

<p style="text-align: center;">Business Economics MBE 5101</p>
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MBE Program
Department of Economics
University of Cyprus

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INTRODUCTION

Managerial Economics applies economic theory and methods to business in order to examine how an organization can achieve its aims or objectives more efficiently. The objective of this course is to provide the students with useable knowledge of economics (both micro & macro) as it applies to business. It teaches them the essential tools to apply in: business plans, production cost, demand estimation and forecasting, financial analysis, market research and marketing. An important objective of the course is to train the students in the economic way of thinking e.g. consideration of alternatives, opportunity costs, marginal analysis, decision making by consideration of costs and benefits etc. Analyzing and understanding government policies, such as fiscal and monetary policy and their effects on business are also among the objectives of the course.

The course focuses on the application of economic principles and methodologies to business decision problems by introducing the microeconomic and macroeconomic tools used in the analysis of business problems. In this course students will increase their understanding of economics and learn a variety of techniques that will allow them to solve business problems relating, among others, to costs, prices, revenues, profits, and market structure. Students will also use computer simulation exercises to examine how the macro economy works (inflation, unemployment, government deficits etc) and the difficulties confronting economic policy makers using monetary and fiscal policies.

Part I: Microeconomics

All management decisions need to take into account the reactions of customers and competitors. Microeconomics is an indispensable tool in this process since it analyzes individual decision making of consumers and firms. Successful managers need to be able to analyze the market forces of demand and supply and be able to calculate elasticities that are crucial in all decisions, especially pricing. The ability to analyze the impact of different government policies such as price controls and others on these market forces is also essential to business leaders for two reasons. First, businesses need to know what the reaction of their customers and competitors is going to be to government policies and second it provides the ammunition to lobby for policies that help businesses achieve their goals. Finally, by analyzing the cost structure and the competitive environment managers can correctly

anticipate the reaction of competitors which is crucial to maximizing profits.

Part II: Macroeconomics

A good understanding of the macroeconomic environment is also crucial for business decisions. Managers need to be able to analyze the state of the economy since that affects directly and indirectly the bottom line in many ways. The macroeconomic environment affects the willingness of customers to pay, the cost structure and pricing policies of competitors, exchange rates, interest rates, unemployment, inflation and growth. All of these factors and the government policies affecting them are crucial to all business decisions, especially long term planning and they will be studied, with reference to their applications in business, by using a computer simulation program called “Running the Economy”.

BOOKS/READINGS

- Principles of Economics (Microeconomics and Macroeconomics) (International Edition). Gregory Mankiw. (This book is also available in Greek)
or Mankiw N. Gregory and Mark P. Taylor: “Economics”
- “Running the Economy” Manual
- Lecture Presentations

Students are expected to keep up with current economic developments and are encouraged to ask questions and discuss articles they have read from newspapers and magazines, on the topics covered in class.

- All material relating to the course, including the PowerPoint presentations will be posted on the “Blackboard” webpage for this class. (Access by logging on to the Blackboard 6 CE system through the main page of the University at <http://www.ucv.ac.cy> (Click on the link called “Blackboard”))

EVALUATION AND ASSESSMENT METHOD

Final grades will be based on performance in the following:

1. Final Exam 60%
2. Team project 40%

Team Project: The students are asked to run as a team (teams typically consist of two persons) a computer simulation on “Running the British Economy”.

In the simulation, students are asked to analyze, and run the simulation for a ten-year period. For each of the 10 years, students need to understand the objective (e.g. minimize unemployment, lower budget deficit, etc) and create policies in order to achieve that objective (monetary fiscal or combination policy). The computer program will automatically save and keep track of all policy changes and will generate a score based on the outcomes.

Final Exam: The final exam covers all the material covered.