allowed in the classroom. You should disconnect the wireless network from your computer. Any violation will cause your attendance credit to be 0 for that day and you will be asked to leave the classroom.

7. **Course Outlines** (Tentative: The instructor reserves the right to modify the syllabus during the course of the term.)

   **Part I: Some Preliminaries**
   1. Managers, Profits, and Markets
      a. The Economic Way of Thinking About Business Strategy

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b. Measuring and Maximizing Economic Profit

c. Separation of Ownership and Control

d. Market Structure and Managerial Decision Making

2. Demand, Supply and Market Equilibrium
a. Demand
b. Supply
c. Market Equilibrium
d. Measuring the Value of Market Exchange
e. Changes in Market Equilibrium
f. Ceiling and Floor Prices

3. Marginal Analysis for Optimal Decisions
a. Concepts and Terminology
b. Unconstrained Maximization
c. Constrained Optimization

4. Basic Estimation Techniques
a. The Simple Linear Regression Model
b. Fitting a Regression Line
c. Testing for Statistical Significance
d. Evaluation of the Regression Equation
e. Multiple Regression
f. Nonlinear Regression Analysis

Midterm #1

Part II: Demand Analysis

5. Theory of Consumer Behavior
a. Basic Assumptions of Consumer Theory
b. Indifference Curves
c. The Consumer’s Budget Constraint
d. Utility Maximization
e. Individual Demand and Market Demand Curves
f. Corner Solutions

6. Elasticity and Demand
a. The Price Elasticity of Demand
b. Price Elasticity and Total Revenue
c. Factors Affecting Price Elasticity of Demand
d. Calculating Price Elasticity of Demand
e. Marginal Revenue, Demand, and Price Elasticity
f. Other Demand Elasticities

7. Demand Estimation and Forecasting
a. Direct Methods of Demand Estimation
b. Specification of the Empirical Demand Function
c. Estimating Demand for a Price-Setting Firm
d. Time-Series Forecasts of Sales and Price
e. Seasonal (or Cyclical) Variation
f. Some Final Warnings

Midterm #2

Part III: Production and Cost Analysis

8. Production and Cost in the Short Run
a. Some General Concepts in Production and Cost
b. Production in the Short Run
c. Short-Run Costs of Production
d. Relations Between Short-Run Costs and Production

9. Production and Cost in the Long Run
a. Production isoquants
b. Isocost Curves
c. Finding the Optimal Combination of Inputs
d. Optimization and Cost
e. Long-Run Costs
f. Forces Affecting Long-Run Costs
g. Relations Between Short-Run and Long-Run Costs

10. Production and Cost Estimation
a. Specification of the Short-Run Production Function
b. Estimation of a Short-Run Production Function
c. Short-Run Cost Estimation: Some Problems with Measuring Cost
d. Estimation of a Short-Run Cost Function

Midterm #3

Part IV: Profit-Maximization in Various Market Structures

11. Managerial Decisions in Competitive Markets
a. Characteristics of Perfect Competition

4
b. Demand Facing a Price-Taking Firm

c. Profit Maximization in the Short Run

d. Profit Maximization in the Long Run

e. Profit-Maximizing Input Usage

f. Implementing the Profit-Maximizing Output Decision

12. Managerial Decisions for Firms with Market Power

a. Measurement of Market Power

b. Barriers to Entry

c. Profit Maximization Under Monopoly: Output and Pricing Decisions

d. Profit-Maximizing Input Usage

e. Monopolistic Competition

f. Implementing the Profit-Maximizing Output and Pricing Decision

g. Multiplant Firms

Final Exam