



## COURSE OUTLINE

### 1. General specifications

**Module Title:** Business Economics

**Level:** IADB

**Credits** 15

#### **Overview of the module:**

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

### 2. Module Delivery

#### **Contents**

<b>CLASS SUBJECT</b>
1 Introduction to Managerial Economics <ul style="list-style-type: none"><li>• Subject matter and approach of managerial economics</li><li>• Role of models in managerial economics</li><li>• Profit maximisation and maximisation of shareholder wealth</li><li>• Managerial models of firm objectives</li><li>• Behavioural models of firm objectives</li></ul>
2 Firm behaviour in reality <ul style="list-style-type: none"><li>• Maximising objectives in practice</li><li>• Non maximising objectives in practice</li><li>• Portfolio theory</li></ul>
<b>Learning Outcome: 1</b>
3 The Nature of the Firm

<ul style="list-style-type: none"> <li>• Different rationales for the existence of firms</li> <li>• Introduction to transaction cost analysis</li> <li>• Different forms of contractual relationships</li> <li>• Implications of incomplete contracts</li> <li>• In house production versus outsourcing</li> </ul> <p><b>Learning Outcome: 1</b></p>
<p>4 Ownership and Control</p> <ul style="list-style-type: none"> <li>• Motivations of managers and shareholders</li> <li>• The market for corporate control</li> <li>• Principal-agent theory and incentives</li> </ul> <p><b>Learning Outcome: 1</b></p>
<p>5 Diversification, Takeovers and Mergers</p> <ul style="list-style-type: none"> <li>• Different type of diversification</li> <li>• Rationales for different forms of diversification</li> <li>• Practical evidence concerning impacts of takeovers and merges</li> </ul> <p><b>Learning Outcome: 2</b></p>
<p>6 Multinational Companies (MNCs)</p> <ul style="list-style-type: none"> <li>• A brief history of MNCs</li> <li>• Different means by which MNCs emerge</li> <li>• Different rationales for the development of MNCs</li> </ul> <p><b>Learning Outcome: 2</b></p>
<p>7 Forecasting Demand</p> <ul style="list-style-type: none"> <li>• Conceptual difficulties facing demand forecasting</li> <li>• Different practical methods of demand/sales forecasting</li> </ul> <p><b>Learning Outcome: 3</b></p>
<p>8 Cost Estimation</p> <ul style="list-style-type: none"> <li>• Conceptual difficulties facing cost estimation</li> <li>• Methods of cost estimation</li> <li>• Cost drivers</li> <li>• Breakeven analysis</li> </ul> <p><b>Learning Outcome: 3</b></p>
<p>9 Analysing Competitive Structure</p> <ul style="list-style-type: none"> <li>• Porter's 5 forces model</li> <li>• Power of buyers</li> <li>• Power of suppliers</li> <li>• Threat of entry</li> <li>• Threat of substitution</li> <li>• Intensity of rivalry</li> </ul>



<b>Learning Outcome: 4</b>
10 Pricing <ul style="list-style-type: none"><li>• Conceptual difficulties facing pricing</li><li>• Practical real world approaches to pricing</li></ul> <b>Learning Outcome: 3</b>
11 Privatisation <ul style="list-style-type: none"><li>• Arguments for privatisation</li><li>• Natural monopoly and privatisation</li><li>• Practice of privatisation</li><li>• Recent policy developments</li></ul> <b>Learning Outcome: 5</b>
12 Regulation <ul style="list-style-type: none"><li>• Economic case for regulation</li><li>• Regulation of market power</li><li>• Rate of return versus price cap regulation</li><li>• Regulation of information asymmetries</li></ul> <b>Learning Outcome: 5</b>

### **Indicative reading**

Griffiths & Wall (2010), Applied Economics, 11<sup>th</sup> Edition, Prentice Hall

ISBN-10: 0273708228

ISBN-13: 978-0273708223

Davies & LAM (2001), Managerial Economics: An Analysis of Business Issues, 3<sup>rd</sup> Edition, Prentice Hall

ISBN-10: 0273646281

ISBN-13: 978-0273646280

Wilkinson (2005), Managerial Economics: A Problem-Solving Approach, Cambridge University Press

ISBN-10: 0521526256

ISBN-13: 978-0521526258

Adams & Juleff (2003), Managerial Economics for Decision Making, Palgrave MacMillan

ISBN-10: 0333961110

ISBN-13: 978-0333961117

### **3. Module Assessment**



## **Module Learning Outcomes**

On completion of this module the student should be able to:

### **Critically assess different approaches to the nature of the firm**

#### **1. Identify and critically appraise the different theories of firm objectives and motivations of main actors.**

- 1.1 Critically appraise the effect of different objectives and motivations on firm behaviour and outcomes e.g. profit, revenue, etc
- 1.2 Understand the implications of different routes to firm growth

#### **2. Critically examine the rationales for multi-national companies (MNCs) and the means by which they may emerge**

- 2.1 Explain and critique the different theoretical rationales for MNCs
- 2.2 Discuss the different means by which MNCs may develop
- 2.3 Discuss how MNCs may expand through takeovers, mergers and acquisitions

#### **3. Understand techniques for demand and cost estimation and the analysis of competitive structure**

- 3.1 Apply the methods used for demand and cost estimation
- 3.2 Analyse competitive structure understanding the implications and limitations of such analysis
- 3.3 Understand and be able to evaluate different pricing techniques

#### **4. Understand techniques for dealing with risk and uncertainty**

- 4.1 Discuss the techniques used to support decision – making in conditions of risk and uncertainty

#### **5. Evaluate the arguments for privatisation and regulation**

- 5.1 Understand the theoretical arguments for both privatisation and regulation and the policy developments in each area
- 5.2 Evaluate different approaches to regulation

### **Assessment Methods:**

#### **Number, Type and Weighting of Element**

Examination (Open Book) 100%

\*Admission to the final assessment is subject to completion of all coursework assigned by Esei tutor for each module.