



JSC «Kazakh-British Technical University»

Business School

Department of “Management and Social Sciences”

APPROVED

Dean of Business School

\_\_\_\_\_ Simpson E.

« \_\_\_\_ » \_\_\_\_\_ 2015.

## SYLLABUS

Discipline: **INDUSTRIAL (MANAGERIAL) ECONOMICS**

Number of credits: **3**

Term: **SPRING 2015**

Instructor’s full name: **DR. ALEX MOSESOV**

Information on the Instructor	Time and Place		Contact Information	
	Room	Office Hours (TSIS)	Tel.:	E-mail
Ph.D	According to the schedule	According to the schedule	611	a.mosesov@kbtu.kz

**Almaty, 2014**

## **COURSE DESCRIPTION**

Industrial (Managerial) Economics is economics applied to business. It is concerned with the application of economic concepts and economic analysis to the problems of formulating rational business decisions.

Industrial (Managerial) Economics is designed to provide a solid foundation for economic understanding in application to managerial decision-making. Businessmen and -women have to develop special skills to tackle their everyday problems. The methods of reasoning, concepts, tools and techniques provided by Industrial (Managerial) Economics aid the process of business decision-making. Industrial (Managerial) Economics uses economic intuition as a practical tool for problem solving.

## **COURSE OBJECTIVE**

The objective of this course is to introduce students to economic decision making for businesses and to provide students with analytical tools that are useful in industrial business environment. This will enable the students to study functional areas of management such as production and pricing, demand estimation and capital budgeting from an economic perspective.

## **COURSE OUTCOMES**

Upon graduating this course, the students will be able to:

- ✓ Recognize the scope and significance of industrial (managerial) economics,
- ✓ Analyze the nature of the firm and its environment,
- ✓ Assess the business objectives and business strategy of firms,
- ✓ Conduct production and cost analysis,
- ✓ Understand the significance of demand sensitivity and economic forecasting for business,
- ✓ Assess the major market structures and market failures,
- ✓ Perceive and measure risk and uncertainty
- ✓ Examine the pricing decisions and capital budgeting,
- ✓ Apply the cost-benefit analysis in investment assessments,
- ✓ Analyze the growth and scope of large firms, industrial policy and role of small firms.

## **KNOWLEDGE**

Students will:

- ✓ Demonstrate an understanding basic concepts of Industrial (Managerial) Economics,
- ✓ Understand the competitive environment and cases of imperfect competition,
- ✓ Understand basic driving forces shaping decision-making of real-life businesses,
- ✓ Learn variety of strategies, industry analysis, and cost-benefit analysis,
- ✓ Learn to production strategies in order to compete successfully,
- ✓ Learn research approaches to demand estimation.

## SKILLS

On completion of this course the students will be able to:

- ✓ Use economic intuition as a practical tool in business problem solving
- ✓ Apply economic analysis in estimation of production, cost, risks, capital budgeting,
- ✓ Analyze both success and failure situations of companies due to market conditions,
- ✓ Think critically in resolving strategic matters affecting Kazakh companies.

## LITERATURE

### *Core Text:*

- ✓ Keat P., Young P.K, Erfle S. “Managerial Economics”, 6/E, Prentice Hall, 2009
- ✓ <http://bulletinsite.net/index.php?id1=6&category=business&author=kit-p&book=2008&page=1>

### *Supplementary*

- ✓ Hirschey Mark. Managerial economics. New York: Thomson South-Western, 2003.
- ✓ Paul G. Keat, Philip K.Y. Young. Managerial Economics: economic tools for today's decision makers, Fourth edition. New Jersey: Prentice Hall, 2003.
- ✓ Howard Davies / Lam Pun-Lee. Managerial Economics, 3rd edition, Financial Times/Prentice Hall, London, U. K. 2001.

**COURSE OUTLINE**

Week	Class work			SIS (Students Independent Study)	TSIS (Teachers Supervised Independent Study)
	Topic	Lectures	Practice		
1	Basic concepts of Managerial Economics	2	1	CT1	Distribution of individual tasks for SIS. Distribution of individual tasks for TSIS.
2	The Firm and Its Goals <i>Practice work 1</i>	2	1	CT2	SIS 1 TSIS 1
3	Supply and Demand <i>Practice work 2</i>	2	1	CT3	SIS 2 TSIS 2
4	Demand Elasticity <i>Practice work 3, Quiz 1</i>	2	1	CT4	SIS 3 TSIS 3
5	Demand Estimation and Forecasting <i>Practice work 4</i>	2	1	CT5	SIS 4 TSIS 4
6	The Theory and Estimation of Production <i>Practice work 5</i>	2	1	CT6	SIS 5 TSIS 5
7	The Theory and Estimation of Cost <i>Practice work 6, Quiz 2</i>	2	1	CT7	SIS 6 TSIS 6
8	Revision, Practice <b>MID-TERM EXAM</b>	2	1	Covered CT1-7	- -
9	Pricing and Output Decisions: Perfect Competition and Monopoly <i>Practice work 7</i>	2	1	CT8	SIS 7 TSIS 7
10	Pricing and Output Decisions: Monopolistic Competition and Oligopoly <i>Practice work 8</i>	2	1	CT9	SIS 8 TSIS 8
11	Special Pricing Practices <i>Practice work 9, Quiz 3</i>	2	1	CT10	SIS 9 TSIS 9
12	<i>Game theory</i> <i>Practice work 10</i>	2	1	CT11	SIS 10 TSIS 10
13	Capital Budgeting and Risk <i>Practice work 11</i>	2	1	CT12	SIS 11 TSIS 11
14	Group projects and presentations	2	1	-	SIS 12 TSIS 12
15	Revision, <i>Practice work 12, Quiz 4</i>	2	1	Covered CT8-12	- -
16 17	<b>FINAL EXAM</b>	2		In written	

## COURSE POLICY AND GRADING CRITERIA

### PRACTICE

Week	Practice (Analytical Questions, MCQ's, Discussion)	Grade Points
1	Basic concepts of Managerial Economics	-
2	The Firm and Its Goals	1
3	Supply and Demand	1
4	Demand Elasticity	1
5	Demand Estimation and Forecasting	1
6	The Theory and Estimation of Production	1
7	The Theory and Estimation of Cost / Revision for mid-term	-
8	<b>MID-TERM EXAM</b>	
9	Pricing and Output Decisions: Perfect Competition and Monopoly	1
10	Pricing and Output Decisions: Monopolistic Competition and Oligopoly	1
11	Special Pricing Practices	1
12	Game Theory	1
13	Capital Budgeting and Risk	1
14	Group projects and presentations	-
15	Revision	-
	<b>Total</b>	<b>10</b>

### STUDENTS SELF-STUDY WITH INSTRUCTOR (TSIS)

Week	TSIS (Teachers Supervised Independent Study)	Grade(in points)
1	Consultancy on group projects	
2	Supervising on group projects: The Firm and Its Goals	
3	Supervising on group projects: Supply and Demand	
4	Supervising on group projects: Demand Elasticity	
5	Supervising on group projects: Demand Estimation and Forecasting	
6	Supervising on group projects: The Theory and Estimation of Production	2.5
7	Supervising on group projects: The Theory and Estimation of Cost	
8	<b>MID-TERM EXAM</b>	
9	Supervising on group projects: Pricing and Output Decisions: Perfect Competition and Monopoly	2.5
10	Supervising on group projects: Pricing and Output Decisions: Monopolistic Competition and Oligopoly	
11	Supervising on group projects: Special Pricing Practices	2.5
12	Supervising on group projects: Capital Budgeting and Risk	
13	Delivery of written project	2.5
14	Presentations and defense of group projects	
15	Presentations and defense of group projects	
	<b>TOTAL</b>	<b>10</b>

### STUDENTS INDEPENDENT STUDY (SIS)

Week	SIS (Students Independent Study)	Grade(in points)
1		-
2	Writing chapter summary	1.25
3	Writing chapter summary	1.25
4	Writing chapter summary	1.25
5	Writing chapter summary	1.25
6	Writing chapter summary	1.25
7	Writing chapter summary	1.25
8	Writing chapter summary	1.25
9	Writing chapter summary	1.25
10	Writing chapter summary	1.25
11	Writing chapter summary	1.25
12	Writing chapter summary	1.25
13	Writing chapter summary	1.25
14		-
15		-
<b>TOTAL</b>		<b>15.0</b>

#### GRADING CRITERIA

№	Assessment criteria	Weeks																Final scores
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 17	
1	Participation		✓	✓	✓	✓	✓			✓	✓	✓	✓	✓				10%
2	SIS		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓			15%
3	SIS2										✓							5%
4	TSIS						✓			✓		✓		✓				10%
5	Quiz				✓			✓				✓					✓	10%
6	Mid-Term								✓									10%
7	Final Exam																✓	40%
	<b>Total:</b>																	<b>100%</b>

№	Assessment criteria	Participation	SIS	SIS 2	Project	Mid-term	Quiz	Present ation	Final exam	Total
1	1 <sup>st</sup> attestation	5	7.5		2.5	10	5			<b>30</b>
2	2 <sup>nd</sup> attestation	5	7.5	5	7.5		5			<b>30</b>
3	Final							20	20	<b>40</b>

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## **LECTURES**

Class sessions involve a variety of teaching techniques. Much of the time will be dedicated to lecture and class discussion of materials related to assigned reading. Topics will be delivered in an illustrative interactive manner with PowerPoint slides to help better understand the textbook. These presentations will be integrated with classroom discussions encouraging active learning. All the students are expected to read and understand the chapters ahead of lectures; so that everyone can participate during interactive discussions. Readings consist of relevant chapters in the text books, assigned articles, PowerPoint lecture slides, and further articles on the L-Drive. Case analysis, problem solving, real case applications will be offered to improve learning process.

## **PRACTICE WORK**

Practical exercises aim to develop firm understanding of tools and practices of managerial economics. Based on the use of active teaching methods like case studies, problem solving and business cases through interactive discussions, MCQ's and analytic problem solving students are urged to properly prepare and actively participate.

## **GROUP PROJECT (TSIS)**

Teams of 3-4 students will work together to prepare group project and write comprehensive written report on that project (15-20 pages; 1.5 space, Times New Roman) with a cover page according to provided standards. The project report should be submitted (handed over or e-mailed) according to class schedule, but no later than a week before the presentation date.

Reports will be evaluated along the following criteria:

- ✓ Quality of the writing - clear, straight, and correct style and grammar;
- ✓ Quality of the structure and organization; smooth, logical flow of content;
- ✓ Quality and amount of reflection, analysis, comparison, and evaluation;
- ✓ Proper use of literature.

Projects will wrap up with the oral presentation and defense lasting twenty minutes. Use of PowerPoint along with any other appropriate technology is expected. Be creative when preparing and making your presentation. Avoid reading your paper in class. Concentrate on the main points. Defense of group project determines the level of theoretical knowledge and practical skills of the group members. Student must summarize the contents of the paper, give satisfactory answers to questions. Once the teams are formed, each team will receive a number. While submitting teamwork reports for checking and grading, please include the following information on the cover page (see a template below) to assure proper credit:

- ✓ Team number
- ✓ ID of all students in the team with their last and first names, and mail addresses
- ✓ Title of the study
- ✓ Course name (Industrial Economics)

The dates of defense are 14th and 15th weeks. Assessment of group projects will be counted instead of the end of term examination.

## **HOME-WORKS (SIS)**

Chapter summaries will be assigned to enhance students' comprehension of lectured concepts and techniques. You may discuss assignments with others, but you must write up by yourself with the full understanding of what you write. Students handing in identical assignments will be violating university regulations and will not receive credit! Late home-works are not allowed unless you negotiate with the instructor at least one day in advance.

## **HOME-WORKS (SIS 2)**

A student should submit an individually written essay on the topic "Industrialization of Kazakhstan: Problems and Prospects" (2-3 pages; 1.5 space, Times New Roman) with a cover page according to provided standards. The report should be submitted (handed over or e-mailed) according to class schedule.



### **MID-TERM EXAM**

Mid-Term appraisal is evaluation of the students' academic achievements over first seven weeks of the semester. Mid-Term Exams are based on topics of all accumulated lectures, practice works, SIS, TSIS and materials for reading discussed up to the time of assessment. Maximum number of points with attendance, activity, SIS, TSIS and practice for each attestation is 30 points: 10 points Mid-Term, 20 points for the rest.

### **QUIZ**

Quiz appraisal is evaluation of the students' interim academic achievements. Quizzes are based on topics of 3 accumulated lectures and practice works. Each quiz weighs 2.5 points.

### **PARTICIPATION**

The class participation grade is earned via unflinching presence in class and consistent contribution to class discussions. You should, therefore, make conscientious efforts to be sufficiently prepared to the class discussions. The responsibility for making the learning process succeed is yours. The faculty requires students to attend at minimum 80% of the scheduled class sessions. Attendance that is less than this requirement will make you not eligible for obtaining the grade.

### **FINAL EXAM**

Final examination is evaluation of the students' academic achievements, conducted after the completion of the course. It covers all delivered course materials and it is conducted in the form of oral exam (presentation of the project) and MCQ's and/or problems. Duration of the final exam is 90 min. Maximum number of points is 40: project presentation – 20, written exam – 20 points). At the end of semester students receive overall total grade (accumulated points for accomplishments during semester) according to conventional KBTU grade scale.

**GRADING SCALE** (Letter grades for the course follow the same standards as specified in the Catalog)

Grading Letters	System Numerical Equivalent	Percentage
A	4.00	95 – 100
A-	3.67	90 – 94
B+	3.33	85 – 89
B	3.00	80 – 84
B-	2.67	75 – 79
C+	2.33	70 – 74
C	2.00	65 – 69
C-	1.67	60 – 64
D+	1.33	55 – 59
D	1.00	50 – 54
F	0	0 - 49

## **ACADEMIC POLICY**

### **STUDENTS ARE REQUIRED:**

- ✓ to be respectful to the teacher and other students;
- ✓ to switch off mobile phones during classes;
- ✓ not to cheat. Plagiarized papers shall not be graded;
- ✓ to meet the deadlines;
- ✓ to come to classes prepared and actively participate in classroom work;
- ✓ to enter the room before the teacher starts the lesson;
- ✓ to attend all classes. No make-up tests are allowed unless there is a valid reason for missing them;
- ✓ to follow KBTU academic policy regarding W, AW, I, F grades.

### **STUDENTS ARE ENCOURAGED TO:**

- ✓ consult the teacher on any issues related to the course;
- ✓ make up within a week's time for the works undone for a valid reason without any grade deductions;
- ✓ make any proposals on improvement of the academic process;
- ✓ track down their continuous rating throughout the semester.

**Associate Professor of Economics**

**Alex Mosesov**

**Chair of the Department of  
Management and Social Sciences**

**Assel Jumasseitova**

**Approved by the meeting of the Management and Social Sciences Department,  
Minutes #5, December 19, 2014**

# SAMPLE TEST QUESTIONS (CHAPTER 1)

## CHAPTER 1 INTRODUCTION

### MULTIPLE-CHOICE QUESTIONS

1) The best definition of economics is

- A) *how choices are made under conditions of scarcity.*
- B) how money is used.
- C) how goods and services are produced.
- D) how businesses maximize profits.

Level of Difficulty: Easy

2) Managerial economics is best defined as the economic study of

- A) how businesses can make the most profits.
- B) *how businesses can decide on the best use of scarce resources.*
- C) how businesses can operate at the lowest costs.
- D) how businesses can sell the most products.

Level of Difficulty: Easy

3) Managerial economics is best defined as

- A) the study of economics by managers.
- B) the study of the aggregate economic activity.
- C) *the study of how managers make decisions about the use of scarce resources.*
- D) All of the above are good definitions.

Level of Difficulty: Easy

4) Scarcity is a condition that exists when

- A) there is a fixed supply of resources.
- B) there is a large demand for a product.
- C) *resources are not able to meet the entire demand for a product.*
- D) All of the above.

Level of Difficulty: Easy

5) Which of the statements below best illustrates the use of the market process in determining the allocation of scarce resources?

- A) "Let's make this product because this is what we know how to do best."
- B) *"Although we're currently making a profit on the products we make, we should consider shifting to products where we can earn even more money."*
- C) "Everyone is opening video stores, why don't we?"
- D) "We can't stop making this product. This product gave our company its start."

Level of Difficulty: Moderate

6) Which of the following is not considered as a factor of production?

- A) *money*
- B) machinery and equipment
- C) land
- D) unskilled labor

Level of Difficulty: Easy

- 7) Select the group that best represents the basic factors of production.
- A) *land, labor, capital, entrepreneurship*
  - B) land, labor, money, management skills
  - C) land, natural resources, labor, capital
  - D) land, labor, capital, technology

Level of Difficulty: Easy

- 8) Which of the following is an example of how the question of "what goods and services to produce?" is answered by the command process?

- A) *government subsidies for windmill energy production*
- B) laws regarding equal opportunity in employment
- C) government allowance for the deduction of interest payments on private mortgages
- D) government regulations concerning the dumping of hazardous waste

Level of Difficulty: Moderate

- 9) Which of the following is the best example of "what goods and services should be produced?"

- A) the use of a capital intensive versus a labor intensive process of manufacturing textiles
- B) *the production of SUV's versus the production of sub-compact cars*
- C) the manufacturing of computer workstations in China or in India
- D) the leasing versus the purchasing of new capital equipment

Level of Difficulty: Moderate

- 10) Which of the following is the best example of "how goods and services should be produced?"

- A) complying with the technical specifications in the production of an aircraft
- B) the production of jet aircraft for the air force or for a commercial airline
- C) *the use of additional workers versus the use of machines in the production of goods*
- D) the production of a new manufacturing facility

Level of Difficulty: Moderate

- 11) From the standpoint of a soft drink company the question of "What goods and services should be produced?" is best represented by which of the following decisions?

- A) whether or not to hire additional workers
- B) whether or not to increase its advertising
- C) whether or not to shut down selected manufacturing facilities
- D) All of the above are examples.
- E) *None of the above are examples.*

Level of Difficulty: Moderate

- 12) In the text, the authors refer to "Stage II" of the process of changing economics as

- A) demand management.
- B) *cost management.*
- C) diminishing returns.
- D) profit taking.

Level of Difficulty: Easy

- 13) In the "four-stage" model of change, Stage III is represented by

- A) deciding how much to markup costs to set a profitable product price.
- B) cost-cutting and restructuring to maintain and improve production.
- C) *narrowing product lines to those offering the greatest revenue potential.*
- D) focusing on markets with the greatest growth potential.

Level of Difficulty: Easy

15) Which of the following is the best example of the "command" process?

- A) United Airlines buys Northwest Airlines.
- B) Striking auto workers force General Motors to shut down its factories.
- C) Banks raise their fees on late payments by credit card holders.
- D) *The FCC requires local telephone companies to provide access to their local networks before being able to offer long distance service.*

Level of Difficulty: Moderate

16) A critical element of entrepreneurship (as opposed to managerial skills) is

- A) leadership skills.
- B) *risk taking.*
- C) technology.
- D) political skills.

Level of Difficulty: Easy

17) In the text, a key factor in the changing "economics of a business" is

- A) the need to grow revenues.
- B) *increasing competition.*
- C) rising labor costs.
- D) the need to expand market share.

Level of Difficulty: Easy

18) Opportunity cost is best defined as

- A) the amount given up when choosing one activity over all other alternatives.
- B) *the amount given up when choosing one activity over the next best alternative.*
- C) the opportunity to earn a profit that is greater than the one currently being made.
- D) the amount that is given up when choosing an activity that is not as good as the next best alternative.

Level of Difficulty: Moderate

19) The economic concept of "opportunity cost" is most closely associated with which of the following management considerations?

- A) market structure
- B) *resource scarcity*
- C) product demand
- D) technology

Level of Difficulty: Easy

20) Which of the following is the best example of opportunity cost?

- A) a company's expenditures on a training program for its employees
- B) the rate of return on a company's investment
- C) the amount of money that a company can earn by depositing excess funds in a money market fund
- D) *the amount of profit that a company forgoes when it decides to drop a particular product line in favor of another one*

Level of Difficulty: Moderate

#### ANALYTICAL QUESTIONS

1) What economic conditions are relevant in managerial decision-making?

Answer: Such factors as market structure, supply and demand conditions, technology, government regulations, international factors, expectations about the future, and the macroeconomy are economic factors that play a role in managerial decision-making.

2) What factors lead to competitive advantage for a firm?

Answer: Cost leadership (lower costs than competing firms), product differentiation, selection and focus on a market niche, outsourcing and merger strategies, and international focus or expansion are factors in the competitive advantage of the firm.

3) What are the typical types of risk faced by a firm?

Answer: Changes in supply and demand conditions, changes in technology, increased competition, changes in interest rates and inflation rates, exchange rate changes, and political risk are typical types of risk faced by firms.

4) What are the four stages of change faced by firms?

Answer:

Stage I: Market dominance, in which the only strategy required to earn a profit is sufficient markup over cost. (Cost-plus)

Stage II: Technology and competition place pressures on the firm, often resulting in cost-cutting, downsizing, restructuring, and reengineering. (Cost management)

Stage III: Focus on growth of top lines of business. (Revenue management)

Stage IV: Striving for continued profitable growth. (Revenue plus)

5) How do the three basic economic questions relate to the firm?

Answer: Firms must choose WHAT goods and services to produce, HOW to produce them (through appropriate choice of resources and technology), and FOR WHOM they will be provided (what segment of the market on which to focus).

6) What other business disciplines are related to Managerial Economics?

Answer: Accounting, Finance, Management Science (Quantitative Methods), Management Strategies, Marketing.

## ACADEMIC AND METHODOICAL SUPPORT

**Карта методического обеспечения: Экономика производственной сферы (Industrial/Managerial Economics), Кафедра Экономика и Менеджмент, 2013-2014 у.г.**

Название дисциплины	Название учебной литературы	Автор, место, год издания	Их количество в КБТУ					Количество книг по дисциплине	Количество обучающихся студентов	Число книг на 1 студента
			в аб-те	в чит. залах	в ДМиС	эл. ресурс	Всего			
<b>Экономика производственной сферы (Industrial/Managerial Economics)</b>	<b>Учебники и учебные пособия</b>									
	Managerial economics	Hirschey Mark. - New York : Thomson South-Western, 2003. - 771p. : ill.; tabl. - Index:p.761. - ISBN 0-324-18330-5 : 7133-00.	0	1	0	0	1			
	Fundamentals of managerial economics	Hirschey Mark. - New York : Thomson South-Western, 2003. - 714p. : ill.; tabl. - Index:p.705. - ISBN 0-324-18331-3 : 7331-00	0	1	0	0	1			
	Managerial Economics: economic tools for today's decision makers	Keat, Paul G, Young, Philip K.Y. - Fourth edition. - New Jersey : Prentice Hall, 2003. - 765 p. : ill.,tabl. - Appendices:A,B,C,D p.691.,- Index:p.756. - ISBN 0-13-035335-3 : 7131-00.	0	1	0	0	1			