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Subject Outline

Introduction

Welcome to Managerial Economics. We hope you will find the subject enjoyable and stimulating, and that you feel you are learning valuable new knowledge and skills. The focus of the subject is on applying a number of fundamental concepts and theories of economics to managerial decision-making. You will learn how to apply these concepts and theories to real world problems through examples given in lectures, tutorial exercises, case studies, assignments and review questions. We will provide you with many learning resources, and opportunities for testing and clarifying your knowledge. This will develop your knowledge of economics as well as your skills in analysis, problem-solving, decision making, and written and oral communication. We are sure you will find that knowing and being able to apply these concepts and theories can assist you greatly – in the decisions you are likely to have to make in a job in business or government; or in making sense of the world as a day-to-day observer of economic and business events.

Subject Aims

The overall aim of the subject is to understand and learn how to apply a toolbox of fundamental concepts and theories of economics to managerial decision making. These concepts and theories are used extensively by decision makers in business and government.

Prescribed References

The prescribed textbook for the course is ‘Managerial Economics’, Custom Book Edition, Pearson Learning, 2012. This is available from the main bookshop. The book contains selected readings from various economics textbooks and has been specifically targeted at the course requirements.

Learning Outcomes

Subject Objectives

On successful completion of this subject students should be able to:

- Describe the main objectives of the study of economics – to seek to understand the operation of the economy, and to guide decision-making by individuals, business and government;

- Explain the nature and role of theory and models in economic analysis;

- Explain the concepts of demand, supply and market equilibrium;

- Apply the model of demand and supply in a market to explain the determinants of prices and output of goods and services;
• Identify “strategic situations” in economic activity and be able to analyse and predict the outcomes of “strategic situations”;

• Identify the main characteristics of different market types, such as perfectly competitive and monopoly markets. Describe the nature of competitive behaviour in these markets, analyse and predict price and output outcomes in the different markets;

• Apply economic models of individual behaviour and markets to describe the main features of actual markets and to explain outcomes in actual markets, including prices and output levels and business performance and profitability.

**Generic Skills**

In this subject you will have the opportunity to improve the following generic skills:

• Apply key concepts and theories of economics to managerial decision making;

• Evaluate and synthesis of economic ideas, views and evidence;

• Access and interpret a range of economic and other information;

• Analyse real world and hypothetical problems in commerce and public policy and develop responses to them;

• Critical and strategic thinking, problem solving and decision making skills; and

• Written and oral communication, collaborative learning and team work.

**Awareness Issues**

At a broader level, studying this subject will increase your awareness of such issues as:

• How the economic environment impacts on organizational success, business strategy and managerial decision making.

• How the tools and techniques of economics can be used to improve managerial decision making in allocating an organization’s scarce resources.

• How the concepts and theories of economics can be used to gain a better understanding of how firms compete and organize themselves, and also provide a more secure foundation for managerial decision making.
Academic Staff Contact Details

*Lecturer’s contact details*

Gareth James  
FBE Building  
Room 414  
Phone: 90358057  
Email: gjames@unimelb.edu.au  
Consultation Hours: To be advised

*Email Protocol*

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address. Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link: [http://accounts.unimelb.edu.au/](http://accounts.unimelb.edu.au/).

While academic staff endeavors to address queries received via email, students may find it more useful to resolve substantive questions using normal tutorials and academic staff consultation hours. With this in mind, we encourage students to attend all tutorials and lectures, and to familiarise themselves with the consultation hours offered by academic staff.

*Lecture and Tutorials*

*Lecture and Tutorial Times*

Lectures – 1 x 2 hour each week

**Streams:**  
Monday – 10.00am – 12.00pm, Chemistry-Cuming Theatre  
Wednesday – 6.15pm – 8.15pm, 200 Berkeley St, 219 [Level 2 Theatre]  
Thursday – 2.15 pm – 4.15 pm, FBE – Theatre 1

Tutorials – 1 x 1 hour each week. **Tutorials begin in the second week of the semester.**
# Lecture Schedule

<table>
<thead>
<tr>
<th>Week Beginning</th>
<th>Lecture</th>
<th>Lecture Topic</th>
<th>Custom book References</th>
</tr>
</thead>
<tbody>
<tr>
<td>29/7</td>
<td>1</td>
<td>Introduction to key concepts</td>
<td>pp. 3 - 32</td>
</tr>
<tr>
<td>5/8</td>
<td>2</td>
<td>Market forces of supply and demand</td>
<td>pp. 35 - 66</td>
</tr>
<tr>
<td>12/8</td>
<td>3</td>
<td>Concept of elasticity and applications to market analysis</td>
<td>pp. 69 - 115</td>
</tr>
<tr>
<td>19/8</td>
<td>4</td>
<td>Concept of the economic surplus and application to government policy</td>
<td>pp. 119 - 177</td>
</tr>
<tr>
<td>26/8</td>
<td>5</td>
<td>Production costs 1: short run analysis</td>
<td>pp. 180 - 245</td>
</tr>
</tbody>
</table>
| 2/9           | 6       | Production costs 2: long run analysis                  | pp. 248 – 304
Reading Handout                   |
| 9/9           | 7       | Firms in competitive markets (Perfect competition)     | pp. 307 – 332                           |
| 16/9          | 8       | Pricing with market power (Monopoly)                   | pp. 335 -358                           |
| 23/9          | 9       | Price targeting strategies (Price discrimination)      | pp. 361 - 411                           |
| 30/9 – 6/10   |         | Non-teaching period                                    |                                         |
| 7/10          | 10      | Oligopoly and firm rivalry                             | pp. 415 - 450                           |
Student Participation Requirements

Students are expected to attend all lectures and tutorials during the semester. Tutorials are an integral and important part of the subject. They will be used both to complement and to supplement the lectures and the reading material. They are a means of improving your understanding of the material through exploring some of the concepts and their application in more depth, through solving problems, through discussing issues and asking questions. It is expected that all students attend and participate in tutorials during the semester. Students should prepare for each tutorial by undertaking the prescribed reading and attempting the tutorial tasks. Tutorial task sheets will be posted on the subject website in advance of the relevant tutorial. These tutorial exercises will form the basis of the tutorial activities. These tutorial tasks are based on the previous week’s lecture.

Lecture Slides

The power point notes for each lecture will be available on the subject homepage before the respective lecture. It would be useful if students download and read these notes in advance of the lecture. During the lecture modifications and additional comments may be made to the lecture notes. The lecture notes are to be considered a complement to, not a substitute for, attendance at lectures.

Lecture recording

Audio recordings of lectures delivered in this subject will be made available for review in the days following each lecture. Lecture recording using the new EchoSystem (replacing Lectopia) will be used in this subject. Audio recordings of lectures allow you to revise lectures during the semester, or to review lectures in preparation for the end of semester exam. You can access recorded lectures by clicking on the Lecture Recordings menu item in the LMS page for this subject. Many students who use the lecture recordings find it helpful to be looking at the slides as they listen.

Please note that the lecture recordings are not a substitute for attendance at lectures; rather they’re designed for revision. On rare occasions the system can fail to record the lecture due to technical reasons. In such cases, the lecture recording will not be made available.
Assessment

Assessment Overview

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Individual or Group</th>
<th>Hard copy or Electronic</th>
<th>Due</th>
<th>Assessment Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-semester exam</td>
<td>Individual</td>
<td>Hardcopy</td>
<td>Week beginning 2/9 [in-class]</td>
<td>10%</td>
</tr>
<tr>
<td>Assignment</td>
<td>Individual</td>
<td>Electronic</td>
<td>4 pm on 7/10/12</td>
<td>20%</td>
</tr>
<tr>
<td>End-of semester exam</td>
<td>Individual</td>
<td>Hardcopy</td>
<td>4/11 – 22/11</td>
<td>70%</td>
</tr>
</tbody>
</table>

Mid-semester Exam

The mid-semester exam will be a multiple choice test conducted in class. The exam will be conducted in the lectures in the week beginning 2 September. There will be 20 multiple-choice questions (each worth equal marks) with five alternative answers. You will be required to select the best response. You will have 50 minutes to complete the exam. The exam will cover the first four topics of the course and will provide students with valuable feedback on their knowledge of some of the fundamental concepts and theories in economics. A number of practice multiple choice tests will be made available on the subject homepage. More details will be announced in lectures.

Assignment

The assignment will be posted on the subject homepage early in the semester. You can access the Assignment by clicking on ‘Assessment’ in the navigation menu from the LMS page for the subject. The assignment is to be submitted on the Assignment Tool (see below ‘Using the Assignment Tool’).

The assignment will involve individual work. The word limit is 2,000 words. The assignment will require you to apply economic concepts and theories to answer questions on material that relates to the whole of the subject. If you have questions about completing this assignment, see your tutor at their consultation times or the ‘On-line Tutor’ is available.

In preparing assignments should ensure that they:

a) use clear, concise expression;
b) provide coverage of major points;
c) use fluent and logical analysis, discussion, criticism or argument where appropriate (this is important because it is an indicator a student’s understanding of a subject);
d) observe the word limit where applicable (the purpose of word limits is to force precision of thought and analysis on the writer);
e) avoid using long quotations; a student’s own accurate paraphrasing is preferable;
f) acknowledge in footnotes specific ideas read from source material, even if a direct quote has not been used;
g) use quotes wisely - to summarise a point of view, to back up opinions, or as a basis for discussion; and
h) attach a bibliography at the end of your assignment.

**Using the Assignment Tool**

The assignment is to be electronically submitted on the due date using the ‘Assignment Tool’. You can access the Assignment Tool by clicking on ‘Assignment Tool’ in the navigation menu from the LMS page for this subject. The Assignment Tool allows you to submit your assignment to your lecturer online from home or from any of the student labs on campus.

You are to submit your assignment in PDF format. Students who submit an assignment via PDF will be presented with a new confirmation page. This page requires students to view the work that they are about to submit and to confirm if they are happy to proceed. Students are provided with PDF conversion instructions via the Assignment Tool screen in the LMS subject page. Clarification regarding this new requirement has been published on the Commerce Student Centre website and is also linked to the Assignment Tool page of the LMS. Please note that the Assignment Tool will still allow submission options for ‘non-document’ file types such as XLS, QBM, JPG, etc…

A student guide has been prepared on the use of the Assignment Tool. The guide provides instructions on how to submit assignments in hardcopy format. The guide can be downloaded here: [http://tlu.ecom.unimelb.edu.au/pdfs/StudentsGuideAssignmentTool.pdf](http://tlu.ecom.unimelb.edu.au/pdfs/StudentsGuideAssignmentTool.pdf)

**Exam Policy**

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. See the Special Consideration web site for more information: [http://www.ecom.unimelb.edu.au/students/special/#missing](http://www.ecom.unimelb.edu.au/students/special/#missing)

**Plagiarism and Collusion**

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject. Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (eg. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct. See [http://www.services.unimelb.edu.au/plagiarism/plagiarism.html](http://www.services.unimelb.edu.au/plagiarism/plagiarism.html) for more information.
The Teaching and Learning Unit has developed a web-based ‘Academic Honesty Module’ that allows you to learn more about and test your knowledge of plagiarism and collusion. You are strongly encouraged to complete this module, which can be accessed at: http://tlu.ecom.unimelb.edu.au/AcademicHonestyTest/index.cfm

**Penalties for late Submission and Exceeding Word Limits**

In order to ensure equality for all students, assignments must be completed within specified time limits. Late submissions will attract a marking penalty where approval for late submission has not been given. Also assignments that exceed word limits may attract a marking penalty

**Special Consideration**

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration. The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application: http://www.ecom.unimelb.edu.au/students/special/

**Referencing**

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others. You will be required to use the APA system or Harvard System of referencing.

The TLU has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments. The booklets can be found here: http://tlu.ecom.unimelb.edu.au/pdfs/apastyle.pdf and http://tlu.ecom.unimelb.edu.au/pdfs/The_Harvard_System.pdf

It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been used may also result in your assignment being penalised.

**Other Subject Resources**

**Supplementary Readings**

Introductory textbooks (for those with no prior knowledge of economics)


Borland, J. (2008), *Microeconomics: Case Studies and Applications*, Melbourne: Cengage Learning Australia. [This text is a collection of case studies and applications of economi012.]
concepts. Many of the topics are very relevant to managerial economics. It provides a useful revision reference for many of the areas covered in the course].


Advanced textbooks (for those with some prior knowledge of economics)


[The above two books are good references for the application of economic theories and concepts to business and management problems.]


[The above two are good references for the more advanced discussion of economic theories and concepts]

**Review Questions**

Regularly throughout the semester a set of review questions will be posted to the subject website. These review questions will relate to each of the main topics of the subject and cover some of the main concepts and theories. It is an important part of learning in this subject that you should attempt these questions. Solutions will also be posted on the subject homepage.

**Online Tutor**

The Online Tutor (OLT) provides the scope to ask questions of a tutor online. You can access the OLT system by clicking on ‘TLU Tools’ link on the LMS page for this subject. One role for the TLU is for asking about material covered in lectures or tutorials. The other role is for answering questions about the assessment exercises. The OLT allows you to direct questions to a tutor via the LMS. The Online Tutor can be accessed 24 hours a day, 7 days a week. The tutor will attempt to answer your question within 24 hours (weekdays only). Your questions and the answers can be accessed by all students in the subject, allowing everyone to benefit from the question and answer. Importantly, your identity will not be revealed to other students. Even if you don’t want to ask a question, you can still view existing questions and answers. You can access the Online Tutor via the TLU Tools link, located in the navigation menu of this subject’s LMS page.

The aim of the OLT is to assist you in solving any problems and help you understand key concepts and theories. It needs to be stressed that the OLT is not intended as a substitute for regular tutorials. It is therefore not a facility for providing solutions to tutorial questions, review questions, past exams or questions from the textbook. What the OLT is intended to for is to assist you in being able to work out solutions to problems.
The OLT will inform students directly if a question does not fall within the guidelines for the systems use. Those questions that show some evidence of thinking and work will be given the most thorough response. Each time you access the OLT you will be prompted for keywords that relate to the question you want to ask and the system will direct you to previously asked questions that relate to these keywords. It is very important to check whether your question has been previously asked – since the OLT will not respond to questions that have already been asked, and are hence already available for viewing.

The OLT is available to help point students in the right direction as far as what is expected in the assignment and to provide clarification on aspects of material, which has been read for the exercise that is not fully understood. Clearly OLT will not give answers to questions that relate too directly to the assignment.

**FBE Centre for Excellence in Learning and Teaching**

The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics.

Maximise your academic success by taking part in CELT services that develop:

- Skills in research, referencing and academic writing
- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

The Centre also provides an extensive range of helpsheets that can enhance your academic performance in Business and Economics. These are available or online or at the Centre.

Visit the CELT site [www.fbe.unimelb.edu.au/celt](http://www.fbe.unimelb.edu.au/celt) to learn more and get involved.

**Past Exams**

Past exams can be accessed from the library site on the navigation menu of this subject’s LMS page. Also some previous exams with solutions will be posted to the subject website.