

Module Study Guide

Academic Year 2022–2023

Academic Partner: Marbella International
University Centre

Managerial Economics

Level: 4

Credits: 10 ECTS/20 UK credits

Copyright © 2022 MIUC&UWL

Permission granted to reproduce solely for the purpose of teaching and learning at the University of West London and its approved academic partners.

You are provided with study materials for your personal use only. You must not share these with others or upload them to websites. Any student who is found to have shared materials, particularly for personal gain, will be subject to disciplinary action if appropriate.

Table of contents

Key team contact details	1
1 Module overview	2
1.1 Introduction	2
1.2 Module summary content and aims.....	2
1.3 Learning outcomes to be assessed.....	3
1.4 Indicative Contact Hours	3
2 Assessment and feedback	4
2.1 Summative assessment grid	4
2.2 Assessment brief – Assessments and learning outcomes	5
2.2.1 Assessment 1: In-class Exercise (1)	5
2.2.2 Assessment 2: In-class Exercise (2)	5
2.2.3 Assessment 3: In-class Exercise (3)	6
2.2.4 Assessment 4: In-class Exercise (4)	6
2.2.5 Assessment 5: Case Study.....	6
2.3 Learning materials.....	7
Core textbook(s):	7
Other recommended reading:	7
3 Things you need to know	9
3.1 Our Expectations.....	9
3.2 Getting Support	9
3.2.1 Personal Tutors, Module Leaders, Subject Librarians, and Course Leaders.....	9
3.2.2 Student Support.....	9
3.2.3 Meeting Deadlines.....	10
3.3 Making an Impact.....	11
3.3.1 When there's an issue	11
3.3.2 Module Evaluation Surveys	11
4 Appendix: Weekly Content	12
This week we will study how M&A can play a role in corporate governance and examine its effectiveness. We will also examine whether a strong competition is a necessary condition for efficiency.....	14

Key team contact details

Module Leader	Dr. Ming-Jin Jiang
Subject Area & School/College	Business Management and Marketing
Academic Partner Institution	Marbella International University Centre (MIUC)
Email	ming-jin@miuc.org
Phone	+34 952 86 00 00
Location	MIUC

Module Tutor	N/A
Email	
Phone	
Location	

Module/Course Administrator	Jelena Krajacic
Email	jelena.krajacic@miuc.org
Phone	+34 952 86 00 00
Location	MIUC

Subject Librarian	Teresa Muñoz-Écija
Email	library@miuc.org
Phone	+34 952 86 00 00
Location	MIUC

The Course Leader overseeing this module is Ming-Jin Jiang, and can be contacted at ming-jin@miuc.org

The Dean responsible for this module is Beata Froehlich, and can be contacted at beata@miuc.org

The External Examiner responsible for this module is Dr Keith Salmon (Reader, University of Hertfordshire) for International Business and International Relations courses and Dr. Ana Gaio (Programme Director MA Culture, Policy and Management, City University of London) for Marketing and Advertising course.

The Academic Partner Link-Tutor responsible for this module is Brenda Theodore-Marks (for International Business and International Relations courses) and Matilde Nardelli (for Marketing and Advertising course), and can be contacted at Brenda.Theodore-Marks@uwl.ac.uk and Matilde.Nardelli@uwl.ac.uk

1 Module overview

1.1 Introduction

Welcome to the module!

This module provides an overview of economic tools and analytic approaches available to the manager for business decision making. It includes such topics as pricing, demand analysis, production and cost analysis, financial management and corporate governance.

In this module, you will be required to undertake several assignments which will be posted on learning platform. These tasks will develop your analytical skills and build on your self-study. As this module combines analytical tools with practical applications, you will find yourself gaining the skills needed for your further study and future career.

1.2 Module summary content and aims

The module aims to enhance your understanding of how markets operate and develop your capability in applying economic analysis into business decision making as well as making economic predictions about market outcomes. It would also serve as a foundation for your further studies in management and finance.

In this module, you will learn the economic analysis and apply to a wide array of business problems. This will encourage you to develop awareness on the application of economic tools rather than only allowing yourselves to pursue a purely theoretical understanding of economics.

Our analytical framework will rest upon four parts: (1) how a firm choose its organisational form based on the theory of firms; (2) Industrial organisation, which focuses on firms' competition strategy, as well as how market structures and government policy affect firms' behaviour; (3) Financial management which focuses on firms' financing source decision, including debt and equity financing or the mixture of the two and other alternative tools for financing such as convertible debt, option contracts etc. And finally, in part (4), corporate governance will be introduced. We will study different types of agency problems and the cost associated with them. Furthermore, we will derive and examine the firms' strategies which alleviate the agency problems, such as incentive compatible contract, control by board of directors and the pressure from other competitors with potential acquisition threat.

Expectations

Specific expectations students can have of tutors:

- Constructive formative feedback on draft for the assessment (not including written examination, oral assignment).
- Slides and learning materials made available on the learning platform.
- Assessment marks and summative feedback given within fifteen working days from the assessment submission deadline.

Specific expectations tutors will have of students:

- Attend all teaching and activity sessions.
- Behave professionally in classes and avoid disruption to class and other students.
- Inform module leader via email and fill out the absence notification/justification form online beforehand when not able to attend any classes.

- Participate and communicate professionally in class and with module leader.
- Attempt all assessments by submission deadline and communicate with the module leader if there are any extenuating circumstances to explore extensions requests and/or mitigation claims.

1.3 Learning outcomes to be assessed

At the end of the module, you will be able to:

LO1. Develop capacity to express and explain to yourself and to non-economist clearly using an economic framework when discussing an industry or business and how that market structure affects firm decisions.

LO2. Solve well-defined problems related to business decision making and provide solution to strategic interactions with other firms in the industry

LO3. Be able to conduct demand and supply analysis for individual firm as well as for the aggregate economy

LO4. Be able to explain and discuss the macroeconomic conditions required for a variety of firm pricing strategies to be profitable.

1.4 Indicative Contact Hours

Teaching Contact Hours	56 hours
Independent Study Hours	144 hours
Total Learning Hours	200 hours

2 Assessment and feedback

2.1 Summative assessment grid

Type of Assessment	Word Count or equivalent	Weighting	Pass Mark	Indicative Submission week	Method of Submission & Date of Feedback
A1: Written Examination (In-class exercise 1)	n/a	10%	40	Week 4 (Date and Time TBC)	Via MIUC LMS (NEO)&15 working days after the assessment
A2: Written Examination (In-class exercise 2)	n/a	10%	40	Week 7 (Date and Time TBC)	Via MIUC LMS (NEO)&15 working days after the assessment
A3: Written Examination (In-class exercise 3)	n/a	10%	40	Week 10 (Date and Time TBC)	Via MIUC LMS (NEO)&15 working days after the assessment
A4: Written Examination (In-class exercise 4)	n/a	10%	40	Week 13 (Date and Time TBC)	Via MIUC LMS (NEO)&15 working days after the assessment
A4: Written Assignment Case Study	1800 words (+/-10%)	60%	40	Week 15 (Date and Time TBC)	Via MIUC LMS (NEO)&15 working days after the assessment

Assessment Support

Assessment (insert below type of assessment as per the table above)	Teaching Weeks in which Assessment Support Takes Place (enter each week no. in a new row)	Outline of Type and Form of Assessment Support to be Provided	Student Preparation Required Prior to or After the Support Session	How will the Support Session be Delivered

A4: Written Assignment Case Study	Week 13 and 14	Feedback of the draft	Before: send the draft in week 13 After: implement the feedback provided	Feedback on draft via NEOlms
A1: Artefact(Project: Create a Website)	Week 14	Recapitulation, Remarks, Doubts	Before: start the project After: implement the feedback provided	In-class (with the software) - Q&A, tutorials

2.2 Assessment brief – Assessments and learning outcomes

2.2.1 Assessment 1: In-class Exercise (1)

This assessment will assess your analytical skills in determining a firm's optimal strategy given the competitor's strategies with the application of game theory.

Assessment criteria for Assessment 1 (LO1, LO3 will be assessed)

These assessments will be marked according to the following criteria:

- **Cognitive Skills (100%):** Students will need to apply the economic tools in deriving the firm's option strategy under different situations.

2.2.2 Assessment 2: In-class Exercise (2)

This assessment will assess your understanding of how different financing sources relate to agency cost and how a firm decides its optimal capital structure. There will be two short answer questions.

Assessment criteria for Assessment 2 (LO1, LO2 will be assessed)

These assessments will be marked according to the following criteria:

- **Knowledge and Understanding (50%):** Students need to understand how market structure affect a firm's production decision and how agency cost plays an important role in determining the capital structure of a firm.
- **Cognitive Skills (50%):** Students will need to apply the economic tools in deriving the firm's option strategy under different situations.

2.2.3 Assessment 3: In-class Exercise (3)

This assessment will assess your practical skills in determining which option contract to use for a given scenario and derive the option pricing. There will be one analytical question.

Assessment criteria for Assessment 3 (LO2 will be assessed)

These assessments will be marked according to the following criteria:

- **Cognitive Skills (50%):** Students will need to apply the economic tools in deriving the firm's option strategy under different situations.
- **Practical/Professional Skills (50%):** Students need to select correct risk management tools when a firm faces uncertainty.

2.2.4 Assessment 4: In-class Exercise (4)

This assessment will assess your professional skills in designing a simple incentive compatible contract to align the principle and the agent's incentives. There will be one analytical question.

Assessment criteria for Assessment 4 (LO1, LO4 will be assessed)

These assessments will be marked according to the following criteria:

- **Cognitive Skills (100%):** Students will need to apply the economic tools in deriving the firm's option strategy under different situations.

2.2.5 Assessment 5: Case Study

At the end of the module, you will deliver a business case analysis individually. This will encourage you to develop awareness on the application of economic tools in the field of corporate governance, rather than only pursuing a purely theoretical understanding of economics and business management.

Assessment criteria 5: Case study (LO1, LO2, LO3 will be assessed)

These assessments will be marked according to the following criteria:

- ❖ **Knowledge and Understanding (20%):** Students need to be able to identify why a principal-agent relationship occurs and demonstrate an understanding of principal-agent problems.
- ❖ **Cognitive Skills (35%):** Students will need to be able to identify the types of principal-agent problems by examining the factors (such as hidden information, hidden action, the role of verifiability and observability) leading to the problems.
- ❖ **Practical/Professional Skills (35%):** Students need to propose solutions to the principal-agent problems.
- ❖ **Transferable Skills (10%):** Students need to communicate in a clear manner given the word count requirement and use Harvard Referencing system.

More detailed instructions to all assessments will be provided in the assessment guideline which will be available on NEOlms.

For guidance on online submission of assignments, including how to submit and how to access online feedback, please refer to the MIUC LMS student guideline.

Formative assessments

In order to get prepared for A1 (the Case Study), we will see a few examples in class. Additionally, you can schedule a private session to ask doubts, and submit a draft of the case study for obtaining feedback before the final submission.

Employability Skills

This assessment covers the following employability skills, which you could demonstrate on your CV and at job interviews if you successfully pass the assessment:

- Communication
 - Writing
- Problem solving
- Take initiative and self-motivating
- Can work under pressure and to deadline
- Industry/commercial aware
- Time management
- Intellectual curiosity

2.3 Learning materials

The reading list for this module is available on the module page of MIUC learning platform.

Core textbook(s):

- Mallin, C. A. (2016) *Corporate Governance*. 5th Edition. Oxford University Press
- McGuigan, J. R., Moyer, R. C. and Harris, F. (2016) *Managerial Economics: Applications, Strategies and Tactics*. 14th Edition. Cengage Learning.
- Varian, H. R. (2014) *Intermediate Microeconomics: A Modern Approach* . 9th Edition. W. W. Norton & Company

Other recommended reading:

- Berk, J. and De Marzo, P. (2014). *Corporate Finance*. 4th Edition. Pearson Prentice Hall.
- Brandenburger, A. M. and Nalebuff, B (1995), "Right Game: Use Game Theory to Shape Strategy", Harvard Business Review
- Casadesus-Masanell, R (2015), "Strategy Reading: Competitive and Cooperative Dynamics", Harvard Business Review
- Harris, R. S. and Conroy, R. M. (2007), "Option Contracts and Their Valuation", Harvard Business Review
- Luehrman, T. A. (2016), "Finance Reading: NPV and Capital Budgeting", Harvard Business Review

Raviv, A., Thompson, T., Gresh, P. and Hennessy, S. (2007), "Bed Bath & Beyond: The Capital Structure Decision", Harvard Business Review

Remember to log into MIUC LMS (NEOLMS) daily to receive all the latest news and support available at your module sites!

All students are automatically members of the MIUC Library and can use the services provided by the library and have free access to its collection.

The collection is composed of specialised resources in the following subjects: International Business, International Relations, Journalism & Mass Media, Marketing & Advertising, Psychology, and Sport Management. Users can find reference books, monographs, journals, electronic resources (e-books, CDs, DVDs, and Blu-ray) and databases.

The largest numbers of items for each discipline are monographs and reference works, which are approximately 1600 volumes. Moreover, the audio-visual collection is approximately 400 volumes.

At the same time, our electronic library offers a collection of digital resources to the MIUC community. The collection can be categorised into 4 areas:

- Databases: provide full-text, secondary information or bibliographical references of articles, books, reports, and other publications.
- Electronic Journals: journal subscribed by the MIUC.
- Electronic Books, Dictionaries and Encyclopaedias: full-text books and book collections.
- LibGuides ([MIUC learning platform](#) → [Library](#) → [LibGuides](#)): electrical resources organised by fields of knowledge which are available to help you find relevant information for assignments

Remember, all your work must have Academic Integrity; it must be an honest and fair submission, complying with all the requirements of the assessment, that properly references and credits any other people's work you have used. Failure to meet these standards of behaviour and practice is academic misconduct, which can result in penalties being applied under the Academic Offences Regulations.

3 Things you need to know

3.1 Our Expectations

You are expected to behave in accordance with the MIUC Student Code of Conduct and treat others with kindness and respect whether at university or online. It's important to consider your safety and the safety of others around you, especially how to stay safe online and ensure your communications are secure and appropriate.

Whether you are engaging with teaching and learning activities onsite or online, we expect the same level of commitment and engagement from you. If you are unable to attend scheduled onsite or online activities, or complete activities in the time frames set out and have a solid reason for your absence to be justified, please fill out absence notification form.

You should aim to meet assessment deadlines; if you are concerned that you will not be able to complete your assessments on time, please fill out extenuating circumstances request. Your engagement, whether online or onsite, will be tracked and if we see that you are not engaging, we will get in contact with you.

Please remember that we are here to support you so if you are having problems, let us know so we can work with you to find solutions and get you back on track as soon as possible. Give yourself the best possible chance to succeed by engaging with the full range of learning and teaching activities available to you.

3.2 Getting Support

3.2.1 Personal Tutors, Module Leaders, Subject Librarians, and Course Leaders

Your Personal Tutor can help if you're worried about your studies, need academic advice, or want to find the best way for you to succeed.

Your Module Leader can help if you're struggling with work, don't think you can meet a deadline, or there was something you didn't understand or want to know more about.

Your Librarian can help you with finding, evaluating, reading, and referencing sources. They offer drop-ins and workshops throughout the year.

Your Course Leader can help with any questions about the course you're studying, such as any course-specific requirements or options.

3.2.2 Student Support

Students at MIUC will receive the following support:

- MIUC provides every student coaching services for personal and professional development to unlock their potential and maximise their performance. Students will attend the individual sessions scheduled with Life Coach at the beginning of each semester.
- Personalised learning supported through the provision of materials, resources, and recorded lessons direct to students via VLE on the web.

- Workshops on academic skills offered throughout the semester. Besides regular workshops, students can also seek individual academic support (including research skills, ICT literacy) by making appointments with the workshop tutor.
- Through the personal tutorial system – the primary role of the personal tutor is to support students' personal development planning together with the life coach. Tutors and life coach are always reachable in person and via email.
- Through the curriculum – all course team members are personal tutors and support the personal development process with their tutees.
- Through counselling service – MIUC offers counselling services to all students. Depending on an initial psychological evaluation, the university counsellor will develop the most effective treatment plan to adequately address any concerns at hand.
- Through internship support - internships can take place domestically or internationally. Students will learn to work individually, as well as in a team. They also will be exposed to a dynamic global environment that will help them learn to manage challenge and uncertainty in real world.
- Through extracurricular activities - Student Life Department offers students a wide variety of thrilling trips and extracurricular activities providing great opportunities for networking.

3.2.3 Meeting Deadlines

You should always try your best to submit your work on time. If you submit coursework late, within 10 calendar days of the deadline, then the maximum mark you will be able to get for that work will be the pass mark. Anything submitted after this would be counted as a non-submission.

We understand that there may be times when you experience circumstances outside of your control that mean you are not able to submit on time. It's a good idea to talk your Module Leader if you're not going to be able to submit on time so that they can support you and make you aware of any services that can help.

Where exceptional circumstances mean you'll be submitting your coursework late, you can request an extension before your deadline. An extension means that the penalty for submitting up to 10 calendar days late will not apply.

If your circumstances are so serious that you are not able to submit at all or are unable to attend an in-person assessment like an exam or in-class test, then you can request mitigation for the assessment. Mitigation means that you can submit work at the next available attempt instead.

If you request an extension or mitigation before the deadline you can choose to self-certify, meaning that you do not have to provide evidence, so long as you provide a valid reason for the request. You can only self-certify three assessments per academic year. If you have used all your self-certification opportunities, or requested mitigation after the deadline, you will need to provide evidence of your exceptional circumstances for your request to be granted.

To apply for an Extension or Mitigation, please use the following links:

- Extension <https://forms.gle/RZyp1aBJWKwwU6wWA>
- Mitigation <https://forms.gle/iX8FEqUysGRqLHP36>

3.3 Making an Impact

3.3.1 When there's an issue

If something's negatively impacting your experience at university, you should raise this informally with your Module Leader or Course Leader.

We aim to ensure that any issues are resolved as quickly as possible to have minimum impact on your studies.

3.3.2 Module Evaluation Surveys

Towards the end of the module, you will be invited to provide some anonymous feedback to the Module Leader through an online survey. This is your opportunity to give direct feedback about the module through a series of questions and free text.

Your constructive feedback will help the Module Leader and teaching team to understand the module experience from your perspective and helps inform the development of the module. At the end of the survey period, a response to the survey will be available so that you can see the impact your voice has had.

4 Appendix: Weekly Content

Week 1

Key concepts/issues: Module organisation, structure and assignments; Review basic economic concepts.

This session will introduce you to the module organization, structure and assignments. You will explore the time commitments you will need to make and the skills you will develop through the duration of the module. We will also review basic economic concepts which would be useful for this module.

Week 2

Key concepts/issues: Optimal decision; Perfect competitive market; Monopoly

- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 18: Technology).
- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 19: Profit Maximization).

Following Week 1's material, this week you will be introduced to how a firm make decisions (pricing and quantity) under different market structures. Firms are assumed to be profit maximize. You will learn how to derive optimal decisions taking into account a firm's objective function and its constraints.

Week 3

Key concepts/issues: Simultaneous-move game, sequential-move game, Prisoners' delimma.

- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 27: Oligopoly)
- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 28: Game Theory)

This week, students will learn basic game theory and its application in firm competition. Students will learn how to derive the best-response function for a firm given its opponent's decision. We will also play an interactive game and use it to demonstrate the concepts of game theory.

Week 4 and 5

Key concepts/issues: Market structures, Firm competition: Bertrand and Cournot Competition, Kinked Demand Model, Oligopoly,

- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 24: Monopoly).

- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 25: Oligopoly).
- Wall Street Journal (2003) How Media Giants Are Reassembling The Old Oligopoly". Available at: <https://www.wsj.com/articles/SB106357548527696300> (Accessed: 8 February)
- Wall Street Journal (2015)."ObamaCare's Oligopoly Wave". Available at: <http://archive.is/wQ3jC#selection-4077.0-4077.26> (Accessed: 8 February 2019)

This week students will study various types of market structures and how firms decide their price and production quantity depending on the market structure. Also, students will learn how firms compete in price and quantity.

Week 6 and 7

Key concepts/issues: Modigliani-Miller theorem, Agency cost of debt, Agency cost of equity. Debt financing, Equity financing, Cost of financing, Mixture of debt and equity financing, Sources of financing and tax implication

- Berk, J. and De Marzo, P. (2014). Corporate Finance. 3rd Edition. Pearson. (Chapter 6: Valuing Bonds)
- Berk, J. and De Marzo, P. (2014). Corporate Finance. 3rd Edition. Pearson. (Chapter 9: Valuing Stock)

This week we will examine various sources of financing and its implications on agency problem. It is common that a firm faces agency problem due to the conflict of interests between different agents. Choosing an optimal financing mix could minimize the agency cost. Furthermore, students will learn the implication of M-M theorem and its fundamental assumptions. Students will learn the tax implication on different financing sources.

Week 8

Key concepts/issues: Measuring cash flows, Real option as risk management tool

- Berk, J. and De Marzo, P. (2014). Corporate Finance. 3rd Edition. Pearson. (Chapter 7: Investment Decision Rule)
- Berk, J. and De Marzo, P. (2014). Corporate Finance. 3rd Edition. Pearson. (Chapter 8: Fundamentals of Capital Budgeting)

This week students will learn how to measure cash flows of various investment projects a firm has. In order to accurately measure the present value of an investment opportunity, students need to learn to adjust the firm's profit/income to free cash flow. Moreover, in practice, the decision making for a manager is dynamic instead of being static. Therefore, we will study how real option could affect the project evaluation.

Week 9

Key concepts/issues: Risk management, Call options, Put options, Real option: option to expand, option to delay and option to abandon

- Berk, J. and De Marzo, P. (2014). Corporate Finance. 3rd Edition. Pearson. (Chapter 21: OptionValuation)

In week 8, students will learn how a firm cope with uncertainty using option contracts. They will also learn the differences and similarity between different option contracts. Students will also learn how to price an option contract.

Week 10 and 11

Key concepts/issues: The “lemon” market, unobservable effort, non-verifiability

- Varian. H. R. (2014) Intermediate Microeconomics. 9th edition. W. W. Norton & Company (Chapter 37: Asymmetric Information)

This week students will learn the problems caused by asymmetric information. Asymmetric information results in agency problem which negatively affect a firm’s value. We will focus on two types of asymmetric information: adverse selection and moral hazard, and we will derive incentive compatible contracts in order to overcome the agency problems.

Week 12

Key concepts/issues: Merger and Acquisition

- Mallin, C. A. (2016). Corporate Governance. 5th Edition. Oxford University Press. (Chapter 6: The Role of Institutional Investors in Corporate Governance)

This week we will study how M&A can play a role in corporate governance and examine its effectiveness. We will also examine whether a strong competition is a necessary condition for efficiency.

Week 13

Key concepts/issues: Board of directors in practice, Free-riding problem, Who monitors the monitor?

Literature for this session:

- Mallin, C. A. (2016). Corporate Governance. 5th Edition. Oxford University Press. (Chapter 8: The Role of Institutional Investors in Corporate Governance)

This week we will study the most common corporate governance channel: Board of directors. We will examine its effectiveness in monitoring the manager.

Week 14

Key concepts/issues: Multiple Valuation

Literature for this session:

- Global Equity Research (2001). Valuation Multiples: A Primer (Valuation Multiples Primer.pdf)

This week students will learn another valuation method which is commonly used by investment bankers. Multiple valuation method is simple compared to DCF method. Students will learn the limitation of this method and they will be able to select a suitable multiple and comparables when adopting the multiple valuation method.