



# ECON203

## Microeconomic Analysis

S2 Day 2013

*Economics*

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#### Disclaimer

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## General Information

Unit convenor and teaching staff

Unit Convenor

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E4A 413

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Tutor and Teaching Assistant

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E4A 429

Credit points

3

Prerequisites

((Admission to BEc or BCom or BAppFin or BActStud or BCom-ActStud or BCom-Accg or BCom-ProfAccg or BBA) or (GPA of 2.00)) and (ECON110 and ECON111) and 15cp

Corequisites

Co-badged status

Unit description

This is an intermediate-level unit in theoretical and applied microeconomics. Topics include: consumer choice and the theory of demand; consumer welfare measurement; labour supply; intertemporal consumption; choice under uncertainty; theory of the firm; production and cost theory; profit maximisation; perfect competition; monopoly; oligopoly; game theory and auctions; and general equilibrium.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Understand the relationship between microeconomic theory and decision-making by

individuals, businesses and government.

Develop analytical skills relevant to the assessment of different theories and models of microeconomics.

Develop the insights and tools necessary for the study of more specialized areas in economics such as finance, actuarial studies, labour economics, health economics, industrial organization and public economics.

Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).

Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

## Assessment Tasks

Name	Weighting	Due
<u>Tutorial engagement</u>	5%	Each tutorial
<u>Class Test</u>	25%	Week 7
<u>Online Quizzes</u>	20%	Week 3, 5, 10, 13
<u>Final Examination</u>	50%	University Examination Period

### Tutorial engagement

Due: **Each tutorial**

Weighting: **5%**

1. Tutorials constitute a critical learning experience of this unit and students should attend them. The tutor will facilitate a highly student-centred discussion of answers to pre-set tutorial questions. A tutorial is also an active forum to present to the tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected to attempt the tutorial questions before each tutorial.
2. In the first tutorial, you will be given a couple of minutes to chat with your classmates to form a study group (for your own benefit). You are strongly encouraged to work through the tutorial exercises with your group throughout the semester.
3. The 5% will be decomposed into 2% for attendance and 3% for engagement. You will be

awarded the entire 2% if you attend at least 8 tutorial classes (in 8 weeks), 1% if you attend between 5 and 7 classes, and 0% if you attend less than 5 classes. By "engagement", we will assess how active you are in the class such as how often you answer your tutor's question and/or ask him/her a question. Based on your activeness throughout the whole session, you will be awarded the whole 3% or part of it. Altogether tutorial engagement and attendance will contribute 5% to your final mark in this unit.

4. If you are unable to attend a class(es) due to an illness or misadventure, you must present a case for special consideration (see the *Policies and Procedures* section for details).
5. Most of the tutorial questions are from the textbook. Tutorial solutions will be made available on iLearn at the end of the week following the tutorial.

On successful completion you will be able to:

- Understand the relationship between microeconomic theory and decision-making by individuals, businesses and government.
- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.
- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).
- Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

## Class Test

Due: **Week 7**

Weighting: **25%**

1. A 90-minute test (including 25 multiple choice questions and 2 short-answer questions) will be held in place of the regular lecture in Week 7. This test is an indication of the form of the final examination. A non-programmable calculator is allowed in the test. The test will cover lectures from weeks 1 to 6.
2. Failure to attend the class test without the submission of an application for Special Consideration on the grounds of illness or unavoidable mishap together with the required supporting documentation (see the *Policies and Procedures* section for details) will result in a mark of **zero** for the assessment.

3. Students granted special consideration for the class test will not be able to resit the test; instead the final exam mark will be converted to a higher percentage of the total marks.

On successful completion you will be able to:

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- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.
- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).

## Online Quizzes

Due: **Week 3, 5, 10, 13**

Weighting: **20%**

1. There will be 4 online quizzes in this course, each containing 25 multiple choice questions. Each quiz is worth 5%. Each student will most likely face a slightly different set of questions. The quizzes will be accessed online through the unit web page at <http://ilearn.mq.edu.au>. Refer to the Unit Schedule for the opening and closing dates and time for each quiz.
2. Please note that no extensions will be granted. Failure to complete any quiz will result in a zero mark for that quiz. The penalty does not apply for cases in which an application for special consideration is made and approved.
3. Students must be aware that IT failures may occur, and that with large numbers of students, congestion can at times limit access. It is the student's responsibility to plan for these possibilities, and completion of the quiz soon after release is strongly advised.
4. Read the "Instruction for Online Quizzes" carefully before attempting.

On successful completion you will be able to:

- Understand the relationship between microeconomic theory and decision-making by individuals, businesses and government.
- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives

are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).

## Final Examination

Due: **University Examination Period**

Weighting: **50%**

1. A 2 hour final examination for this unit will be held during the University Examination period. The examination will contain a multiple choice section with an indicative time requirement of a half hour and a short answer section with an indicative time of one and a half hours. Marks awarded for these sections will be in proportion to the indicative times.
2. You are expected to present yourselves for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. For details check: <http://www.timetables.mq.edu.au/exam>
3. The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration (see the Policies and Procedures for details).
4. If a Supplementary Examination is granted as a result of the Special Consideration process, the examination will be scheduled after the conclusion of the official examination period. You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.
5. As indicated in the event of documented adverse personal circumstances, such as accident, illness, etc., a supplementary exam **may be** granted. However, when a student has extra time to prepare while suffering only a minor ailment, a higher standard is expected in the deferred exam. Also, students who sit the regular final exam and then request a supplementary exam should know that, if a supplementary exam is granted, his/her performance in the supplementary exam may raise or lower the result obtained in the regular final exam. Although the material coverage for the Supplementary exam would be the same as the final exam, **it will include ALL written answers questions (NO multiple choice questions).**

On successful completion you will be able to:

- Understand the relationship between microeconomic theory and decision-making by individuals, businesses and government.
- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.
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- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).
- Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

## **Delivery and Resources**

### **Classes**

This unit provides 3 hours face-to-face teaching per week. It consists of two hour lectures and one hour tutorials. (There are no tutorials in the first week of semester, in Week 6 due to Public holiday, and in Week 7 due to the class test)

The timetable for lectures and tutorials can be found on the University web site at:  
<http://www.timetables.mq.edu.au/>

As per university safety Policy every student must have a seat. The lecture will not run with students standing or sitting on the floor. If a lecture room is overfull, the lecturer may ask unseated students to leave. This is a requirement of University health and safety regulations. Lecture slides will be available on the unit web page at <http://ilearn.mq.edu.au>.

Please consult the Unit Schedule for precise details of the currently scheduled lecture dates for the whole unit. During the semester, unforeseen circumstances may require the cancellation of some lectures and/or tutorials. Any changes will be announced as far as possible in advance on the unit web page.

Lectures will start punctually. Students should arrive on time. Students may ask questions at the END of the lecture. It is disruptive and discourteous to arrive late or talk during lectures.

Attendance at lectures will not be enforced, but is strongly recommended. Students who miss classes put themselves at a considerable disadvantage for several reasons, including:

1. Not all material in the required text is covered in the unit, and not all the unit material is

covered in the required text. In some places the text deals with issues in greater depth than is necessary for the unit, and in other places it does not go far enough. The lectures contain all the unit material taught at the level that is required for successful completion of eleven tutorial exercises, and they are your guide to the content of the unit.

2. In some of the tutorials you will learn the techniques to solve quantitative problems, while lectures may not deal with these techniques, however, deals mainly with the underlying theory.
3. The lectures will include significant guidance about the style and content of the final exam and recommendation about the study techniques.
4. It is difficult and often impossible for lecturer to provide meaningful assistance to students outside class times on topics for which they did not attend the relevant lectures and tutorials.

Class attendance is only one part of university study. In addition to class attendance, students will need to spend around six to nine hours per week in private study in order to perform well in this unit.

## Required and Recommended Texts and/or Materials

### Required Text

**Pindyck R.S. and Rubinfeld D.L. (2013) Microeconomics (8th Ed), Pearson International Edition.** (Mentioned elsewhere as the textbook)

The text is available for purchase at Co-op Bookshop. A small number are available on reserve in the library.

### Supplementary General Texts

You may find other intermediate microeconomic texts useful:

Nechyba, T.J. (2011) *Microeconomics: An Intuitive Approach with Calculus*, (1st Ed), South-Western.

Perloff, J.M (2010) *Microeconomics, Theory and Applications with Calculus* (2nd Ed), Pearson/Addison Wesley.

Varian, H.R. (2006) *Intermediate Microeconomics: A Modern Approach*, (7th Ed), New York: Norton.

Frank, R.H. (2006) *Microeconomics and Behaviour*, (6th Ed) Boston: McGraw-Hill.

### Mathematical detail

Chiang, A.C. (1984) *Fundamental Methods of Mathematical Economics*, (3rd Ed), New York: McGraw-Hill.

Henderson, J.M and E. Quandt (1980): *Microeconomic Theory: A Mathematical Approach*. McGrawHill



## Technology Used and Required

### Unit Web Page

Course material as well as up to date information concerning any aspect of the unit, including any changes to the schedule, will be available to students by logging on to the learning management system (iLearn) that can be accessed via <https://ilearn.mq.edu.au/login/MQ/>

## Learning and Teaching Activities

This unit is taught as a mix of lectures and tutorials. The lectures are designed to provide the tools which can then be applied in tutorials. The tutorials comprise numerical problems and analytical questions and are detailed below in this document. There should be the opportunity to explore issues raised in lectures and to ask questions. The tutorials aim to improve understanding of microeconomic theory and policy.

Lectures – large group learning (2 hour each teaching week)

Independent learning – learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week mid-semester recess).

Tutorials – small group learning (1 hour each teaching week beginning in Week 2)

## Unit Schedule

Week	Lecture Topic	Reading	Tutorial
1	I. Introduction II. Consumer behavior	Chapter 3	NO TUTORIAL
2	I. Consumer behavior (cont) II. Individual and market demand	Chapter 4	Tutorial 1: Consumer behavior
3	Production with one-and two-input models	Chapter 6	Tutorial 2: Individual and market demand
	<i>Quiz 1, covering Lecture weeks 1, 2 and 3. Opens 6pm Saturday 17/8/13, and closes 6pm Tuesday 20/8/13.</i>		
4	Cost of production in short and long run	Chapter 7	Tutorial 3: Production
5	Profit maximization and competitive supply	Chapter 8	Tutorial 4: Cost of production
6	The analysis of competitive markets	Chapter 9	Tutorial 5: Profit maximization

	<p>Quiz 2, covering Lecture weeks 4, 5 and 6.</p> <p>Opens 6pm Saturday 7/9/13, and closes 6pm Tuesday 10/9/13.</p>		
7	<b>CLASS TEST:</b> Covering Lecture weeks 1 to 6		NO Tutorial
	Session Break (from Monday 16/9/13 to Friday 27/9/13)		
8	Monopoly	Chapter 10	Tutorial 6: The analysis of competitive markets, and Class test Feedback
9	Price discrimination	Chapter 11	Tutorial 7: Monopoly
10	Monopolistic Competition and oligopoly	Chapter 12	Tutorial 8: Price discrimination
	<p>Quiz 3, covering Lecture weeks 8, 9, and 10.</p> <p>Opens 6pm Saturday 19/10/13, and closes 6pm Tuesday 22/10/13</p>		
11	<p>I. Oligopoly (cont)</p> <p>II. Game theory and competitive strategies</p>	Chapter 13	Tutorial 9: Monopolistic Competition and oligopoly
12	General equilibrium and economic efficiency	Chapter 16	Tutorial 10: Game theory
13	Externalities and Public Goods	Chapter 18	Tutorial 11: General Equilibrium
	<p>Quiz 4, covering Lecture weeks 11, 12, and 13.</p> <p>Opens 6pm Saturday 9/11/13, and closes 6pm Tuesday 12/11/13</p>		
	<b>This unit schedule is subject to change if necessary.</b>		

## Learning and Teaching Activities

### Lectures - large group learning (2 hour each teaching week))

Lectures are intended to provide overviews of the conceptual framework and economic data that are critical to the core themes of the unit. Students are expected to read the relevant chapters before each lecture.

## Learning by doing (about 6 hours each teaching week and 9 hours each week during the 2-week

ECON203 relies heavily on independent learning where students read the relevant chapter, revise the lecture notes, prepare answers to the pre-set tutorial questions and extend themselves by doing additional reading, questions, exercises, problems.

## Tutorials - small group learning (1 hour each teaching week beginning in Week 2)

Tutorials constitute a critical learning experience of this unit and students should attend them. The tutor will facilitate a highly student-centred discussion of answers to pre-set tutorial questions. A tutorial is also an active forum to present to the tutor difficulties you encountered when preparing for the pre-set tutorial questions. Ask your tutor questions and further guidance on how to approach questions. Students are expected to attempt the tutorial questions before each tutorial.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy <http://www.mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://www.mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://www.mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy [http://mq.edu.au/policy/docs/grievance\\_management/policy.html](http://mq.edu.au/policy/docs/grievance_management/policy.html)

Special Consideration Policy [http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Academic Honesty

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## Grades

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction
- D - Distinction
- CR - Credit
- P - Pass
- F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

## Grading Appeals and Final Examination Script Viewing

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

[http://www.businessandeconomics.mq.edu.au/new\\_and\\_current\\_students/undergraduate\\_current\\_students/how\\_do\\_i/grade\\_appeals/](http://www.businessandeconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals/)

## Special Consideration Policy

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

[http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

## Student Support

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at: <http://students.mq.edu.au/support/>

### **UniWISE provides:**

- Online learning resources and academic skills workshops [http://www.students.mq.edu.au/support/learning\\_skills/](http://www.students.mq.edu.au/support/learning_skills/)
- Personal assistance with your learning & study related questions.
- The Learning Help Desk is located in the Library foyer (level 2).

- Online and on-campus orientation events run by Mentors@Macquarie.

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

Details of these services can be accessed at <http://www.student.mq.edu.au/ses/>.

## IT Help

If you wish to receive IT help, we would be glad to assist you at <http://informatics.mq.edu.au/help/>.

When using the university's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students and it outlines what can be done.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

### Learning outcomes

- Understand the relationship between microeconomic theory and decision-making by individuals, businesses and government.
- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.?
- Develop the insights and tools necessary for the study of more specialized areas in economics such as finance, actuarial studies, labour economics, health economics, industrial organization and public economics.
- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).

- Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

## **Assessment tasks**

- Tutorial engagement
- Class Test
- Online Quizzes
- Final Examination

## **Critical, Analytical and Integrative Thinking**

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

## **Learning outcomes**

- Understand the relationship between microeconomic theory and decision-making by individuals, businesses and government.
- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.?
- Develop the insights and tools necessary for the study of more specialized areas in economics such as finance, actuarial studies, labour economics, health economics, industrial organization and public economics.
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## **Assessment tasks**

- Tutorial engagement
- Class Test
- Online Quizzes
- Final Examination

## Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

### Learning outcomes

- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.?
- Understand the generic process of microeconomic analysis, focusing on the aims of individual decision-makers (consumers and producers); understand how these objectives are constrained by the opportunities available to agents (budget constraints or market structures); and be able to evaluate alternative economic outcomes in terms of their normatively defined welfare economic properties (efficiency and equity).
- Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

### Assessment tasks

- Tutorial engagement
- Class Test
- Final Examination

## Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

### Learning outcomes

- Develop analytical skills relevant to the assessment of different theories and models of microeconomics.?
- Apply the major theories and modules of microeconomics and use microeconomic principles to solve complicated problems.

## **Assessment tasks**

- Tutorial engagement
- Class Test
- Final Examination