ECON203
Microeconomic Analysis

Semester 1, Year 2012

Department of Economics
First Semester, 2012

Unit Convenor: Dr Pundarik Mukhopadhaya

Prerequisites/Co-requisites: ECON110 and ECON111, or admission to BBA and BBA103

Credit points: 3

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

About This Unit

ECON203 Microeconomic Analysis is an intermediate-level unit in theoretical and applied microeconomics. It builds on the foundations laid in the 100-level economics units, and may in turn be seen as providing the insights and tools necessary for the study of more specialized areas in economics, accounting, finance and marketing at the 200- and 300-level. The unit places strong emphasis on developing analytical and theoretical skills as a means of encouraging rigorous and logical thinking about real-world economic questions.

Throughout this unit, a framework is developed from the standpoint of individual decision-makers that allows the economic behaviour of consumers, producers, markets and society as a whole to be analyzed. Topics covered include consumer choice and consumer welfare measurement; demand for goods and labour supply; choice in the presence of risk; theory of the firm; production and cost theory; profit maximization; perfect competition; monopoly; oligopoly; game theory; general equilibrium; public goods and externality (tentative).

Teaching Staff

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact information</th>
</tr>
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<tbody>
<tr>
<td>Dr. Pundarik Mukhopadhaya Unit convenor and Lecturer (Friday)</td>
<td>Room: E4A-413, Telephone: 9850-6476, Email: <a href="mailto:pandarik.mukhopadhaya@mq.edu.au">pandarik.mukhopadhaya@mq.edu.au</a></td>
</tr>
<tr>
<td>Mr Prashan Karunaratne  Lecturer (Monday)</td>
<td>Room: E4A-449, Telephone: 9850-8409, Email: <a href="mailto:prashan.karunaratne@mq.edu.au">prashan.karunaratne@mq.edu.au</a></td>
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<tr>
<td>Dr. Ha Vu                Tutor in-charge</td>
<td>Room: E4A-444, Telephone: 9850-8586, Email: <a href="mailto:ha.vu@mq.edu.au">ha.vu@mq.edu.au</a></td>
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</table>

All tutors' names will be supplied to the unit web page
CONTACTING STAFF

Consultation time will be announced in the unit web page. Please restrict consultations to the announced times whenever possible. Students need to contact staff requesting an appointment for all other times.

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately from their tutor or lecturer.

CLASSES

This unit provides 3 hours face-to-face teaching per week. It consists of one two-hour lecture and a one-hour tutorial. (There are NO tutorials in the first week of semester and in Week 5 due to the class test, and NO lecture in Week 6 due to Good Friday)

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

There are two streams of lectures each week at the following times and places:

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<tr>
<th>Stream</th>
<th>Day (time)</th>
<th>Location</th>
<th>Lecturer</th>
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<tbody>
<tr>
<td>1</td>
<td>Monday 6pm – 8pm</td>
<td>C5C T1 Theatre</td>
<td>Prashan Karunaratne</td>
</tr>
<tr>
<td>2</td>
<td>Friday 11am-1pm</td>
<td>X5B T1 Theatre</td>
<td>Pundarik Mukhopadhaya</td>
</tr>
</tbody>
</table>

The lectures are given in parallel and students are advised to attend the lecture they have enrolled in. 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 Course Diary below 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.

5. 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**


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:


Mathematical detail


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 OUTCOMES

At the completion of this unit you will:

1. Be familiar with how microeconomic theory aids decision-making by individuals, business and government;

2. Be able to develop analytical skills relevant to the assessment of different theories and models of microeconomics.

3. Be able to 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.

4. Be familiar with the generic process of microeconomic analysis focusing on the aims of individual decision-makers (consumers and producers); 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).

5. Be able to use microeconomic principles to solve complicated problems, and apply the major theories and modules of microeconomics.

6. Be able to recognize how economic theory can explain observed human behaviour.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.
GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1. Critical, Analytical and Integrative Thinking
2. Problem Solving and Research Capability
3. Creative and Innovative
4. Effective Communication
5. Capable of Professional and Personal Judgment and Initiative
6. Commitment to Continuous Learning
7. Working in group

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)

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.

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

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.

The Course Diary is as follows and is subject to change:
<table>
<thead>
<tr>
<th>Week</th>
<th>Beginning</th>
<th>Lecture Topic</th>
<th>Reading</th>
<th>Tutorial</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Feb 27</td>
<td>1. Basic supply and demand; budget constraints and consumer choice</td>
<td>PR Chapters 2 and 3 (partially)</td>
<td>NO TUTORIAL</td>
</tr>
<tr>
<td>2</td>
<td>March 5</td>
<td>2. Consumer demand, income and substitution effects</td>
<td>PR Chapters 3 (the remaining) and 4</td>
<td>Tutorial 1: Revision of high school maths, an basic supply and demand.</td>
</tr>
<tr>
<td>3</td>
<td>March 12</td>
<td>3. Production with one- and two-input models</td>
<td>PR Chapter 6</td>
<td>Tutorial 2: Budget constraints and consumer choice</td>
</tr>
</tbody>
</table>

**Quiz 1:** open 3pm 16/03 and close 11pm 19/03. Covering Lecture topics 1, 2 and 3.

| 4    | March 19  | 4. Cost of production in short and long run                                   | PR Chapter 7                   | Tutorial 3: Consumer demand, income and substitution effects            |
| 5    | March 26  | **CLASS TEST:** Covering Lecture topics 1, 2, 3, and 4.                      |                                | NO TUTORIAL                                                             |
| 6    | April 2   | No Lecture due to Good Friday                                                  |                                | Tutorial 4: Production with one- and two-input models                  |

**Mid-semester break:** Monday 9 April to Friday 20 April

| 7    | April 23  | 5. Profit maximization and competitive supply                                | PR Chapter 8                   | Tutorial 5: Cost of production in short and long run                   |

**Quiz 2:** open 3pm 27/04, and close 11pm 30/04. Covering Lecture topics 4 and 5.

| 8    | April 30  | 6. The analysis of competitive markets                                        | PR Chapter 9                   | Tutorial 6: Profit maximization and competitive supply                 |
| 9    | May 7     | 7. Monopoly and Monopsony                                                    | PR Chapter 10                  | Tutorial 7: The analysis of competitive markets                        |
| 10   | May 14    | 8. Price discrimination                                                       | PR Chapter 11                  | Tutorial 8: Monopoly and Monopsony                                    |

**Quiz 3:** open 3pm 11/05, and close 11pm 14/05. Covering Lecture topics 6, 7 and 8.

| 12   | May 28    | 10. General equilibrium and economic efficiency                              | PR Chapter 16                  | Tutorial 10: Monopolistic Competition and oligopoly                    |

**Quiz 4:** open 3pm 01/06, and close 11pm 04/06. Covering Lecture topics 9 and 10

| 13   | June 4    | 11. Public goods and externalities                                           | PR Chapter 18                  | Tutorial 11: General equilibrium and economic efficiency               |
Assessment will be based on the following FOUR activities:

(1) **Tutorial engagement and attendance: 5%**

In the first tutorial students will be organized into groups of 4-5 students. You are strongly encouraged to work through the tutorial exercises with your group throughout the semester. The tutor will randomly ask individual students to answer questions based on the tutorial's pre-set exercises and give marks to individual students. Each student will be asked to answer questions in tutorial on at least 3 separate occasions throughout the semester to get a maximum of 3%. The other 2% is awarded for those students attending at least 8 tutorial classes (in 8 weeks). If you attend less than 5 classes you will get zero out of 2% for attendance. If you attend between 5 and 7 classes you will get 1% out 2% for attendance. Altogether tutorial engagement and attendance will contribute 5% to your final mark in this unit.

If you are unable to attend a class(es) due to an illness or misadventure, you must present a case for special consideration by email to the tutor-in-charge (Dr Ha Vu) within 5 days of the missed class.

(2) **Class test: 30% (10% multiple choice and 20% short answer)**

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 5. This test is an indication of the form of the final examination. A non-programmable calculator is allowed in the test.

(3) **Online quizzes: 15% (3% each quiz for the first two quizzes, and 4.5% each quiz for the last two quizzes)**

There will be 4 online quizzes in this course, each containing 20 multiple choice and/or true/false questions. 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](http://ilearn.mq.edu.au).

Students must be aware that IT failures 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. While catastrophic system failures will be taken account of, events such as system outrage with three hours to go will not.

(4) **Final Examination: 50% (12.5% multiple choice and 37.5% short answer)**

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.
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

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. The University’s policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

Failure to attend any of the assessment components without the submission of an Application for Special Consideration on the grounds of illness or unavoidable mishap together with the required supporting documentation will result in a mark of zero for the assessment.

If you wish to advise of your absence from quizzes, the class test or the final exam reason of illness or unavoidable mishap you must fill out an Application for Special Consideration. The forms are available from the Student Enquiry Service or online at http://www.reg.mq.edu.au/Forms/APSCon.pdf. The completed form with appropriate supporting documentation must be submitted to the Student Enquiry Service, not to the Faculty of Business and Economics.

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

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.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: http://www.mq.edu.au/policy/docs/examination/policy.htm

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).
<table>
<thead>
<tr>
<th>Name of task</th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Task</td>
<td>Tutorial engagement and attendance</td>
<td>Class test</td>
<td>Online Quizzes</td>
<td>Final Exam</td>
</tr>
<tr>
<td></td>
<td>Tutorial attendance will be recorded and awarded a maximum of 2%. Also, each student will be called randomly at least 3 times to answer the tutor’s question from the pre-set question to earn a maximum of 3%.</td>
<td>25 Multiple Choice Questions (10% weight) and 2 Short answer questions (20% weight) in a time frame of 90 minutes.</td>
<td>20 Multiple Choice questions in each quiz in a time frame of 30 minutes.</td>
<td>20 Multiple choice (12.5%) and 3 short answer questions (37.5%) in two hours</td>
</tr>
<tr>
<td>Due date</td>
<td>Each tutorial</td>
<td>Week 5</td>
<td>See the Course Diary</td>
<td>Check the University Examination Timetable</td>
</tr>
<tr>
<td>% Weighting</td>
<td>5%</td>
<td>30%</td>
<td>15%</td>
<td>50%</td>
</tr>
<tr>
<td>Grading Method</td>
<td>2 marks for students attending at least 9 tutorials; 1 mark for students attending between 5 and 8 tutorials; otherwise zero. PLUS: A maximum of 3 marks for answering tutor’s questions. Judgment will be based on your preparation, understanding and active engagement in the discussion.</td>
<td>MCQ: 1 mark for each correct answer, and 0 otherwise. Short answer question: Raw marks will be given on each question. Judgment will be based on your understanding, correctness and coverage.</td>
<td>MCQ: 1 mark for each correct answer; and zero otherwise.</td>
<td>MCQ: 1 mark for each correct answer, and 0 otherwise. Short answer question: Raw marks will be given on each question. Judgment will be based on your understanding, correctness and coverage.</td>
</tr>
<tr>
<td>Submission method</td>
<td>Weekly tutorial</td>
<td>In-class test</td>
<td>Online</td>
<td>Follow the University Examination Policy</td>
</tr>
<tr>
<td>Grade/Feedback</td>
<td>Grade via the unit web page at the end of the semester. Feedback provided by tutors following students’ answers.</td>
<td>Grade and feedback via the unit web page with 3 weeks of the test.</td>
<td>Grade via the unit web page after the closing time of the quiz.</td>
<td>Final overall course result</td>
</tr>
<tr>
<td>Learning outcomes assessed</td>
<td>1</td>
<td>x</td>
<td>x</td>
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### 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

### 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:


### 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

<table>
<thead>
<tr>
<th>Graduate Capabilities Assessed</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<td>1</td>
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</table>
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/for/new_and_current_students/undergraduate/admin_central/grade_appeals

**SPECIAL CONSIDERATION**

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/procedure.html

**STUDENT SUPPORT SERVICES**

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

**IT CONDITIONS OF USE**

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorized coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilizing University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings. Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

**Note: This outline is subject to changes, if necessary**