

# 17MB103-BUSINESS ECONOMICS

## **Course Objective:**

This course provides students with the knowledge, tools and techniques to make effective economic decisions under conditions of risk and uncertainty. Demand, cost and pricing decisions are emphasized. Topics include decision-making criteria and procedures, demand and cost theory and estimation, pricing theory and practice (including price positioning), pricing new products and competitive bids and price quotes.

## **Course Outcomes:**

On completion of this course, learners will be able to:

- Apply the economic way of thinking to individual decisions and business decisions.
- Understand how prices get determined in markets, how market participants benefit in the form of consumer surplus and producer surplus, and what are the consequences of government intervention.
- Understand the different costs of production and how they affect short and long run decision.
- Derive the equilibrium conditions for cost minimization and profit maximization.
- Understand economies of scale, diseconomies of scale, economies of scope, and cost complementarities, and how each affects the cost of production.

## **UNIT - I**

**Introduction to Managerial Economics:** Definition, Nature and Scope, Relationship with other areas in Economics, Significance of Managerial Economics in functional areas of business. The role of managerial economist. Basic economic principles.

## **UNIT - II**

**Theories of firm and Demand & Supply Analysis:** Managerial theories of firm, Behavioral theories of firm, Elasticity of demand, types and significance of Elasticity of Demand. Measurement of price Elasticity of Demand, Law of Supply, Elasticity of Supply. Need for Demand forecasting, Types of forecasting techniques.

## **UNIT - III**

**Production Analysis:** Production function, Marginal Rate of Technical Substitution, Production function with one/two variables, Isoquants and Isocosts, Cobb-Douglas Production Function, Returns to Scale and returns to factors.

## **UNIT - IV**

**Cost theory and estimation:** Cost concepts, determinants of cost, Cost – output relationship in the short run and long run, Average cost curves, Economies of scale. Cost-volume-profit analysis.

## **UNIT - V**

**Pricing and Profit Management:** Features and Types of different competitive situations, Price-Output determination in Perfect competition and Monopolistic competition both in the long run and short run. Pricing methods in practice. Profit Management- Nature, scope and theories of profit.

**Skill Development:**

*(These activities are only indicative, the Faculty member can innovate)*

1. To conduct a survey on the practical application of laws of economics.
2. To collect data on sales of consumer durable goods and predict the sales for a later year.
3. To find different case studies relating to different market conditions and to do an analysis.
4. To find out low demand differentiates between normal and inferior goods.
5. To analyze the role of a business economist in the everyday functioning of an organization taking live examples.

**TEXT BOOK:**

1. Maheshwari K. L. , Varshney R.L. , Managerial Economics, 22<sup>nd</sup> Revised Edition 2014, Sultan Chand & Sons.

**REFERENCE BOOKS:**

1. Dominick Salvatore, Managerial Economics in a global economy, Indian Edition; Fourth Edition, McGrawHill.
2. Craig H Peterson, W.Cris Lewis, Sudhir.k.Jain; Managerial Economics, Pearson Publications.
3. P.L.Mehta; Managerial Economics, Sultan Chand Sons.
4. M.L.Trivedi; Managerial Economics Theory and Applications, McGrawHill.