



M.Sc. PROGRAM IN ECONOMIC
AND BUSINESS STRATEGY



UNIVERSITY OF PIRAEUS
DEPARTMENT OF ECONOMICS

COST ANALYSIS AND PRICING POLICY



Tutors: Michael Polemis
Ioanna Kokores
e-mail: mpolemis@unipi.gr
ikokores@unipi.gr

COST ANALYSIS AND PRICING POLICY

COURSE OUTLINE

1. Course description

This course prepares students to address strategic and tactical pricing issues and to identify profit-boosting changes in pricing practices across a range of professional contexts – as management consultants, product managers, entrepreneurs, business unit managers, and M&A advisors. Pricing presents managers with one of their most powerful levers for maximizing profits and shareholder value. It yet remains a challenge for several managers to grasp a clear understanding of how to improve on historical pricing practices within their companies and industries and how to apply such knowledge to new product settings. The concepts and tools of cost accounting serve as a natural response to managerial decision making at all levels of strategic planning and execution.

The course familiarises students with the essential concepts and procedures pertaining to the development and functioning of cost accounting systems relevant to managerial decisions, control and performance reporting. Particular emphasis is given on cost issues and pricing policies in liberalized markets and on regulated markets. To this end, the economics of regulation and market liberalization are analyzed by providing evidence in specific sectors in the economies of where the process of market liberalization and regulation has taken place successfully.

2. Course objectives

The learning objectives of the course are the following:

- To understand the process of the management control system.
- To acquire familiarity with the essential concepts of cost accounting.

COST ANALYSIS AND PRICING POLICY

- To familiarize students with the concept of cost and pricing strategies in industries with Significant Market Power (SMP).
- To provide students with the necessary tools so that they will be able to apply them in practice.
- To analyze the behavior, strategy and goals of companies in a non-competitive environment
- To provide case studies that will support the theoretical analysis and enhance the intuition and conception of students on cost and pricing issues.

3. Grading

- a. Students must complete one case study that deals with cost or pricing issues and present it in class. The case study will have a total 40% weight on the final mark.
- b. Final exam 60% weight on the final mark.

4. Detailed Schedule

Cost analysis

Week 1: Introduction to managerial and cost accounting.

Week 2: Cost measurement and cost control, Cost-volume-profit analysis.

Week 3: Job costing. Activity-based costing and activity based management.

Week 4: Tools for planning and control. Master budgeting and responsibility accounting. Flexible budgeting and variance analysis. Management control systems.

Week 5: Inventory costing, management and capacity analysis. Cost information for decision making and relevant information. Cost management.

Week 6: Strategic profitability analysis. Cost allocation and revenues. Measurement and control of overhead costs. Revenues and Sales variances.

Pricing policy

Week 7: Natural Monopolies, Market Failure, Regulatory objectives, Regulatory

COST ANALYSIS AND PRICING POLICY

process, Regulatory intervention, Regulatory capture, Regulatory authorities.

Week 8: Regulatory Tools, Rate of return regulation, Incentive regulation, Yardstick competition, Price Cap Regulation.

Week 9: Competitive advantage and transfer pricing (Guest speaker).

Week 10: Limit pricing, Predatory pricing, Excessive Pricing, Price and Margin Squeeze.

Week 11: Pricing of a natural monopoly in practice (Energy and Telecommunications sectors)

Week 12: Presentation of a pricing case study. Final overview.

5. Readings

Cost Analysis

Essential Reading

Lanen, W.N., S.W. Anderson and M.W. Mahler (2010). Fundamentals of Cost Accounting. 3rd ed. McGraw-Hill.

Complementary reading

Βενιέρης, Γ., Σ. Κοέν, Μ. Κωλέτση, (2005). Λογιστική Κόστους Αρχές και Εφαρμογές. 2η εκδ. Αθήνα: Π. Ιωαννίδου.

Additional references will be handed during lectures.

Pricing Policy

Essential Reading

W. Kip Viscusi, Joseph E. Harrington and John M. Vernon (2005). Economics of Regulation and Antitrust, 4th Edition, MIT Press.

T. Nagle, J. Hogan, and J. Zale (2010). The Strategy and Tactics of Pricing, 5th ed., Prentice Hall.

COST ANALYSIS AND PRICING POLICY

Παλαιολόγος Γ., Μ. Πολέμης, (2018). Μικροοικονομική Θεωρία: Μορφές Αγοράς, Αρχές Ρύθμισης και Ανταγωνισμού. Τόμος Β', Αθήνα, Εκδόσεις Μπένου.

Selected list of papers will be handed during lectures.



100 Things to Do at AGHS