

GOVERNORS STATE UNIVERSITY
College of Business and Public Administration

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Course Title: Problems in Managerial Economics

Course Number: ECON 801

Trimester: Fall 1987 - Block I (August 31 to December 9)

Time and Day: Wednesdays 7:30 - 10:20 p.m.

Target Group: Graduate students from academic majors in Business Administration, and from all other types of administrative programs whether these are directed at for profit or not-for-profit organizations management.

Academic Credits: 3 credit units upon successful completion of all course requirements at a passing letter grade

Prerequisites: As listed in the course schedule. Particular emphasis is placed on the prerequisite preparation of students in the analytical models of economic theory.

Prerequisite Reference Aids: 1) "Elementary Mathematics of Price Theory" by Clark Lee Allen, Wadsworth Publishing Company, Inc.; Belmont, California, is a small paperback which is truly worth its money for its thoroughness and simplicity in treating algebra and calculus as related to Microeconomics.

ECON 801
GSU ARCHIVES

Course Description

Managerial Economics encompasses the application of quantitative and qualitative economic theory models to managerial efficiency objectives occurring with the administration of organizations operated for profit, or not-for-profit.

The course is predominately an exercise in analytical skills and utilizes as basic tools the relevant knowledge areas from Algebra, Calculus, Statistics, Macroeconomics, Microeconomics, Finance, Marketing, Accounting, and Operations Theory. The emphasis throughout the course is on the microeconomic analysis aspect of decision alternatives facing the "Manager." Extensive use of case application and business management simulation. Real world project assignments with local businesses to solve maximization or minimization problems utilizing the skills gained in the course. Extensive use of the IBM PC for modeling purposes and mathematical/statistical tasks.

Student Performance Competency Objectives

Managerial Economics is the analytical study of compromising techniques to reach an optimum of objectives when all-inclusive maximization of desired goals remains elusive.

Managerial Economics is thus the basic training in efficient policy making based on a synthesis of calculus, data processing and structured reasoning with theoretical and applied economics to solve objective problems in management. Student competency is assessed on a graduated scale of evaluating successful internalization of the behavior skills above. The areas of topical reference below are those in which the student is expected to competently perform the tasks of mastering terminological classification as well as economic method analysis, and to synthesize therefrom rational solutions for selected business and organizational problem case studies, as well as for computer-based management simulation.

Competency I

The scope, methods, and fundamental concepts of problems analysis in Managerial Economics. The decision format. The total decision environment. The simulation of Firm Management (Decisions-Result-Decisions) per computer and in the case situation.

Competency II

Risk Analysis and Risk Management. Demand analysis, business conditions analysis and short-range forecasting. Introductory understanding of computer-based statistical estimation of demand, as an example of state-of-the-arts decision analysis. Case applications to the decision format.

Competency III

Supply Analysis. Resource allocation in production, economic cost analysis, and profitability analysis. Linear Programming. Cost Forecasting and Estimation. Case applications to the decision format.

Competency IV

Analysis of price and non-price competition. Case applications to the decision format.

Competency V

Demonstrated mastery of the total decision approach. Social and economic decision modeling. Analysis of Pricing Techniques. Design, Construction, Presentation: Real World business applications projects clothed in the decision format with application of linear programming and/or statistical regression. Simulation techniques for the application of economic theory and its model to a real world economic environment.

Instructional Resources

A. Required Textbooks:

1. Evan J. Douglas, Managerial Economics, 3rd Edition, Prentice-Hall, Publishing Company, 1987.
2. Evan J. Douglas, Study Guide to Accompany Managerial Economics, Prentice-Hall Publishing Company, 1987.

B. Gold, Pray, Dennis, MicroSim: Computerized Microeconomic Simulation; McMillan, 1984.

C. Handout Mimeographed Practice Sheets prepared by instructor and distributed to students prior to competency tests on specific analytical methods.

D. Model Solutions to Case Studies prepared by instructor and passed out to students on loan for the in-class discussion of comparative assessment in student performance versus instructor's example to apply economic theory to case study.

E. 5 1/4 inch Softsectored Microcomputer Diskettes containing Fortran Regression and Linear Programming Programs, Lotus 1-2-3 Templates.

Description of Instructional Process

Sequence of Events

As outlined under the heading of Competency Objectives, the performance goal subsequent to student learning is divided into:

- A. Terminology and concepts attained through preparatory reading by student and from in-class lecture by instructor.

Sequence of Events

- B. Analytical methods and skills attained through preparatory study by student and from in-class demonstration by instructor.
- C. Application of attained knowledge in terminology, concepts, and analytical methods skills to a selected case study via a student paper; testing the student's ability to synthesize problem situations and selection of the appropriate economic analysis method. Then, in-class discussion of students' solutions compared to a model solution prepared by instructor. Students will write self critiques comparing their choices of methods and solutions to the instructor's solution, in class.
- D. Managerial Simulation Input Worksheet Copies Collected, Output Distributed.

NOTE: Events (a), (b) and (d) take place at every lecture meeting. Event (c) matures at each competency test meeting.

Testing and Evaluation

There will be approximately 15 class meetings.

Of these, four (4) class meetings will be devoted to testing the students' performance level in mastering:

- a. specific analytical methods to solve problems.
- b. the preparation of structured analyses to match relevant economic methods with problem situations posed by case studies.

The remaining class meetings will be composed of in-class lectures, discussions, and method demonstrations utilizing overhead projection, blackboard illustration, and IBM computers.

Homework Assignments: It is essential that the student prepare him/herself adequately by attempting all end of chapter problems. Submitted homework will not be evaluated. Graduate students are expected to exercise diligent self-discipline in "study and practice" time management.

1. Analytical Methods Competency Test

At each of four analytical competency test meetings, the student's performance in mastering the analytical methods as demonstrated in the simulation, in the textbook and in class is tested on the basis of providing the correct analytical method and solution to an in-class assigned problem from memory alone. Problem calculations, graphic models, essays.

2. Structured Analysis Synthesis Test (Total Social Environment, and Economics Management Simulation)

- a. From assigned case descriptions via hand-outs, students will prepare a written economic decision analysis following a prescribed sequential format. The purpose of this exercise is to test the student's competency level in synthesizing qualitative and quantitative methods toward the appropriate match required by the problem situation in the case description.
- b. Students will attain consent from a local business to perform group projects (to design and prepare a decision format which will address the chosen firm's profit maximization, cost minimization or resource combination and scheduling needs.)
- c. From individual literature research and from class experience, students prepare a concise discussion of the applicability of managerial economies to decision problems in corporate and general business areas using the decision format stipulated by the instructor; and from simulating company management decisions in various corporate departments as a result of changing economic data inputs.

The quality of appearance and care of written analysis shall be the same as would be expected from a manager by the manager's superior, i.e., higher ranking officer in the organization, government agency, client-customer, etc.

A composite judgment by the instructor as to student performance, rated on a 100-point scale will be applied.

Typical Grading Assessment for Written Papers

Judgment consideration will be applied to the following individual performance components in order to guide students toward improvements in subsequent case assignments:

Competency Performance (60% of Composite)

- Ca. Comprehensive of the assigned problem and correct choice of the appropriate economic theory and method for the analysis.
- Cb. Correct organizational format chosen.
- Cc. Correct quantitative performance, and correct qualitative considerations applied.
- Cd. Support of choice for recommended solution.

Attitudinal Performance (40% of Composite)

- Pa. Relative turn around time, i.e., presented to instructor on time.
- Pb. Thoroughness and care applied to completing the assigned task as exhibited by a patient inclusion of detailed study deemed necessary to support the choice of analytical method and recommended solution. This might relate to the appropriate inclusion of illuminating diagrams and tables, and/or the additional mathematical prose explanations to attain special classifying effects.
- Pc. Manner of presentation such as neatness and legibility.
- Pd. Conciseness and relevance of self-critique attached to the student's case analysis paper after comparative in-class discussion.

Absences

The difficulty and volume of the learning material requires that students diligently attend every single scheduled class-meeting.

Make-up Tests

Make-up tests can be administered during the instructor's announced office hours if emergencies forced the student's absence from a class-meeting set aside for testing. Insufficient preparation for the test will not entitle you to make-up tests.

Make-up tests differ only in content from those administered in class. They do not differ in difficulty of the test.

Repeat Tests

None granted because of the multitude of opportunities provided to improve the final grade score.

Grading Summary

The final grade is a cumulative total representing the sum of grades from individual tests, papers, projects, and homework.

(4 Objective and Analytical Problem Quizzes)	Carry 48% of Total Grade
30% 70%	
4 Papers	Carrying 32% of Total Grade
1 Project	Carrying 10% of Total Grade
Simulation	Carrying 8% of Total Grade
In-Class Participation	Carrying 2% of Total Grade

Office Hour Visits: Proving evidence of practicing end-of-chapter problems; in-class questions and answers involvement.

Homework consists of all end-of-chapter problems.
Homework has to be relevant to the test.
Homework assistance will be cheerfully provided during office hours.

Project Grading:

Grading is typical of case study grading. Group apportioning of grade is according to each group member's percentile of contribution toward the project. Group leadership assumption entitles to 2% toward the final grade. This 2% will be taken from the group's total. (Example: 5 members x 6.0%/project = 30/5% group total at 100% grade) prior to apportionment.

MicroSim Simulation Grading

Appoint Company President, Vice Presidents of Marketing, Finance, Production, and Redords. Company president is leader. Any company offices can be fired and its replacement hired away for other firms.

The firm will earn its grade in proportion of total profit earned over the life of the company; i.e. the number of quarters that MicroSim is being run. Members of the firm on the last day of operation earn their grade as a proportion of company profits in relation to the performance of all other firms in the class. Top profit performance earned an "A". All other letter grades calculated as a proportion relative to the "A" performance.