

Last date for assessment is 31 December 2013

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**PRESCRIPTION: 620 MANAGERIAL ECONOMICS**

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This prescription replaces *220 Managerial Economics*.

**ELECTIVE PRESCRIPTION**

<b>LEVEL</b>	6
<b>CREDIT</b>	20
<b>VERSION</b>	1
<b>INTRODUCED</b>	2006
<b>AIM</b>	Students will apply economic principles for managerial decision-making.
<b>PREREQUISITES</b>	Nil

**ASSESSMENT WEIGHTINGS**

Learning outcomes	Assessment weighting %
1. Students will understand the role of managerial economics in the business decision-making process for profit maximisation.	5
2. Students will analyse and evaluate risk and recommend an option for optimal decision-making.	15
3. Students will derive, analyse and interpret the relationship between factors influencing demand and quantity demanded.	20
4. Students will explain and analyse the nature of production and its relationship to costs.	20
5. Students will select and apply appropriate pricing strategies to imperfect market states.	25
6. Students will demonstrate an understanding of the legal constraints placed on pricing and competitive decisions.	15
<b>TOTAL</b>	<b>100</b>

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

**ASSESSMENT NOTES**

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.

## **LEARNING OUTCOME ONE**

Students will understand the role of managerial economics in the business decision-making process for profit maximisation.

### *Key elements*

- a) Managerial economics versus economics:
  - characteristics
  - similarities
  - differences.

## **LEARNING OUTCOME TWO**

Students will analyse and evaluate risk and recommend an option for optimal decision-making.

### *Key elements*

- a) Probabilities.
- b) Decision trees.
- c) Capital budgeting.

## **LEARNING OUTCOME THREE**

Students will derive, analyse and interpret the relationship between factors influencing demand and quantity demanded.

### *Key elements*

- a) Demand estimation:
  - regression analysis and demand forecasting
  - function
  - average revenue curve
  - total revenue derivatives.
- b) Demand analysis:
  - elasticities calculations
  - implications for optimal pricing.

## **LEARNING OUTCOME FOUR**

Students will explain and analyse the nature of production and its relationship to costs.

### *Key elements*

- a) Production:
  - short and long run.
- b) Costs:
  - functions
  - average cost curve
  - total cost derivatives
  - economic and accounting.
- c) Linear programming.

## **LEARNING OUTCOME FIVE**

Students will select and apply appropriate pricing strategies to imperfect market states.

### *Key elements*

- a) Profit maximising outputs in one of:
  - monopolistic competition
  - oligopoly
  - monopoly.
- b) Pricing strategies, three of:
  - price discrimination
  - contribution margins
  - game theory
  - limit entry pricing
  - mark up pricing
  - marginal pricing
  - competitive bids.

## **LEARNING OUTCOME SIX**

Students will demonstrate an understanding of the legal constraints placed on pricing and competitive decisions.

### *Key elements*

- a) Commerce Act 1986:
  - sections 27 and 36.
- b) World Trade Organisation anti-dumping rules.