

Module Layout

ERM511 / Principles of Economics Risk Management

Faculty	FEM	Faculty of Economics and Management	
Programme of Study	ERMII	Enterprise Risk Management	
Module	ERM511	Principles of Economics Risk Management	
Level of Study	Undergraduate		Graduate
			Master
			Doctoral
			X Joint Program OUC & HOU
Language of Instruction	English		
Mode of Delivery	Distance		
Module Type	Required		Electives
	X		
Number of Group Consulting Meetings	Total	Physical Presence	Online
	5	-	5
Number of Assignments	2		
Final Grade Calculation	Assignments	Weekly Activities	Final Exam
	30%	10%	60%
Number of European Credit Transfer System (ECTS)	10		

Module Description

This Thematic Unit / Module is designed to introduce students to the foundation topics in microeconomics and industrial organization. This knowledge is important for reaching decisions in everyday business. The decisions aim to maximize profit and to strategically design and prepare a future for the business that will guarantee the existence and hopefully enlargement of profit in the long run. In fact this module will prepare students to forecast the framework of their business for the next day and thus hedge against business risks. In essence the module aims to prepare students as leaders who build business tactics and they will become a lot more than middle managers who rarely blaze trails in unknown areas and uncertain times such as those that businesses are encountered with nowadays.

Overall the module provides principles to foster the goals of the organization, as well as a better understanding of the external business environment in which an organization operates. In this module, future managers will learn how to increase company's profitability by applying economic analysis to a wide array of business problems. The course will develop students' capacity to analyze the economic environments in which business entities operate and understand how managerial decisions can vary under different constraints that each economic environment places on a manager's pursuit of his/her goals. Its focus will be on analyzing the functioning of markets, the economic behavior of firms and other economic agents under various market structures, and the economic and social implications of the outcomes.

Submodules

1. Basic principles and the consumer theory (3 weeks)
2. The production theory and Cost Theory (4 weeks)
3. Perfect competition and Imperfect Competition (6 weeks)

Expected Learning Outcomes

Upon completion of this module, the students will be able to:

Knowledge

- Exhibit a deep and thorough understanding of how to run the everyday business with its profit maximization objectives and how to plan for the future in order to maintain and expand profitability within

a risk framework.

Comprehension

- Explain why market equilibrium occurs at the price for which quantity demanded equals quantity supplied.
- Explain the concept of utility and the basic assumptions underlying consumer preferences.
- Explain several factors that affect price elasticity of demand
- Explain how different forces, like scale, scope and learning economies affect long-run costs
- Explain why barriers-to-entry are necessary for market power in the long-run and discuss major types of entry barriers.
- Understand and explain why cooperation can sometimes be achieved when decisions are repeated over time and discuss four types of facilitating practices for reaching cooperative outcomes.

Application

- Make use of indifference curves to derive a demand curve for an individual consumer and construct a market demand curve
- Make use of empirically estimated or forecasted values of market price, average variable cost, and marginal cost to calculate firm's profit maximizing output and long- or short-run profits.
- Relate marginal revenue to total revenue and demand elasticity and write the marginal revenue equation for linear inverse demand functions.
- Construct firm's expansion path and show how it relates to the firm's long-run cost structure.
- Apply optimization theory to find optimal input combinations

Analysis

- Examine the structure of short-run production based on the relation among total, average and marginal products.
- List the steps in the strategic management process
- List the steps in the decision making process
- Relate short-run costs to the production function and the basic features of firms' technology.
- Analyze a typical production isoquant and discuss its properties

Synthesis

- Be able to identify the type of market conditions applicable in a business.
- Be able to compare production and cost functions across businesses.
- Identify ways of action and hedging in oligopolistic markets.

Evaluation

- Evaluate the characteristics of different markets.
- Evaluate deviations from profit maximization conditions and correct them respectively.

Evaluate the power of competitors and their future steps vis-s-vis one's own business.

Pre-requisite Modules

Co-requisite Modules

Grading Scheme

Assessment Method	Percentage on Final Grade	Workload	
		Hours	ECTS
Weekly Study (13 weeks * ~12 hours of study) (2 weeks * ~18 hours of study)	0 %	~180 - ~210	7
Weekly Interactive Activities	10 %	~25 - ~30	1
Assignment 1	15 %	~25 - ~30	1
Assignment 2	15 %	~25 - ~30	1
Final/Repeat Examination	60 %	0	-
Total	100 %	~250 - ~300	10

Grading Rules and Assessment methods

- Students are evaluated with 9, if they earn 90% of the possible grade, i.e. $90\% \times 10 = 9$, etc.
- Passing rate
 - 50% of the Assignments
 - 50% of the Interactive Activities
 - Students are allowed to participate in the final exam of a Module if they have overall earned the minimum grade ($\geq 50\%$) in both their Assignments and Interactive Activities
 - 50% of the Final exam

If a student earns a grade with decimal points, then it is rounded to the nearest half unit.