

Gujarat University

K. S. School of Business Management and Information Technology
[Five Years' (Full – Time) M.B.A. Integrated Degree Course]

Second Year B.B.A. (Sem - III)

Code: KS-MBA-DSC-C-233

Micro Economic Theory

Course Credit: 4

Instructions: The course is designed to enhance the understanding of the economic concepts pertaining to decision making in a firm. The course is included in the Discipline Specific Courses-Core Courses of NEP. There will be approximately 55 to 60 hours direct teaching in the semester. At least two assignments in the semester would be given to the students in this subject.

Objective: Micro economic theory is one of the basic branches of economics. As it is rightly said, individual behaviour influences the group behaviour. So studying the micro perspective of consumer behaviour including demand, production and cost decision would help in understanding the macro aspects of demand and production of the economy.

Program Outcomes: The learnings, at the Second Year of the MBA programme, focus more on practical orientation of the various subjects. For business to grow and flourish, competitive edge is the need of the hour. The application based study of the concepts, introduced in various subject areas, prepares students to face any kind of market competition and make them able to deliver best in any circumstances.

Course Outcomes: This course curriculum will enable the students to understand the basic microeconomic concepts which are important for decision making in a firm.

Detailed Syllabus:

Module 1: **[25%]**

Introduction

- Microeconomics – definition, nature and scope, distinction with Macro Economics.
- Alternative objectives of the firms
 - Economic Theory – Profit Maximization Theory.
 - Managerial Theories – Sales Revenue Maximization theory by Baumol, Managerial utility Maximization theory by O' Williamson, Growth maximization theory by Marris.
 - Behavioral Theories – Simon's Satisficing theory, Cyert and March Model of Decision Making.

Module 2: **[25%]**

Theory of consumer Behavior

- Cardinal Approach to Consumer Equilibrium –
 - Law of Diminishing Marginal Utility
 - Law of Equi Marginal Utility

- Ordinal utility Analysis
 - Indifference curve approach
 - Price Effect (Hicksian Approach) – Normal Goods, Giffen Goods

Module 3:

[25%]

Demand and Supply

- Demand Analysis –
 - Meaning of Demand, Determinants of demand, Demand functions, Law of Demand, Types of Demand
 - Elasticity of demand – Meaning, Arc and Point measurement, Price elasticity of demand, Income elasticity of demand, cross elasticity of demand, Advertising elasticity of demand. Demand elasticity of substitution.
 - Demand estimation & Demand forecasting – Qualitative Methods
- Supply
 - Law of supply
 - Elasticity of supply

Module 4:

[25%]

Production and Cost Decisions

- Production Decisions
 - Short run analysis of production functions,
 - Production functions with 2 variable Inputs
 - Long run production function
 - Empirical production function
- Cost of Production –
 - Types of Cost, Theory of Cost: Cost Output function short run & long run cost function.
 - Economics of Scale
 - Cost Control & Cost reductions, Concepts of Break Even Point

Reference Books:

- Managerial Economics by P. L. Mehta (Sultan Chand)
- Micro Economic Theory by H. L. Ahuja (S. Chand)

Mode of Evaluation:

Continuous Evaluation 30%
 Mid Semester Exam 20%
 End Semester Exam 50%

Assessment Tools: Test, Quiz, Assignments, Presentation, Project etc.