

**Business Economics II**

Code: 102311  
 ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OB	3	2
2501573 Economics	OT	3	1
2501573 Economics	OT	3	2
2501573 Economics	OT	4	0

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**Use of languages**

Principal working language: catalan (cat)  
 Some groups entirely in English: Yes  
 Some groups entirely in Catalan: Yes  
 Some groups entirely in Spanish: Yes

**Prerequisites**

There are no specific prerequisites, but it is recommended to have previously taken "Economia de l'Empresa I" or similar.

**Objectives and Contextualisation**

In order to produce, firms carry out investments. How to obtain a good performance and recover these investments are paramount concerns of managers. Although a good design and a proper use of these investments, (i.e., the right choice of products), are important determinants of profitability, there are other relevant factors. In this course we will focus especially on analyzing how the contractual structure of the firm can help increase the value of firm investments. To achieve this, we make use of different economic models that have been used to analyze the contractual structure of firms. More details and examples of companies are provided in the contents of the course.

**Skills**

**Business Administration and Management**

- Capacity for adapting to changing environments.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Capacity for oral and written communication in Catalan, Spanish and English, which enables synthesis and oral and written presentation of the work carried out.
- Delegate decision making to the workers and provide them with the necessary incentives so that those decision arte taken in the interest of the company as a whole.
- Demonstrate initiative and work individually when the situation requires it.
- Identify company competition, how they interact among themselves and the optimum strategies that can be drawn up in each case to stimulate competitiveness.

- Identify the positive contributions that companies make to society, developing socially responsible management and encouraging the development of objective instruments that allow for the measurement and valuation of such contributions.
- Lead multidisciplinary and multicultural teams, implementing new projects and coordinating, negotiating and managing conflicts.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Take decisions in situations of uncertainty, demonstrating an entrepreneurial and innovative attitude.
- Value ethical commitment in professional practice.

### **Economics**

- Capacity for adapting to changing environments.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Delegate decision making to the workers and provide them with the necessary incentives so that those decision are taken in the interest of the company as a whole.
- Demonstrate initiative and work individually when the situation requires it.
- Identify company competition, how they interact among themselves and the optimum strategies that can be drawn up in each case to stimulate competitiveness.
- Identify the positive contributions that companies make to society, developing socially responsible management, encouraging the development of objective instruments that allow for the measurement and valuation of such contributions.
- Lead multidisciplinary and multicultural teams, implementing new projects and coordinating, negotiating and managing conflicts.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Take decisions in situations of uncertainty, demonstrating an entrepreneurial and innovative attitude.
- Value ethical commitment in professional practice.

### **Learning outcomes**

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Analyse the main motivation systems in companies.
3. Apply knowledge about market structures to identify companies possible competitors and the ways in which they can compete with each other.
4. Assess ethical commitment in professional activity.
5. Assess the effect of different strategies on the competitiveness of a company.
6. Assess the interaction between strategic formulation and the internal organisation of companies.
7. Capacity to adapt to changing environments.
8. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
9. Classify the different ways in which a company can compete.
10. Demonstrate initiative and work independently when required.
11. Design effective motivation policies.
12. Explain the origin and assess companies contribution to social welfare.
13. Lead multidisciplinary and multicultural teams, implement new projects, coordinate, negotiate and manage conflicts.
14. List the main competitors of a company.
15. Make decisions in situations of uncertainty and show an enterprising and innovative spirit.
16. Organise work, in terms of good time management and organisation and planning.
17. Perform a critical assessment of the economic efficiency and distribution of wealth problems generated by companies.
18. Select and generate the information needed for each problem, analyse it and make decisions based on this information.

## Content

Unit 1. Firms and investment decisions.

1. Motivation: Example of the tribe. The problem of the Organization.
2. Firm vs. Market  
Benefits and costs of the market solution
3. Economic theories of the firm  
The firm according to the theory of Transaction Costs  
The firm as a nexus of contracts
4. Some cases and examples

Unit 2. The firm, the entrepreneur and the strategic decisions.

1. The Entrepreneur
2. Investment valuation (NPV)
3. Ownership and investment funding

Unit 3: The presence of Specific Investments.

1. Specific investments and the related problems
2. Consequences of specific investments and possible solutions  
Vertical integration, long-term contracts, outsourcing
3. The GM-Fisher Body case
4. The Iberdrola and BASF cases
5. Some numerical exercises and examples.

Unit 4: The presence of uncertainty in the firm, and risk assessment.

1. Motivation
2. Basic concepts and tools  
Risk and lotteries  
Variance, covariance, certainty equivalent
3. Examples of insurance contracts
4. Diversification of risk and the entrepreneur
5. Wealth, ownership structure and risk distribution.
6. Numerical exercises.

Unit 5: The presence of Information Asymmetries.

1. The concept of adverse selection (and moral hazard) and contracts.
2. Some common cases and the relevance of the problem.
3. Solutions to the adverse selection problem.
4. Numerical exercises.

## Methodology

Throughout the course the different sections of the program will be developed. There are materials and activities that students should work prior to the lecture sessions. They will serve to motivate and improve the student's understanding. Also for each topic a series of exercises and activities is proposed to reinforce the contents. A few hours per week (tutorials) will be offered to meet students on an individual basis and answer the questions and doubts students may have.

## Activities

Title	Hours	ECTS	Learning outcomes
<b>Type: Directed</b>			
Case discussion and problem solving	15	0.6	7, 1, 8, 10, 13, 16, 15, 18, 4

Lectures	35	1.4	2, 3, 5, 9, 11, 14, 12, 17, 6
<b>Type: Supervised</b>			
Individual tutorials at the professor's office	5	0.2	10, 13, 16, 18
<b>Type: Autonomous</b>			
Study the course subjects, solving the cases, exercises and questions proposed in the course	90	3.6	2, 3, 5, 7, 1, 8, 9, 10, 11, 14, 12, 13, 16, 15, 18, 17, 4, 6

## Evaluation

There will be two elements in the final grade:

1) A continuous assessment of the activities suggested during the course. This ongoing evaluation will include a midterm exam (with a weight of 30%), problems sets, and an active participation in class discussions of the cases, small tests, news and exercises with a weight of 25%. Regular attendance and completion of class exercises and activities scheduled during the course are required activities.

2) A final examination (individual assessment and 45% of grade). This exam will have both a practical part (problems) and a theoretical part.

Anyone who does not participate in any of the evaluation activities will be considered as non-evaluable.

**Calendar of evaluation activities:** The dates of the evaluation activities (midterm exams, exercises in the classroom, assignments, ...) will be announced well in advance during the semester. The date of the final exam is scheduled in the assessment calendar of the Faculty. *"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity."* **Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB).** Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change an evaluation activity date must process the request by filling out an **Application for exams' reschedule** [https://eformularis.uab.cat/group/deganat\\_feie/application-for-exams-reschedule](https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule)

**Grade revision process:** After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also be informed of the procedure, place, date and time of grade revision following University regulations.

**Retake Process:** *"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated for at least two thirds of the total evaluation activities of the subject."* **Section 3 of Article 112 ter. The recovery (UAB Academic Regulations).** Additionally, it is required that the student to have achieved **an average grade of the subject between 3.5 and 4.9**. The date of the retake exam will be posted in the calendar of evaluation activities of the Faculty. Students who take this exam and pass, will get a grade of 5 for the subject. If the student does not pass the retake, the grade will remain unchanged, and hence, student will fail the course.

**Irregularities in evaluation activities:** In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, *"in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject will be 0"*. **Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).**

## Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Exam	45%	2	0.08	2, 3, 5, 7, 1, 8, 9, 10, 11, 14, 12, 13, 16, 15, 18, 17, 4, 6
General Evaluation	55%	3	0.12	2, 3, 5, 9, 10, 11, 14, 12, 16, 17, 6

## Bibliography

The teaching team has prepared some materials for each unit. They will be available on "campus virtual". These notes also contain additional exercises and activities for each unit. In addition the following books will be used:

### TEXTBOOKS:

DOUMA, Sytse and Hein SCHROUDER (2017): *Economic Approaches to Organizations*. Ed. Pearson, 6th edition.

### FURTHER READING:

ROBERTS, John (2004): *The Modern Firm*. Oxford University Press.

MILGROM, Paul and John ROBERTS (1992): *Economics, Organization and Management*. Prentice Hall.

SALAS, Vicente (2007): *El siglo de la empresa*. Fundación BBVA.