



UNIVERSITY OF
TORONTO

Department of Economics (St. George)
ECO 204 Microeconomic Theory and Applications (for Commerce), 2019-2020

ECO 204: "Overview"

Course
Description

ECO 204 is an intermediate level microeconomics course (exclusively) for students in the [Rotman Commerce](#) program at the University of Toronto (St. George). ECO 204 students will:

- Learn "technical" (quantitative-mathematical) micro-models of (to name a few):
 - Consumer choice of goods and services ("marketing")
 - Lifetime savings/borrowing decisions ("RSM 332")
 - Financial portfolios ("investment")
 - Risk and Uncertainty (which includes "insurance")
 - Producer's choice of inputs ("production", "operations")
 - Cost analysis ("accounting", "activity based costing")
 - Market analysis (including "trading commodities" in competitive markets)
 - Pricing ("marketing")
 - Game theory ("strategy")
- Apply micro-theory using Excel (+ add-ins) and data to real-life applications such as (to name a few):
 - Managerial accounting – Netflix
 - Car-share company – vehicle fleet composition and financing
 - Yield management for hotel, airlines, rental car companies
 - Revenue management at a container shipping company
 - Competitive advantage/strategy – Southwest Airlines
 - Mark-to-model DCF valuation with uncertainty
 - Pricing multiple soda brands for s supermarket chain
 - Financial portfolio and CAPM
 - Top to bottom pricing and marketing segmentation
 - Oil drilling under uncertainty (with Monte-Carlo simulations)
 - Optimal pricing under demand uncertainty

Learning
Outcomes

By the end of this course, ECO 204 students will be able to analyze, identify, formulate, articulate, and present a structured solution to salient issue(s) in real life business-economics cases by using Micro-Excel models including Monte-Carlo simulation, optimization, and data analysis.

Prerequisites

It is *your* responsibility to check <https://fas.calendar.utoronto.ca/course/ECO204Y1> whether you have met the prerequisites for ECO 204. The Economics Department will ultimately remove students who fail to satisfy the prerequisites (i.e. being able to register for ECO 204 through ACORN does not guarantee that you have met all prerequisite requirements).

We expect you to be comfortable with the calculus in the prerequisite courses:
<http://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>

ECO 204: Meetings and Staff

Lectures
&
Tutorials

Section	Mandatory Lecture	Mandatory Tutorial
L0101	10 am – noon Tuesdays Fall 2019: AH 400 Winter 2020: NF 003	11 am – 1 pm Fridays PB B150
L0201	1 – 3 pm Tuesdays WB 116	11 am – 1 pm Fridays PB B150
L0301	10 am – noon Wednesdays MP 103	2 - 4 pm Fridays PB B150
L0401	1 – 3 pm Wednesdays MP 202	2 - 4 pm Fridays PB B150

[U of T Buildings Map](#)
Audio and video recording strictly prohibited

Staff

“Lectures” Instructor:	“Ajaz” Hussain
E-mail:	eco.204@utoronto.ca
Office:	GE 178
Office Hours:	Tuesdays, 3:30 – 5:30 pm in GE 168 or GE 178
Course Coordinator:	Congfei Li
E-mail:	eco.204@utoronto.ca
Friday “Tutorials” Instructor:	“David” Walker-Jones
“Office Hours” TA:	“Neil” Maru
E-mail:	eco.204@utoronto.ca
Office Hours:	TBA

ECO 204: Required "Course Materials"

"Textbook" ECO 204 [2018-2019](#) Micro Textbook (with problems and solutions at the end of each chapter). See Quercus for "password":

1. [Chapter A: Optimization Methods in ECO 204](#) (see also: [Extra Exercises A](#))
2. [Chapter B.1: Consumer Theory Part One \(Basics\)](#)
3. [Chapter B.2: Consumer Theory \(Part Two\) UMP](#)
4. [Chapter B.3: Consumer Theory \(Part Three\) Some Applications](#)
5. [Chapter C.1: Finance: Inter-temporal Consumption and Savings](#)
6. [Chapter C.2: Finance: Financial Portfolios](#)
7. [Chapter D.1: Decision Making Under Uncertainty](#)
 Gold Claims at Sturgeon Lake Monte-Carlo Simulations:
 - a. [Simple Decision Making Backwards with Monte-Carlo Simulations](#)
 - b. [Simple Decision Making Forward with Monte-Carlo Simulations](#)
 - c. [Gold Claims Backwards Induction Monte-Carlo Simulation](#)
 - d. [Gold Claims Forward Induction Monte-Carlo Simulation](#)
8. [Chapter D.2: Risk Avoidance](#)
["Tesla Bonds Probability of Default" Excel file](#)
9. [Chapter E.1: Long Run Production](#)
10. [Chapter E.2: Short Run Production](#)
11. [Chapter F: Trading in the Competitive Primary Aluminum Market](#)
[\[Aluminum Smelter Data File \(pw = quasifixed\)\]](#)
12. [Chapter G.1: \("Uniform Price"\)](#)
13. [Chapter G.2: \("Price Discrimination"\)](#)
14. [Chapter H: \("Game Theory and Oligopoly"\)](#)

Software

- Excel on a Windows-based PCs (not Apple; not even Apple with Windows)
- Please install the following Excel add-ins:
 - [Solver add-in](#)
 - [Data Analysis add-in](#)
 - [FRED Excel Add-in](#)
 - [Monte-Carlo Simulations Add-in](#)
- ECO 204 Excel Lessons on [YouTube](#)

204 Cases To be posted on the [ECO 204 website](#) on a rolling basis (students will be notified by e-mail).

ECO 204: "Student Evaluation"

Grading Scheme:

Component	Date Time, Location	Weight
Test 1	6 – 8 pm, Friday, October 18 th , 2019 in TBA	3 Tests = 60% (Lowest Test dropped)
Test 2	6 – 8 pm, Friday, November 29 th , 2019 in TBA	
Test 3	6 – 8 pm, Friday, January 24 th , 2020 in TBA	
Test 4	6 – 8 pm, Friday, March 13 th , 2020 in TBA	
Cumulative Final Exam	3 hours in April/May 2020 TBA by University	40%

Only if a student takes all four tests: the lowest test mark will be dropped from the overall course grade calculation and each of the remaining three tests will be worth 20% each.

In the (unlikely) event that a student takes three or fewer term tests, each test that such a student takes will be worth 20% (lowest test score will NOT be dropped)

"Test Conflicts" If you have a direct "official" conflict with, or require religious "accommodation" for, a test: please e-mail eco.204@utoronto **seven to ten days** prior to the test to make alternative arrangements

"Missed Tests" If and when you miss a test:

- Prior to **11:59 PM EST** on the test date (no later): send an e-mail *from* your U of T e-mail address with the subject line "ECO 204, 2019-2020 Missed Test X" to eco.204@utoronto.ca and:
 - State your full legal name and student ID number
 - Provide an explanation for why you missed the test and request to take a make-up test that meets the conditions below.
 - Note: If we approve your request, you can take a **cumulative** make-up towards the end of the semester (Fall 2019 for Tests 1 and/or 2 and Winter 2020 for Test 3 and/or 4). If you don't take the makeup test then you will get a score of zero for the missed test. **The score on the make-up test will only substitute for one missed test.**
 - Conclude your explanation by including the following sentence exactly as written "*I understand that it is a punishable academic offence to present false or misleading information in support of my request for accommodation for missed term work*".
- Within ten days of the missed test submit documentation for your request to Ajaz ("instructor") in person before/after class or during office hours.
 - If you missed a test because of *short-term illness*, please submit an original, completed, official [UofT Verification of Student Illness or Injury form](#) completed by a Physician, Surgeon, Nurse Practitioner, Registered Psychologist or Dentist registered and licensed in Ontario. They should have seen you *on the test date or before*. In their medical opinion, you should be *unable* to write the test.
 - If you have a long-term medical issue or if you have a non-medical issue, please have your *college Registrar* to send an email to eco.204@utoronto.ca requesting a make-up on your behalf. Please contact them as soon as you know you will miss the test and provide them with the appropriate documentation.
- As per university policy, there is no make-up for the make-up test. You will get zero if you miss the make-up exam. The final decision to accept any excuse lies with the instructor or the Undergraduate Chair. You may get your grades for the make-up after the drop deadline. The makeup test format will be different from the regular test.

"Missed Final Exam" A&S deals with missed final exams. See: http://calendar.artsci.utoronto.ca/Rules_&_Regulations.html

ECO 204: Advice and Policies

**How to succeed in
ECO 204**

- **Don't listen to "naysayers":** Yes, ECO 204 is a "tough" course; but, it's not an impossible course. ECO 204 is a "scary" course because it requires consistent effort, which is understandably painful and thus unpopular. But then again, "no pain, no gain". In 2018-2019, the overall class average was 74%; 40% of the class were in the A- to A+ range; and 0.7% of the class failed.
- **NEVER, EVER, miss lectures/tutorials:** 204 is a "sequential" course with each module building upon all prior modules. I write test/exam questions primarily from lectures (slides, Excel models, cases). Given that there are four identical sections each week, there is no excuse whatsoever for missing a lecture. Ignore this advice at your own peril.
- **"Study consistently" ("quality not quantity"):** "Cramming" works in some courses but not in ECO 204 (or for that matter ECO 220). You should accept the fact that you *will* have to work on a *consistent* basis (just like going to the gym, you get stronger bit by bit, not in one fell swoop). Spend about 8 hours per week on ECO 204 (2 hours lecture + 2 hours tutorial + 4 hours "self-study"). Many students think "self-study" means re-writing (re-producing) lecture slides. Rather than scribble algebra back and forth, you should strive to *understand* not *memorize* the material. Some tips:
 - Don't read chapters before class; rather, re-read the slides after each lecture and then read the chapters.
 - Attend tutorials (which are lecture reviews) with practice problems and cases.
 - In ECO 204 the journey is more important than the destination -- we reward students for the correct "set-up" and the "method", not the "final answer".
- **Form study (not social) groups:** Explaining concepts to others is the best way to learn.
- **Seek help early (but only after 'struggling' with the material yourself):**
 - Attend instructor and TA office hours (listen to other students?)
 - Visit the [Economics Study Center](#) (ESC)
- **Do NOT waste your time and money on "tutoring agencies":** I never "recycle" old test questions.
- **A Hopeless Request – don't take notes on a laptop/tablet:** Countless studies have shown that writing *after* you listen and understand is more effective than writing first and understanding later – to this point, it's best to use pen and paper to take notes because one tends to "tune out" when taking notes on a laptop/tablet.

**Communication-
Email**

We will send all email communication to your UofT email on file at Quercus. Any email to us should originate from your UofT email, include "ECO204, Section XXX" in the subject line and include your name and student number at the end. Email is best reserved for private matters and to inform me about course problems. Use office hours for questions on course content or grades. If I can answer your email briefly, I will try to respond to within three business days. If you do not get a reply please check the syllabus or see the instructor.

Academic Integrity

Academic Integrity is central to an UofT education. We take it seriously and so should you. All suspected cases of academic dishonesty will be reported to the Department of Economics and OSAI and the consequences can be severe. Being unaware of the policies or what is considered plagiarism is, unfortunately, not a defense. Read the University of Toronto's Code of Behavior on Academic Matters. See: <http://www.artsci.utoronto.ca/osai>.

Accessibility services

Please see: <http://www.studentlife.utoronto.ca/as>

This course outline template is from Kripa Freitas's ECO 206 course
