



❖ Instructor's Information

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❖ Textbook Required *This is an excerpt from the syllabus, not the entire syllabus

Managerial Economics and Organizational Architecture

By Brickley, Smith, & Zimmerman

5th edition (2009)

McGraw-Hill Publishers

ISBN: 978-0-07-337582-3

❖ Course Overview

Microeconomics focuses on the behavior of the firm and the individual. We will explore how companies and consumers make decisions and allocate resources. Microeconomics explores how the behaviors and decisions of companies and consumers impact the supply and demand for products and services and in turn impacts the price. Therefore, the course is interdisciplinary and explores aspects of

- accounting,
- advertising,
- marketing, and
- manufacturing.

Also explored in detail are:

- cost behavior and classifications,
- organizational structure,
- human resource management,
- regulation and taxation, and strategy formulation.

❖ Grade Components

Case Study Analysis	15%
Video Lectures	20%
Discussion Boards	10%
Exam 1 On Campus	50% Tuesday March 13 th 6:30pm
Exam 2 On Campus	5% Tuesday May 22 nd 5:00pm

❖ Course Objectives

Drawing upon modern managerial economics, this course will develop students' ability to apply the tools of economic analysis to make business decisions. The course will help students understand the following topics:

- economists' view of behavior,
- markets and organizations,
- demand, production and cost,
- market structure,
- pricing,
- strategy and game theory,
- incentive conflicts and contracts,
- organizational architecture,
- decision rights,
- human resource decisions,
- vertical integration and outsourcing,
- leadership and change within organizations,
- regulation,
- management of innovation, and
- creating organizational architectures that foster ethical behaviors.

This course will help you understand marketplace dynamics from an interdisciplinary perspective and with companies and consumers as a frame of reference.

❖ Learning Outcomes

At the conclusion of the course, students should be able to:

1. demonstrate their competence with respect to fundamental interdisciplinary concepts regarding: marketing, advertising, accounting, and manufacturing.
2. explain the role of consumer markets and organizations, demand, production and cost, market structure, pricing, strategy and game theory, incentive conflicts and contracts, organizational architecture, decision rights, human resource decisions, vertical integration and outsourcing, and leadership.
3. discuss in detail the differences between cost behavior (fixed costs and variable costs) and cost classifications (period costs and product costs).
4. describe process costing and job order costing scenarios.
5. prepare a contribution margin, break-even volume, and margin of safety analysis.
6. analyze how the business environment (technology, regulation, and competition) affects the firm's strategy;
7. analyze how strategy and the business environment impacts the firm's choice of organizational form;
8. analyze how the organizational structure, the reward system, and the performance evaluation system affects organizational performance, or creating organizations that foster ethical behaviors.
9. understand the relationships between the firm's organizational choices and ethical behaviors.

Learning Module Outcomes

Module 1

Reading: Chapter 5 Production and Cost

Critical Thinking: Video Lectures **Auto Industry and the Cost of Steel** pg 142-143

After reading this chapter students should be able to:

- LO1:** Discuss in detail the difference between cost behaviors (fixed cost and variable costs) and cost classifications (product costs and period costs).
- LO2:** Explain fully the difference between direct costs and indirect costs.
- LO3:** Describe in detail the costs classified as direct materials, direct labor, and manufacturing overhead.
- LO4:** Explain the role process costing and job order costing play in determining the cost to produce a product or provide service.
- LO5:** Discuss production functions, returns to scale and returns to a factor.
- LO6:** Explain choice of inputs, production isoquants, cost minimization, and changes in input prices.
- LO7:** Distinguish between short run and long run cost curves.
- LO8:** Explain learning curves, minimum efficient scale, and economies of scope.
- LO9:** Describe fully profit maximization, factor demand curves, and cost estimation.
- LO10:** Describe fully profit maximization, factor demand curves, and cost estimation.

The supply and demand curves consist of quantity on the x axis and **price** on the y axis. Before we can determine the **price** we need to understand cost classifications, cost behavior, and costing models used track and compute costs. We must have a practical understanding of costs if we are to understand the impact a change in price will have on the demand of consumers and the supply produced by companies.

The authors of our textbook indicate: *“Economics long has been applied to questions of pricing policy – for example, “how would raising the **price** of the firm’s products affect sales and firm value?” We address standard managerial economics questions involving pricing, **advertising**, scale, and choice of inputs to employ in **production**. In addition, we apply these same tools to examine questions of **organizational architecture**.”*

Due Friday, January 27, 2012 by 10pm EST on BlackBoard.

1 Prepare a very detailed report of the Video Lecture Series. Take detailed notes on the video lecture as if you were sitting in class and include specific examples mentioned in the lecture. The lecture includes worked problems and you should mention the problem #, page #, name of company, type of company, but you do not need to show the calculations in your report. However, you should explain how the concept applies to the company in the problem and the recommended course of action or what the analysis or computation revealed. The more detailed your report the better your grade. Your report should be specifically based on the lecture.

Keep in mind the lectures are for your benefit. These lectures close the gap between theoretical and practical.

Do **not** just provide a list of topics discussed. You must provide a detailed explanation of the concepts and specific examples discussed in the lecture.

Do **not** include related information from an online source. If you simply copy and paste stuff from the internet your score is a zero. If this happens more than once your grade in the course is an F. However, if you want to include a link, chart, or information that is properly footnoted and include as an attachment at the end of your report I will review the information.

You should separate each main topic in the video segment by starting a new paragraph. Since we are not meeting on campus 3 hours a week these video lectures will help you become familiar with key economics related concepts especially since some of the concepts are not discussed in detail in our textbook.

We will not cover all the chapters in the book, but rather focus on certain chapters in great depth and others not at all. I hope you find the video lectures helpful and interesting. Although the course is online I still want it to be interactive and dynamic.

As many of you already know, I front load my courses so that at the beginning the workload is heavier and toward the end much lighter. Also I post the course materials 4 weeks before the semester begins so that you can work ahead.

To post your report

- Click the folder link for Week, 1
- Click the folder link for Video Lecture Series
- Click the folder for the Lecture 1, Lecture 2, etc.
- Click View
- Click Add New Entry
- Copy / Paste you answer **and** Upload your WORD document (you must paste and upload)
- Click Save or Submit

******Type your answers in WORD first and then copy/paste from WORD into BlackBoard. This will keep you from losing your work if your internet connection is lost. Also after the due date you will no long have access to the assignment so you need to keep a copy of your posting so that you can review for the exam. Use Internet Explorer not Firefox.

There is a separate link for you to post each lecture report in the folder for Week 1.

1 Cost Classifications

58 minutes <http://www.youtube.com/watch?v=dMhwzWksDQ>

2 Job Order Costing, Process Costing, Job Cost Sheet

1 hour 17 minutes <http://www.youtube.com/watch?v=qEHLW4KI84Q>

3 Activity Based Costing

54 minutes: <http://www.youtube.com/watch?v=XIykhxyuRJI>

Due Tuesday, January 31, 2012 by 10pm EST on BlackBoard.

Module 2

Reading: Chapter 7 Pricing with Market Power

Critical Thinking: Video Lectures **Quicken** pages 206 – 207

After reading this chapter students should be able to:

LO1: Explain why a firm facing a downward sloping demand curve has market power.

LO2: Discuss in detail cost plus and markup pricing.

LO3: Describe profit maximization and how to estimate the profit maximizing price.

LO4: Discuss how to implement a pricing strategy`.

LO5: Explain the difference between penetration pricing and skimming.

LO6: Explain block pricing, group pricing, menu pricing, and price discrimination.

LO6: Discuss the application of process costing, activity based costing, and job order costing.

LO6: Explain cost behavior and the high low method.

There is a separate link for you to post each lecture report in the folder for Week 2.

4 Activity Based Costing, Process Costing

2 hours 12 minutes <http://www.youtube.com/watch?v=m4P1J60H0yU>

5 Cost Behavior, High Low Method

2 hours 3 minutes <http://www.youtube.com/watch?v=bqksHi1VLYg>

Most weeks will **not** have video lectures. These 5 lectures are the bulk of the lectures. The rest of the semester has only a few video lectures and some video lectures will only be 15 minutes.

December 28, 2011

*** The complete syllabus will post at a later date.

You can post early on BlackBoard.