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Very Good

Scope for improvement !!

1) → Managerial Economics is the study of financial issues and challenges faced by corporations operating in a specified market place or economy. It deals with the issues such as business organisations, management, expansion and strategy.

Definition given by authors :-

Managerial Economics

↓ E.F. Brigham and J.L. Pappas

↓ They defined as, " the application of economic theory and methodology to business administration practise.

↓ Hauge

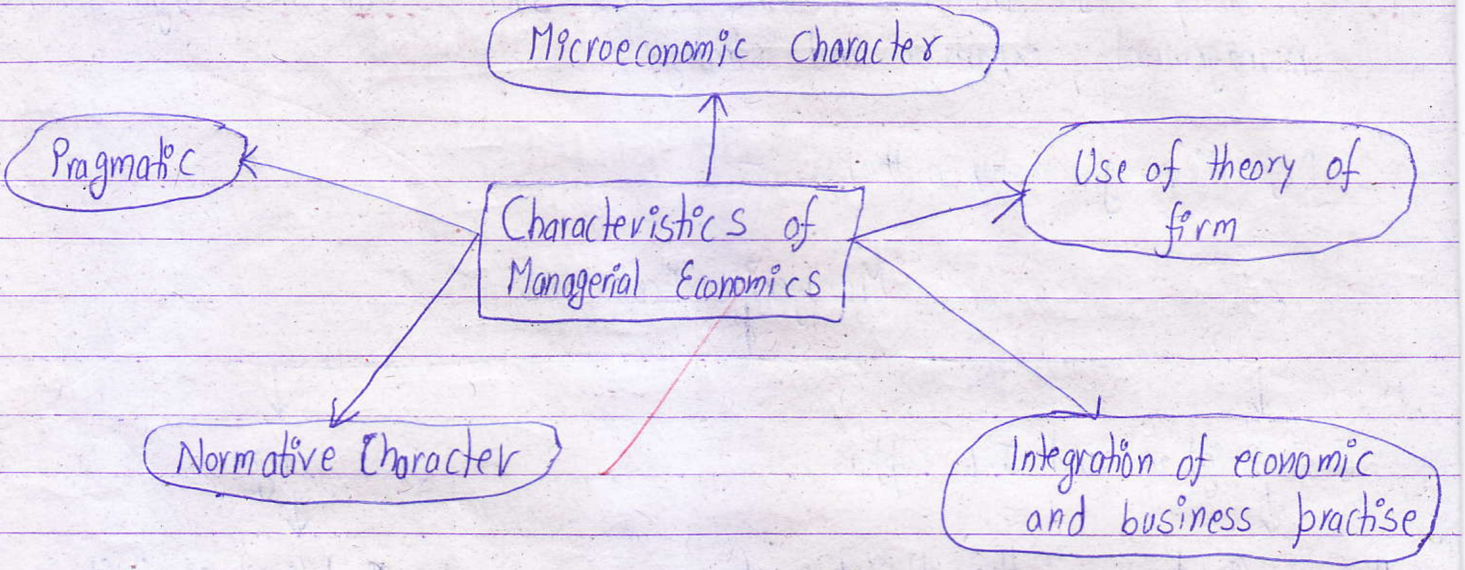
↓ He defined as, " it is concerned with using logic of economics, mathematics or statistics to provide effective ways of thinking about business decision problems.

Conclusions :-
From the above definitions, we can conclude that business economics ~~is~~ are :-

(i) Application of economic theory and business practise
(ii) Study of challenges faced by corporations
(iii) Study of financial issues such as expansion, strategy etc.
(iv) It provides effective ways of thinking about business decision problems.

P.T.O.

The main characteristics of managerial economics are :-



(i) Microeconomic Character
Business economics is microeconomic in character. It studies only business units. Only problems of business firms are studied here. It does not study about the economy as a whole. According to Hynes and other business economists denotes those aspects of economics and its tools of analysis which are most relevant with the process of decision making of the firm.

(ii) Use of theory of firm
Business economics mainly uses economic theory, which are called as theory of firm. Besides this, it also uses profit theory which is a part of theory of distribution of traditional economics. According to Mc Noir, business economic should be concerned with entrepreneurial decision. Consequently, price theory is more important than the theory of distribution.

(iii) Integration of economics and business practise
The theory gives ~~guida~~ guidelines to the behaviour of daily activity and practise builds the foundation of theory. It integrates the economic theory and business practise. It aims at optimum allocation of resources. It gives attention to environment necessary for decision making. It provides information ~~to~~ in what environment business firm will operate.

(iv) Normative Character
Business economics is ~~no~~ more normative in character than the positive or descriptive character. Traditional economics mainly focussed on descriptive statement. It does not care at all whether things are good or bad. For ex - It explain that according to law of demand price increases demand increases but does not say that whether increase in price is good or bad. On the other hand, since business economics is concerned with decision making it includes value judgement.

(v) Pragmatic
It is ~~more~~ also called applied microeconomics. It ignores the complex concept of traditional economics. But it takes into account essential for decision making ignored by traditional economics. It pay attention to environment neccessary for decision making and helps business to operate in the environment.

Characteristics of Managerial Economics

- Microeconomic Character
- Use of theory of firm
- Integration of economic and business practise
- Normative character
- Pragmatic

The importance of Managerial Economic are :—

Importance of Managerial Economics

- Production planning
- Helps in fixing the price of other inputs
- Helps in determining the foreign exchange rate
- Helps in determining the terms of trade
- Helps in fixing rate of taxes

(i) Production Planning

Managerial economics is more normative in character than positive or descriptive statement. It ignores the complex concept ~~of~~ of traditional economics, But it takes into t account the facts essential for decision making ignored by traditional economics. It is concerned with entrepreneurial decision. It helps to determine individual firm so it concentrate individually on the production and plan the process.

(ii) Helps in fixing prices of other inputs

It helps in fixing prices according to demand and supply. If the demand of good X is high then the producer will ~~fix the~~ remain the goods on stock ~~and~~ or put the price high and vice-versa. Hence, it helps in fixing prices of inputs.

(iii) Helps in determining the foreign exchange rate
Business economic deals with the issues such as business organisations, management, expansion and strategy. It ~~op~~ enables open market economy, foreign exchange rate. The theory helps in determining the rate and practise builds the foundation of theory.

(iv) Helps in determining the terms of trade
It allows the business to take decision or provides information in what environment business firm should operate so it ~~g~~ study the individual ~~a~~ units or study the business challenges and faced by corporations so that it provide information and allows them to trade in specific trade market or economy.

(v) Helps in fixing the rate of taxes
As, we have discussed above that it provides information such as ~~to~~ what rate of tax will be implemented in the goods or tax. It provides information related to taxes such as import duty, export duty and accordingly fixes the rate of taxes on goods.

Decision making
Planning

Conclusions :— ~~Importance of~~

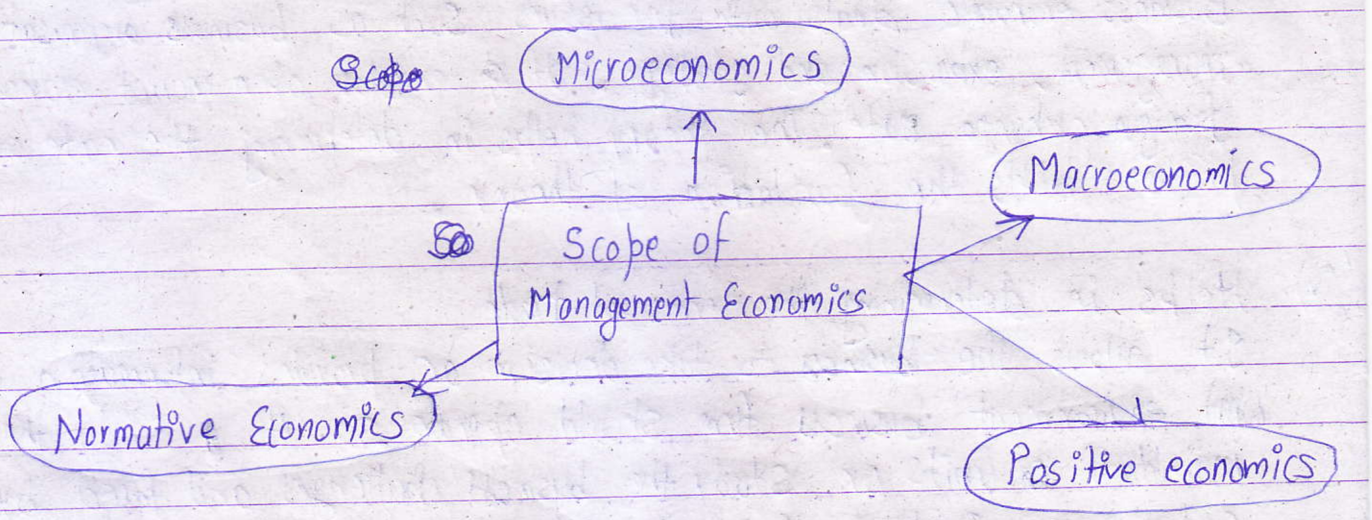
We can conclude from above that :—

? It helps manager in
(I) Planning
(II) Decision making

(i) It helps to fix rates of taxes
(ii) It ~~allows~~ determines foreign exchange rate.
(iii) Fixes the prices of other inputs
(iv) Provides information about environment
(v) Helps to study challenges ~~operating~~ and ~~ob~~ obstacles present in specific market place or economy.

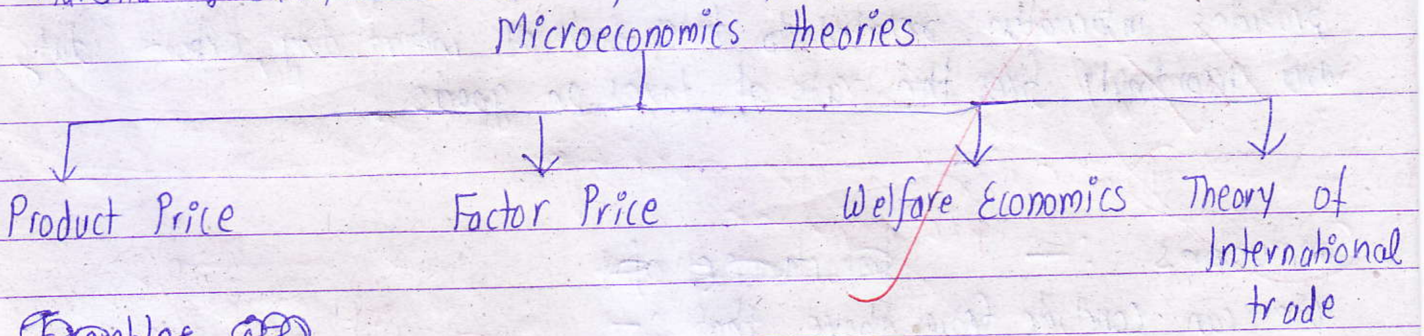
Managerial

2) → Scope of Management Economics are :-



(i) Microeconomics

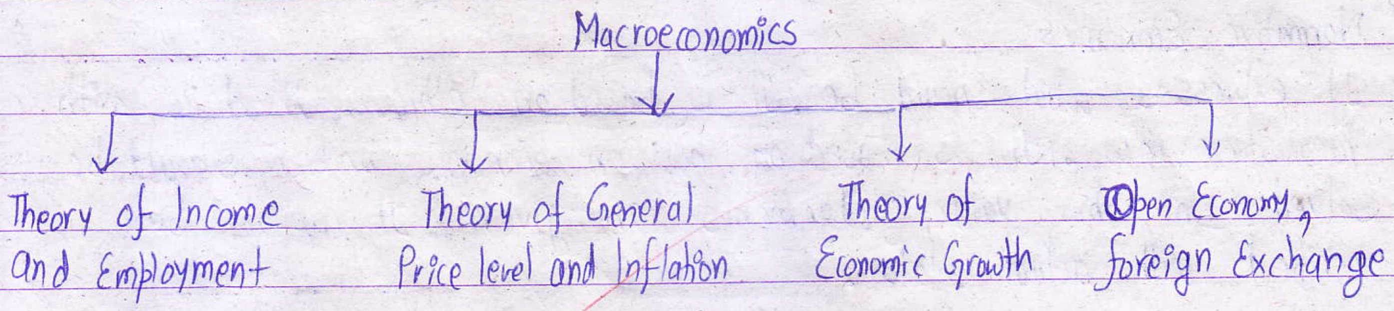
It deals with the individual economic units. It aims with the determination of price and output at ~~indu~~ individual market. It uses the partial equilibirium method given by Alfred ~~Mart~~ Marshall. Examples are firms, demand, supply etc.



~~Examples~~

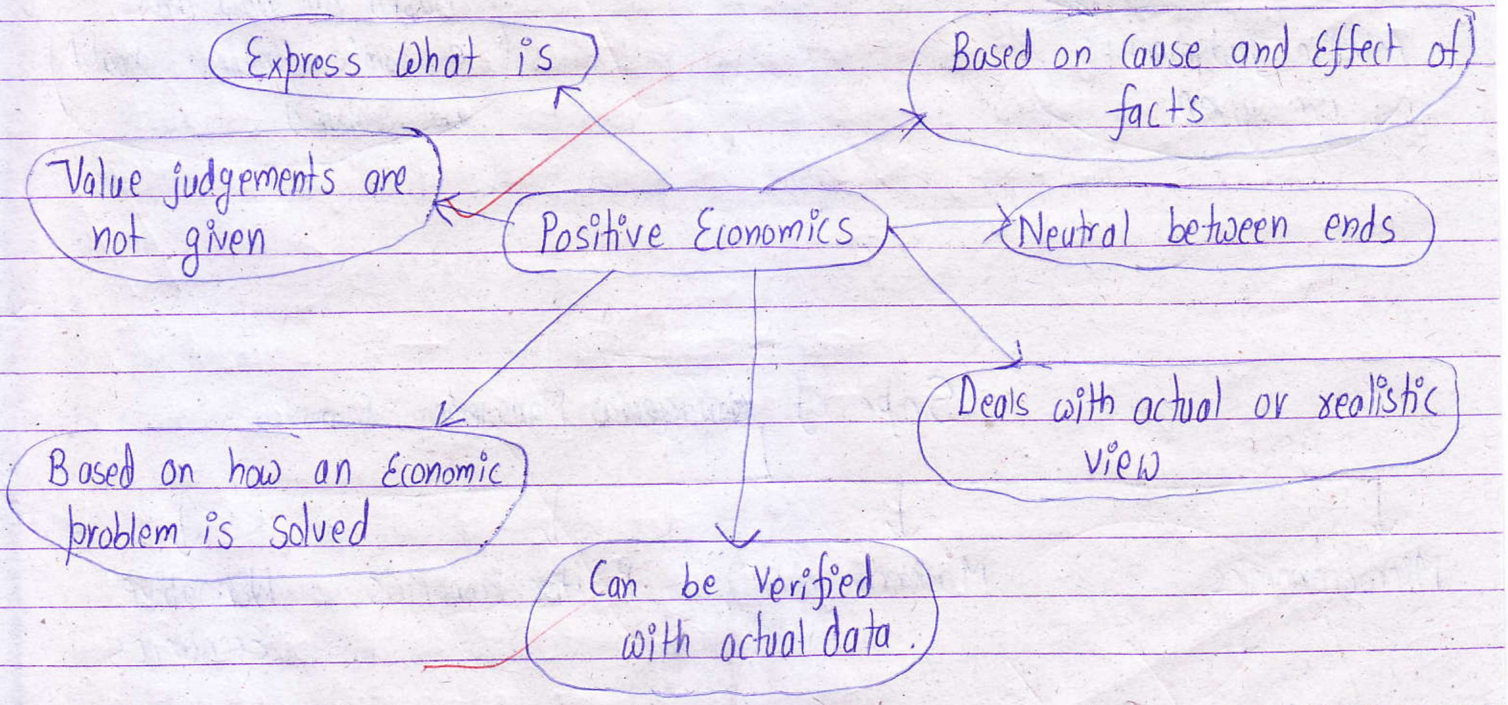
(ii) Macroeconomics

It deals with the aggregate economics units. It aims with the determination of general price level and national output in the Country. It uses the general equilibirium method given by Walras. Examples are industry, Aggregate demand, aggregate supply etc.



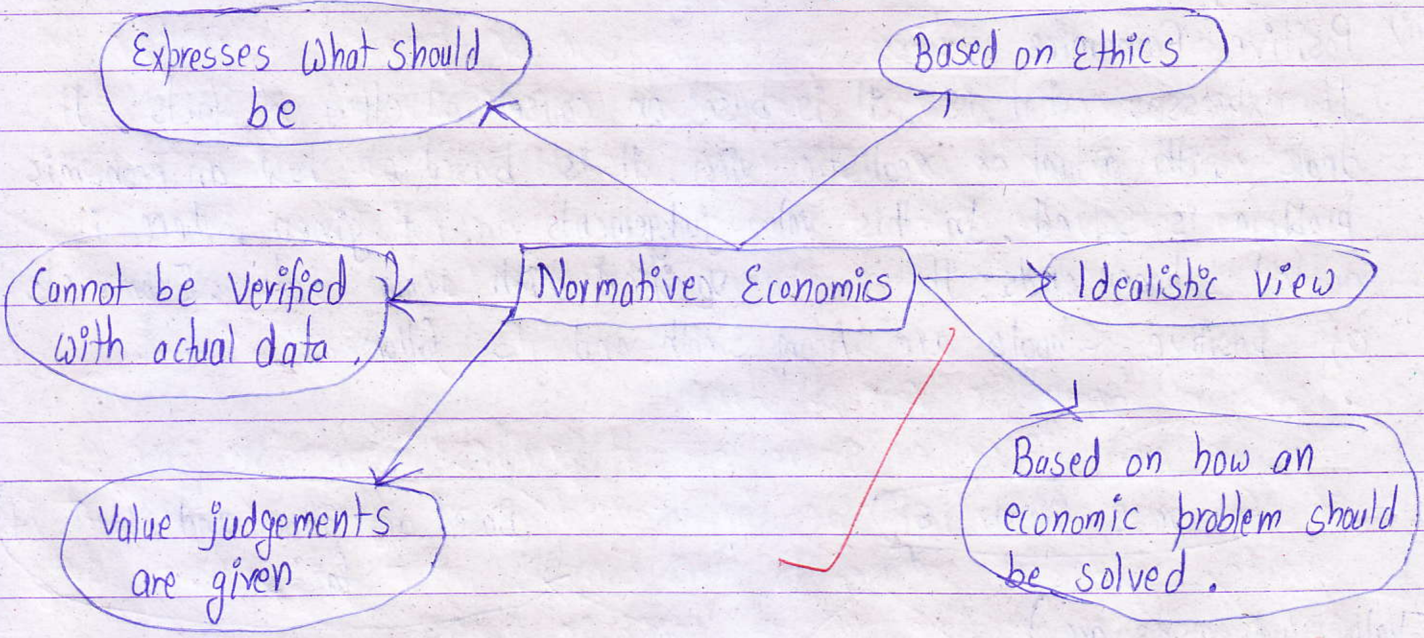
(iii) Positive Economics

It expresses what is . It is based on cause and effect of facts . It deals with actual or realistic view . It is based on how an economic problem is solved . In this value judgements are not given . There is neutral between ends . It can be verified with actual data . Economists of positive schools are Adam Smith and its followers .

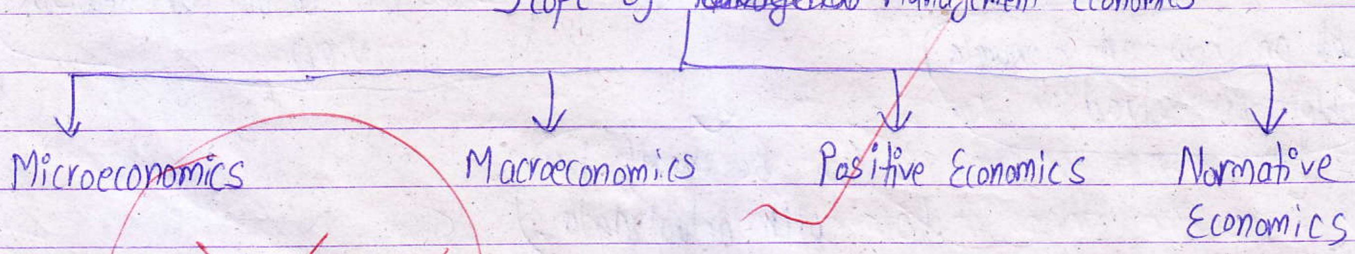


(iv) Normative Economics

It expresses what should be. It is based on ethics. It deals with idealistic view. It is based on how an economic problem should be solved. In this value judgements are given. It cannot be verified with actual data.



Scope of ~~Managerial~~ Management Economics



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3) → (a) Demand refers to backed by purchasing power and willingness to buy. In other words, it is the quantity of a commodity which ~~is~~ a consumer is willing to buy at a particular price during a particular period of time.

Consequently,

Demand = Ability to pay ~~to buy~~ + Desire + Willingness to buy

Desire + Ability to pay + Willingness to buy

The characteristics of demand are as follows :-

Characteristics of Demand

- Backed by adequate purchasing power
- Always at a price
- Specific ~~Spefic~~ point of time
- ~~Creativ.~~ Created ~~for~~ in market
- For person, place or time

(i) Backed by adequate purchasing power

Demand is created by the consumer when he desires or willingness to ~~be~~ buy but creating demand ~~is~~ or willing or desire to buy is not enough consumer must ~~be~~ have ability to pay for his desires. In other words, he must have purchasing power to buy goods or services. Hence, demand is always backed by adequate purchasing power.

(ii) Always at a price

Demand is always at a price. It means that when the ~~dem~~ price changes demand also changes. It results in Law of demand means when price falls demand rises and when price rises demand fall. But, there is exception in case of inferior goods. ~~So~~ Since, we can say that demand is dependent and price is independent.

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(iii) Measured for specific point of time

Demand is only created for a particular point of time because there taste and preferences of consumer always changes so demand is Created at a particular period of time. As, the time goes on or changes demand also changes because taste and preferences does not remain static.

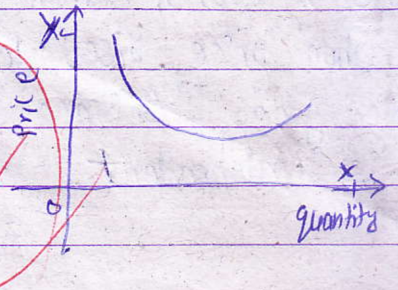
(iv) Created for market

~~Dem~~ Consumer demanded for good or services when the consumer desires to buy or willingnes to buy then only demand created. Hence, demand is created only for the market because in market only consumer presence and they only demand for goods.

(v) For person, place and time

Demand is the quantity of goods or services which a consumer is willing to buy at a particular price during a particular period of time. Demand is created or sustain due to person only and created in market and changes as time place or does not remain static.

(b) →

<table>
<tr><th>Demand Curve</th><th>Demand Schedule</th></tr>
<tr><td>(i) Graphical representation of quantity demanded at various prices is called demand curve.</td><td>(i) Tabular representation of quantity demanded and prices of goods is called demand Schedule.</td></tr>
<tr><td>(ii) Ex –
 </td><td>(ii) Ex –<table><tr><th>~~Quantity~~ Price</th><th>Quantity</th></tr><tr><td>1</td><td>10</td></tr><tr><td>2</td><td>9</td></tr><tr><td>3</td><td>8</td></tr></table></td></tr>
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4) → The various determinants of demand are :–

Determinants of demand

- → Own price of Commodity
- → Price of related goods
- → Income of consumer
- → Taste and preferences of consumers
- → Expectation

others (List down all

(i) Own price of Commodity

When the price of goods increases the consumer will not buy the increase price and when the price of goods decreases the consumer will be able to buy more of goods. Hence, we can say than ~~where~~ demand rises, when price falls or demand falls, when price rises.

(ii) Price of related goods

There are two types of related good – Complementary and Substitute goods which are the determinants of demands.

ⓐ Complementary goods

These are the goods which are jointly used or combined together to satisfy a wants. When the ~~demand~~ price of one goods increase then the demand of other good ~~also~~ ~~increases~~ decreases and vice-versa.

Ex – When the price of ~~car~~ Petrol increases, the demand for car ~~also~~ decrease as these both goods are complementary good's.

ⓑ Substitute goods

These goods are those which are an ~~ant~~ alternative to ~~one~~ ~~other~~ ~~ano~~ one another in consumption. When the price of good X increases, the demand for good Y increases.

For ex - If the price of coca-cola increases by ₹ 2, the demand for pepsi will increase as consumer will shift.

(iii) Income of Consumer

when the income of consumer increases, the demand for commodity increases as their purchasing power also increases. For ex - In case of normal goods, when the ~~f~~ income rise, the demand for goods increases whereas in case of ~~normal go~~ inferior goods, when the income of consumer increases, the demand for inferior goods falls. ~~Hence~~

(iv) Taste and preferences of Consumer

Consumer tastes never remain constant. It is continously changing as when new goods come into the market the demand for that good rises so we can never say that if in past demand of good X is high it will also high in future because if new good Y comes with new facilities, consumer will shift to other good Y.

(v) Expectations

If the consumer thinks that the price of good X will high at future then they will demand more of that good. In other words, if in emergency like floods, wars etc consumer will demand more of good X even if at that price of good X is high. According to expectations also ~~consumer~~ demands affect.

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5)→ Elasticity of demand means how sensitivity is demand of a good is with respect to to change in other economic variable. In other words, it is the percentage change in quantity demanded & and dividing by percentage change in other economic variable, Such as income, price etc.

calculated derived from

Types of Elasticity of Demand

- Price Elasticity of Demand
- Income Elasticity of Demand
- Advertisement Elasticity of Demand
- Cross Elasticity of Demand

(i) Price Elasticity of Demand

Responsiveness of ~~quand~~ change in quantity demanded to a change in its price is called price elasticity of demand. In other words, percentage change in quantity demanded to a percentage change in price.

Symbiolically, $E_p = \frac{\Delta D}{\Delta P} \times \frac{P}{D}$ ✓

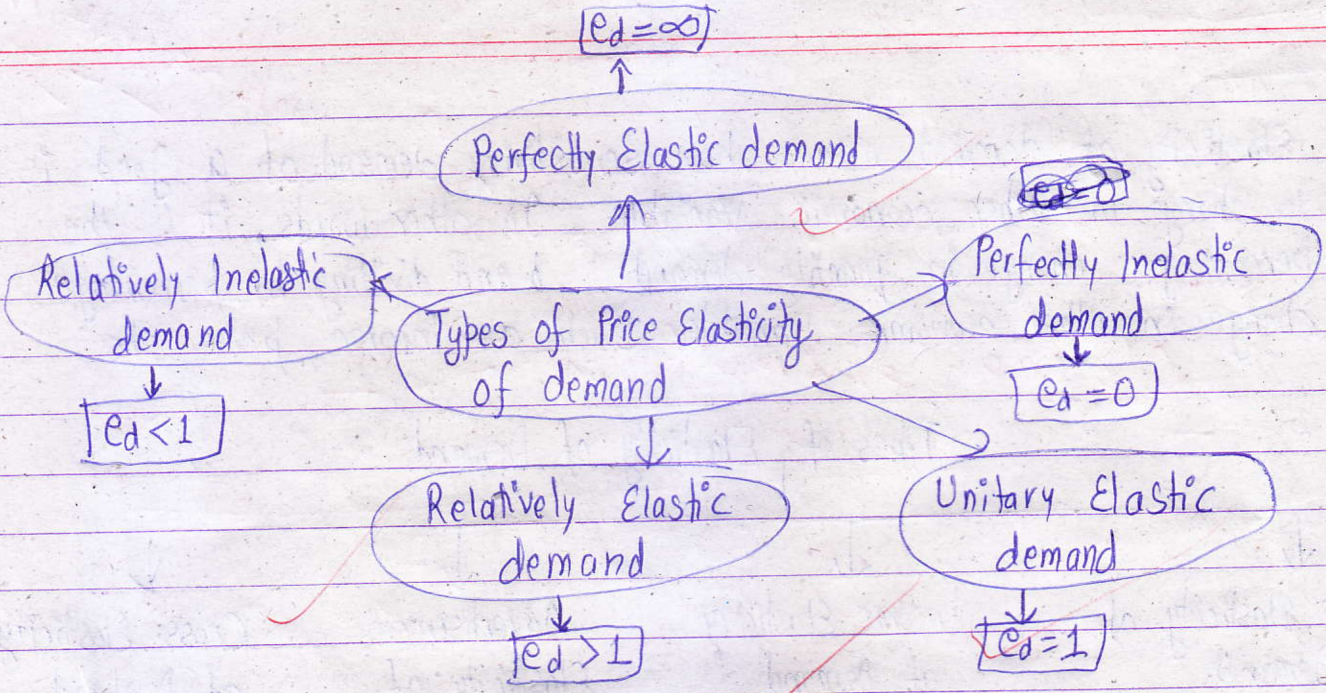
Example :—

Price	Quantity
10	~~20~~ 20
20	10

$$E_p = \frac{\text{New demand} - \text{Old demand}}{\text{New Price} - \text{Old Price}} \times \frac{\text{old Price}}{\text{Old demand}}$$

$$= \frac{\cancel{20}^{10} - \cancel{10}\,20}{20 - 10} \times \frac{10}{20}$$ ✓

$$\Rightarrow \frac{-10}{10} \times \frac{1}{2} = -0.5$$



(ii) Income Elasticity of demand
It refers to percentage change in quantity demanded to a percentage change in its income. Responsive of change in quantity demanded to a change in its income.

~~Symbiologi~~ Symbiolically, $E_d = \frac{\Delta D}{\Delta Y} \times \frac{Y}{D}$

Ex –

Income	Quantity
10	20
20	10

$$E_d = \cancel{10-20}\ \frac{\Delta D}{\Delta Y} \times \frac{Y}{D}$$

$$= \cancel{\frac{20-10}{10-20}}\ \frac{10-20}{20-10} \times \frac{10}{20}$$

$$= -0.5$$

Where
Y = Income
D = Demand

Advertisement
(iii) ~~Advertise~~ Elasticity of Demand

It refers to percentage change in quantity demanded to a percentage change in advertisement expendenditure.

Symbiolically, $\mathcal{E}d = \frac{\Delta D \text{ or Sales}}{\Delta A} \times \frac{A}{\text{Demond or Soles}}$.

When Ed ~~mean~~ A ~~mean~~

Ex —

Advertisement Expenditure	~~Dem~~ Quantity
10	20
20	10

$$\mathcal{E}d = \frac{\Delta D}{\Delta A} \times \frac{A}{D}$$

$$= \frac{10-20}{20-10} \times \frac{10}{20}$$

$$= -0.5$$

(iv) Cross-Elasticity of demand

It refers to percentage Change in quantity demanded to a percentage change in the price of good Y.

Symbiolically,

$$e_d = \frac{\Delta D_x}{P_Y} \times \frac{P_Y}{D_Y}$$

Example →

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Price of Good Y	Quantity
10	20
20	10

$$e_d = \frac{\Delta D_x}{P_Y} \times \frac{P_Y}{D_Y} = \frac{20-20}{20-10} \times \frac{10}{20} = -0.5$$