



# UNIVERSITY OF TORONTO

*Nec Aspera Terrent*

Department of Economics (St. George) | ECO 204 | Microeconomic Theory for Commerce (2011 – 2012)

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## Course Description

This is an intermediate level micro course for students in the Commerce program (University of Toronto, St. George). The course has two main objectives: first, to train students in critical mathematical/microeconomic techniques and models and, second, to train students for a career in business and/or graduate school. The defining characteristic of ECO 204 is applying microeconomic models and methods in non-trivial ways to actual business problems through business cases and projects. Here are some examples:

- Following a theoretical treatment of competitive markets we will use the HBS case *The Aluminum Industry in 1994* to build the actual industry supply curve for aluminum
- We will use financial figures from the HBS case *The Prestige Telephone Company* to estimate the functional form and equation of the cost function
- We will use data from the Center for Research in Security Prices to construct (actual) finance portfolios

ECO 204 covers the following topics:

- Equality and Inequality constraints optimization methods
- Consumer theory
- Economics of uncertainty
- Producer theory
- Cost analysis
- Econometrics (Demand and Cost Functions)
- Analysis of competitive markets
- Analysis of highly concentrated markets (“Monopoly”)
- Topics in pricing: price discrimination, pricing under uncertainty, and yield management
- Analysis of concentrated markets (“Oligopoly”)
- Financial portfolios
- Game theory

Another defining characteristic of this course is training students for a business career by developing and honing writing, Excel and case analysis skills. It is important to note that microeconomic analysis is multi-layered, interconnected and iterative. It takes time to master the enormous plethora of techniques, concepts and models and since the various models are intertwined, you will have to take time to not only master each model and method but also to actively develop and understand the connections with other models and techniques. In other words, do not learn a model/topic piece-meal and realize that in this course there is no substitute for *self-learning*.

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Excellent business news and analysis sites (most free) [Bloomberg](#) | [Business Week](#) | [Economist](#) | [Economist Data](#) | [Financial Times](#) | [Globe & Mail Biz](#) | [Wall Street Journal](#) |

## Course Staff

**Monday, Tuesday, Wednesday Lectures Instructor:** [Ajaz Hussain](#)

**Office Hours:** Mondays, 3:30 – 5:30 pm in [GE 212](#).

**Office:** [GE 212](#), Economics Department, 150 St. George Street

**Phone:** +1 (416) 978 – 4965

**E-mails:** [sayed.hussain@utoronto.ca](mailto:sayed.hussain@utoronto.ca)

**Friday Lectures Instructor and Course Coordinator:** [Asad Priyo](#)

*For all “administrative” matters please contact the Course Coordinator*

**Office Hours:** Thursdays 3 – 5 pm in [GE 213](#)

**ECO 204 Google Phone #:** +1 (617) 855 – 8204

**E-mail:** [Economics204@gmail.com](mailto:Economics204@gmail.com)

## E-mail Policy

For all “administrative” matters please contact Asad through e-mail [Economics204@gmail.com](mailto:Economics204@gmail.com), or office hours (Thursdays 3 – 5 pm at GE 213)

Email is **not** an appropriate forum for discussing details which is why we have set aside office hours. That said, email can be helpful on occasion, and within limits. Accordingly, we will endeavour to reply to email within 24 hours, except on weekends, with the following provisions:

- The question should require a one (or two) sentence response (maximum). If it takes more, office hours are the more appropriate venue;
- We won’t answer questions about Excel (or computing more generally). Such questions should be discussed in office hours.
- We won’t answer emails requesting information that can be found on the website or the syllabus;
- We will not reply to emails concerning grading. For such matters, office hours are more appropriate.
- It is also (strongly) preferable that you use a UToronto email address: University policy stipulates a preference for these email addresses. Always identify yourself in your email; please do not send attachments of any kind; and please do not submit term work by email.

## Lectures and Office Hours

### Ajaz's Lectures You can attend any section below

Monday  
1 – 3 pm in [VC](#) 323

Tuesday  
10 – 12 in [WI](#) 1016

2 – 4 in [LM](#) 159 (Fall) ([KP](#) 108, Spring)

Wednesday  
6 – 8 in [WI](#) 1016

### Asad's Lectures You can attend any section below

Friday  
11 am – 1 pm in [BR](#) 200  
2 – 4 pm in [BR](#) 200

### Office Hours

Ajaz  
Mondays 3:30 – 5:30 pm in [GE](#) 212  
(See [course calendar](#) for changes)

Asad  
Thursdays 3 – 5 pm in [GE](#) 213  
(See [course calendar](#) for changes)

## Course Material

### “ECO 204 lecture slides”

- Posted by midnight Sunday in [course plan](#) section below
- You are expected to print and bring lecture slides to class in order to take notes.
- You can choose the number of slides per page to be printed by going to [Print → Print Properties](#)
- [Optional] Useful site for plots and calculations (equations, algebra, matrices, derivatives, integrals, etc.): [Wolfram Alpha](#)

### “Textbook”: ECO 204 chapters

- Posted in [course plan](#) section below on a rolling basis
- The chapters contain practice problems with highly detailed step by step solutions
- [Optional] Useful site for plots and calculations (equations, algebra, matrices, derivatives, integrals, etc.): [Wolfram Alpha](#)

### ECO 204 Excel Models Spreadsheet

- Updated with each lecture, HW and chapter and posted in [course plan](#) section below
- New worksheets will be continuously added so be sure to download the latest version (download the Model from the latest lecture)
- Please “enable macros” if prompted
- Having problems downloading the Excel Model?
  - Solution 1: Don't use Microsoft's Internet Explorer; instead try using another browser such as [Firefox](#).
  - Solution 2: Download the file and change the file extension from .zip to .xlsm. For example if the file name reads model.zip click on the file name once, and change ".zip" to ".xlsm".
- Please add-in the Developer Tab and Data Analysis (VBA) and Solver tools ([instructions](#))

### HBS Cases

The following cases can be purchased from [Harvard Business School Press](#). To purchase, click [here](#), register as a student, pay by credit card, and download the pdf files to your computer

- The Prestige Telephone Company
- Container Transportation Company
- The Aluminum Industry in 1994 (Click here for the [Cost data for all 157 primary aluminum smelters in the case](#) (password: quasifixed)
  - Please read [LME Warehousing Rules Cause Controversy](#), [Let's Count the Copper with Dust on it](#), [Oxymoronic LME stocks](#), [Kitco](#)

### Supplementary Textbooks & Manuals

*Note:* Test and exam questions will *not* be drawn from supplementary texts

- [Introduction to Economic Analysis](#), Preston McAfee (free)
- [Applied Theory of Price](#), Donald McCloskey (free)
- [Martin Osborne's Math Tutorial](#)
- [The Elements of Style](#), William Strunk 3<sup>rd</sup>
- [The Case Study Handbook](#)

## Course Evaluation

*Please see test and paper policies below.*

Test 1 = 15%  
Friday, October 21<sup>st</sup>  
6 - 8 pm in [EX](#) 100, 310, 320  
(Go to any room)

Test 2 = 15%  
Friday, December 2<sup>nd</sup>  
6 - 8 pm in [EX](#) 100, 310, 320

Test 3 = 15%  
Friday, February 10<sup>th</sup>  
6 - 8 pm in [EX](#) 100, 310, 320

Project 1 = 2%  
Individual Paper: 2 submissions  
1<sup>st</sup> submission not graded – feedback provided  
2<sup>nd</sup> submission graded (based on feedback)

1<sup>st</sup> Submission  
Due 11 pm, Friday, November 4<sup>th</sup> through Assignment Tab in Blackboard  
Please see detailed instructions [below](#)

2<sup>nd</sup> Submission  
Due 11 pm, Friday, November 25<sup>th</sup> through Assignment Tab in Blackboard  
Please see detailed instructions [below](#)

Project 2 = 3%  
Individual Excel Model

Friday, January 13<sup>th</sup>  
Due 11 pm, through Blackboard's Assignment Tab  
Please see detailed instructions [below](#)

Project 3 = 5%

Please see detailed instructions [below](#)

Cumulative and Comprehensive Final Exam = 45%

[TBA by Arts and Sciences](#)

Note: We will use a 60:40 weighting on the 3 tests and the final exam. 60% = max(3 Tests, Final Exam), 40% = min(3 Tests, Final Exam)

### Tests and Exam Policies

- All tests are scheduled on Fridays from 6 – 8 pm and are in EX 100, 310, 320
- Actual test time is from 6:10 pm – 8 pm
- You can go to any room
- Please bring a calculator and your student ID
- You must be at the exam room by 6 pm sharp. You will not be given extra time if you're late.
- If you have a direct conflict with a test, you must [email](#) the course coordinator Asad Priyo one week before the test to make alternative arrangements (ex: take the test earlier)
- During the test you must show your U of Toronto ID and sign the "signup sheet" and stay seated until all tests have been collected and counted.
- It is your responsibility to write your name and ID # on tests as they appear in ROSI. Failure to do so will result in a 5/100 point penalty per incident
- A grade of zero will be given to students who do not write a test, unless an appropriate and convincing note is received by the instructor within 3 calendar days of the missed test explaining why the test was missed and the student passes a ½ oral exam administered within 3 business days of the test (see below).
  - If the test was missed due to an illness then the note must be provided using an [original University of Toronto medical certificate](#) (photocopies or emailed certificates will NOT be accepted). The note must clearly state that on the date of the test, the student was too sick to write the test and must list the physician's OHIP number. Illness *before* the test is *not* sufficient grounds for missing the test nor statements that the student would have performed "sub-optimally." To comply with these requirements, it is expected that the student will have met with the doctor on the date of the test. It is an academic offence to feign illness to avoid a test. Notes from acupuncture clinics, chiropractors, "health care professionals" will not be accepted.
  - I will review each sick note and conduct a ½ hour oral exam (see below) to determine whether there are sufficient grounds for a student to be excused from a test. Part of this review process may include following up with the physician.
  - *If* a student has been excused from a test by the instructor he or she will be permitted to write a single, comprehensive, cumulative make-up test, provided that I am satisfied with the explanation for why the student missed the test and the student convinces me through a ½ hour oral exam administered within 5 (calendar) days of the test that he/she was prepared for the test. If these two conditions are satisfied, the student will be allowed to take a make-up test on Wednesday, 3 - 5 pm in [GE 213](#). The makeup test covers all material in the course through to the make-up test date. The make-up test will be worth the value of all missed tests. Consistent with university policy, there is no "make-up" test for the make-up test. No medical excuses will be accepted for missing the makeup test and a grade of zero will be applied.
- Students can appeal their test and paper grades by typing up the reasons for a request in the [Test Remark Request form](#) (electronically fillable) and submitting the signed form and test in person to the Course Coordinator Asad Priyo *within one week of the tests being returned to the class*.
- Procedures for appealing course marks are outlined [here](#)
- ECO 204 tests and exams questions are designed to test your understanding of the material and techniques. You should strive to understand the general method and techniques and not memorize details of particular questions from past tests. Often, you'll be tested on whether you can apply concepts and techniques to problems you've never seen before. Memorizing solutions to old problems will not give you the tools to solve a new problem (ECO 204 tests and exams do not repeat questions from previous tests and exams). Instead, you need to understand the techniques and model and develop a "thinking cap" by synthesizing previous problems with microeconomic tools and models. As such, the best way to prepare is not by doing old problems and hope that you have covered "everything". In this respect, HW and practice problems are critical for success in ECO 204 bearing in mind Jenn Murdock's advice to students:

*"Inappropriate use of the solutions is dangerous for your marks. Assigned problems are designed to help you build skills and to deepen your understanding of the course material. One important skill is being able to figure out a solution approach to a problem that you have not seen before. This skill is routinely tested. By looking at the solutions before you have made every effort to solve the problem yourself, including going back to study your lecture notes and the textbook, you are robbing yourself of a valuable opportunity to practice. After you finish a problem, look at the question again and your answer and think about how this fits into the course, what concepts you used and what assumptions you made".* [\[Source\]](#)

### Papers Policies

- Project 1:
  - Submission #1: Please submit paper through Blackboard's Assignment Tab by 11 pm, Friday, November 4<sup>th</sup>
    - File *must* be named Lastname\_Firstname
    - The first submission will not be graded but feedback will be provided which you must incorporate in the second submission
    - NOTE: If this preliminary paper is not submitted, you will receive a mark of zero (0) for this project.
  - Submission #2: Please submit paper through Blackboard's Assignment Tab by 11 pm, Friday, November 25<sup>th</sup>
    - File *must* be named Lastname\_Firstname
    - You must also attach the original submission with a one (1) page explanation of how you applied the critique to the first draft. Papers submitted without this attachment will not be graded and you will receive a mark of zero (0) for the entire project
  - Penalty for late submissions: 5% for each day after deadline. It is your responsibility to write your name on the paper as it appears in ROSI. Failure to do so will result in a 5% penalty per incident.
- Project 2:
  - Please submit Excel model through the Assignment Tab in Blackboard by 11 pm, January 13<sup>th</sup>
    - File *must* be named Lastname\_Firstname
  - Penalty for late submissions: 5% for each day after deadline. It is your responsibility to name the file as it appears in ROSI. Failure to do so will result in a 5% penalty per incident.
- Project 3:
  - Please submit paper and Excel model through Blackboard's Assignment Tab by 11 pm, March 2<sup>nd</sup>
  - Please submit the paper (not the Excel model) through [Turnitin](#) by 11 pm on March 2<sup>nd</sup> (course ID: 4332979, pw: quasiyear).
    - File *must* be named Lastname\_Firstname
  - Penalty for late submissions: 5% for each day after deadline. It is your responsibility to name the file as it appears in ROSI. Failure to do so will result in a 5% penalty per incident.

- Disclaimer concerning Turnitin.com: *Students agree that by taking this course all required papers will be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.*