28.07.22

FINANCE, ECONOMICS AND MANAGEMENT

ECONOMICS :

- MICRO ECONOMICS: individual choices, decisions.
  eg: firms.
- MACRO ECONOMICS: whole country

UTILITY : satisfaction

TOTAL UTILITY:

MARGINAL UTILITY : change in utility due to increase in one consumption unit

TWO TYPES OF MEASUREMENTSS

CARDINAL UTILITY

ORDINARY UTILITY

↳ utility in terms of no. of goods / orders.

Positive statement : statement under test

ASSUMPTION : consumer is rational

↳ utility is cardinal : means it can be measured in terms of money

↳ marginal utility of money is constant

↳ utility is additive in the cardinal utility tool.

deminishing in marginal utility.

→ 2 laws :

① law of EQUIMARGINAL UTILITY : the _____ will be equilibrium.
crisis utility of

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y} \Rightarrow \frac{MU_x}{MU_y} = \frac{P_x}{P_y}$$

X & Y	MU (x)	MU_x/P_x	MU (x)	MU_Y/P_Y
1	20	10	24	(8)
2	18	9	21	(7)
3	16	(8)	18	(6)
4	14	(7)	15	5
5	12	(6)	9	3
6	10	5	3	1

P_x = Rs 2/- P_Y = Rs. 3/-

1st case (8)

$1.3 \times 2 + 1 \times 3 = 9$

2nd case (7) $= 4x + 2y$

$= 8 + 6$

$= 16$

3rd case (6) $= 5x + 3y$

$= 10 + 9$

$= 19.$

LIMITATIONS :

↳ ~~it can't be~~ everything cannot be measured in terms of money.

↳

MANAGEMENT. 5.08.22

- process consisting of the following. → to check the lagging behind
plan, organise, actuate & control, performed to determine & ~~con~~ accomplish the objective by the use of people & resources.
George R. Terry

efficiency: doing the thing correctly, refers to the relationship between (max output from min. resources) inputs & outputs, seeks to minimise resource costs.

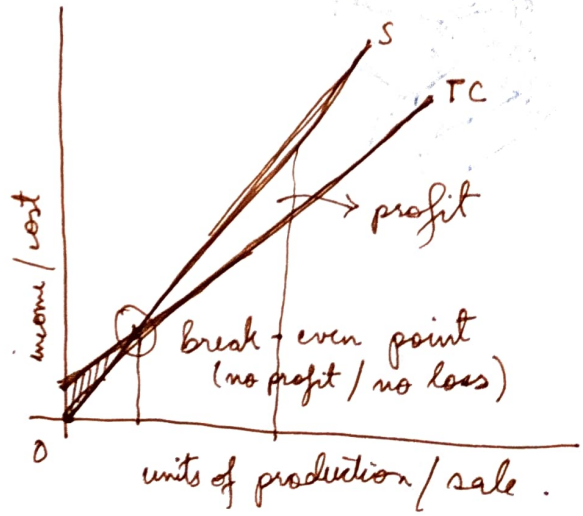
effectiveness: doing the right things, goal attainment

OBJECTIVES OF MANAGEMENT:

survival for business: consistent profit
need to have funds.

personal objective

SCOPE OF MANAGEMENT:
Subject matter of management.



- even before production, some cost is needed for ~~to~~ purchasing machines, etc.

(1) Production management
(2) ~~Planning~~ Financial management
(3) ~~Financi~~ Personal management : management of people: starts from understanding how many people are required in the company.
(4) Marketing management:
(5) Sales and distribution management:
(6) Logistic management
(7) Purchase management
(8) Installation and maintenance
(9) office management.

MANAGEMENT AS SCIENCE:

(1) Systematised body knowledge.
- has its own theory and principle.

MANAGEMENT AS PROFESSION:

* ~~no qualificatio~~

(1) well defined body of knowledge
(2) Restricted entry
(3) Professional association
(4) ethical code of conduct
(5) service motive.

IMPORTANCE OF MANAGEMENT:

11.08.22

ORDINAL UTILITY

↳ can be measured in terms of orders.

6 b

ASSUMPTIONS:

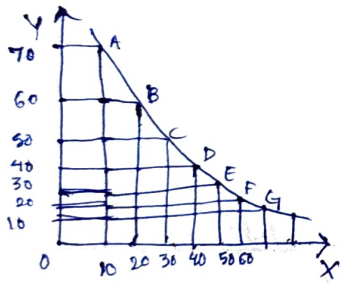
1. Rationality
2. Utility is ordinary: i.e it can be measured in terms of orders or preferences.
3. Diminishing marginal rate of substitution
4. consistency and transitivity of choices.

TRASITNITY	CONSISTENCY
if A>B B>C then A>C	if A>B at a particular time, B>A will never happen

Things we need to find ordinal utility:

1. Indifference curve
2. Budget line.

1. INDIFFERENCE CURVE.



- substitute extra unit of X by Y
- higher the indifference curve, higher is the utility

MARGINAL RATE OF SUBSTITUTION

Rate at which one unit of X

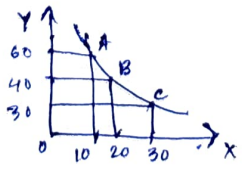
↳ slope of indifference curve.

CHARACTERISTICS OF INDIFFERENCE CURVE

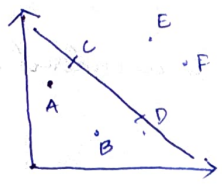
1. I.C has a negative zone
2. higher the IC, from the origin, higher the utility
3. I.C is convex to the origin
4. I.C doesnot intersect with each other

$$\frac{\Delta Y}{\Delta X} = \frac{Y_2 - Y_1}{X_2 - X_1}$$

$$= \frac{40 - 60}{20 - 10}$$



2. BUDGET : TIME

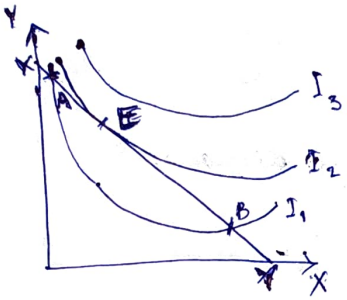


$M = P_1X_1 + P_2X_2$ (P_1, P_2 prices of X_1, X_2)

A, B under budget but doesn't get exhausted

C, D affordable, budget exhausted

E, F out of budget.



E - equilibrium point.

I_3 - outside our budget

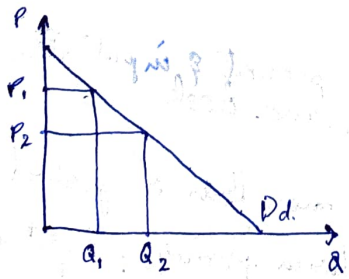
A, B - affordable but not satisfied because our budget is not exhausted.

↳ max. utility / satisfaction at E.

LAW OF DEMAND (ASSUMPTIONS)

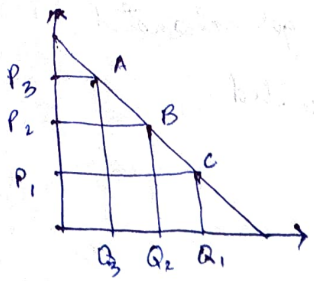
1. Taste and preferences and habits of consumers remain constant
2. Size and compositions of population will remain constant
3. Income of consumer will remain constant
4. Prices of related goods will remain constant
5. Tax policies will remain constant
6. People assume there is no change in future price rise.
7. ↳ when all other assumptions remain constants (Ceteris - Paribus)

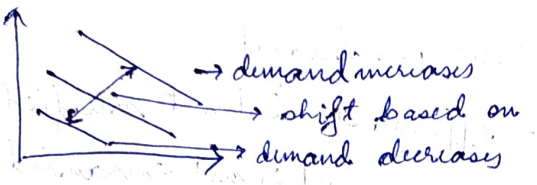
↳ if prices increases, quantity demand decreases and vise-versa



~~QUANTI~~ . Shifting of demand curve → Quantity demanded vs quantity demand

quantity demanded :
when the price of the same good is considered,





↳ if price rises, quantity demand also rises.

FINANCE

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SCARCE · RESOURCE : not readily available.
lack of availability

↳ scarcity is always related to demand.
↳ exploitation

COST : specific objective
~~sacrifice~~.
need for sacrifies in terms of resources.

Cost classification:

1. based on element wise (or input wise) : material cost :
   ① material cost : cost incurred for getting the goods.
   ② labour cost (wage cost)
   ③ expenses : electricity, rent
2. ~~bo~~ functional classification (based on what function, the resource must produce)
   ① manufacturing
   ② administration
   ③ selling and distribution expenses.
   ④ research and development.
3. based on traceability . direct relationship between product & input item.
   ① direct cost : traceable directly to the finance book
   ② indirect cost : certain inputs benefitting more than one product.
   • hence no relationship between product & input item.
   • indirect material cost.

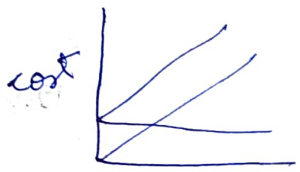
4. based on variability (based on behaviour of cost)
   ① variable cost
   ② fixed cost

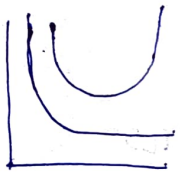
Production function : output is the function of input

- Short run
- Long run

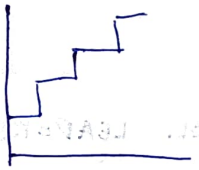
fixed cost

variable cost





rectangular hyperbola



remains fixed for a range

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MANAGEMENT

TYPES OF LEADERS:

1. AUTOCRATIC : person who order, "do it my way"
2. DEMOCRATIC : employees are asked to participate, work together
3. LAISSEZ-FAIRE : "total freedom" entire authorities given to the managers

LEWIN'S LEADERSHIP THEORY:

1. AUTOCRATIC (Authoritarian):

↳ advantages:
- fast decision making
- improves productivity and efficiency
- structured and disciplined approach
- clear communication
- control
- helps in crisis management

↳ disadvantages:
- micro management
- lack of creativity
- dependable system
- discourages ideas and inputs
- might affect work culture negatively
- less room for employee growth

DEMOCRATIC LEADERSHIP

Pros:

- develops plans to help employees evaluate their own performance.
- allows employee to establish goals
- encourages employees to grow on the jobs and get promoted

Cons:

- some employees may prefer not to be involved
- assigning blame for failure and scapegoating may be an issue
- ..

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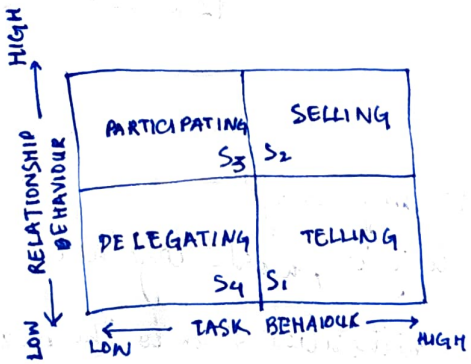
SITUATIONAL LEADERSHIP STYLE

↳ Task / directive behaviour: leader tells follower what to do.

↳ Relationship / Supportive behaviour: leader engage in open discussion.



PERFORMANCE READINESS.

HIGH (R_4): able and confident and willing — self directed

MODERATE (R_3): ↳ able but insecure or unwilling — self directed

(R_2) ↳ unable but confident or willing — leader directed

(R_1) LOW: unable and insecure or unwilling — leader directed

STYLE 1: telling, directing or guiding

↳ leader using moderate to high amounts of Task behaviour and moderate to low amount of Relationship behaviour.

STYLE 2: selling, coaching or explaining

↳ high on both Task and Relationship behaviour.

STYLE 3: participating, facilitating or collaborating

STYLE 4: delegating, empowering or monitoring

TRANSFORMATIONAL LEADERSHIP

↳ focus on transforming the whole organization

- individualised consideration
- inspirational motivation
- idealised influence
- intellectual stimulation

CHARISMATIC LEADERSHIP:

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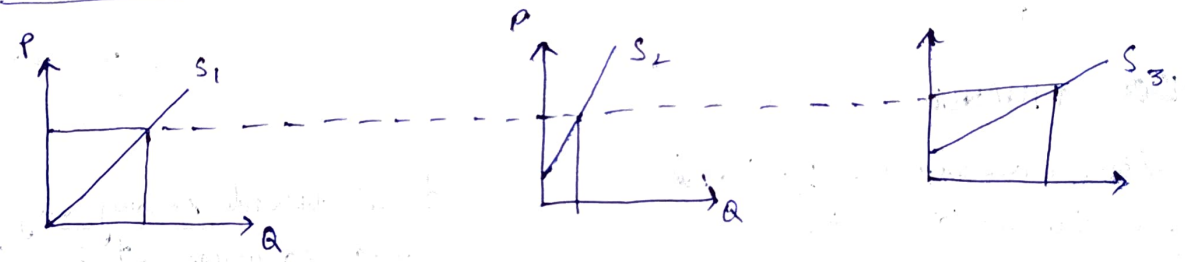
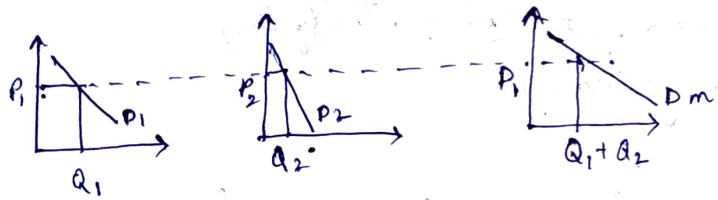
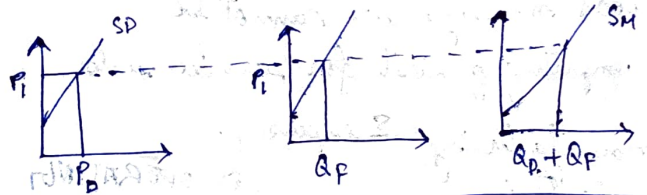
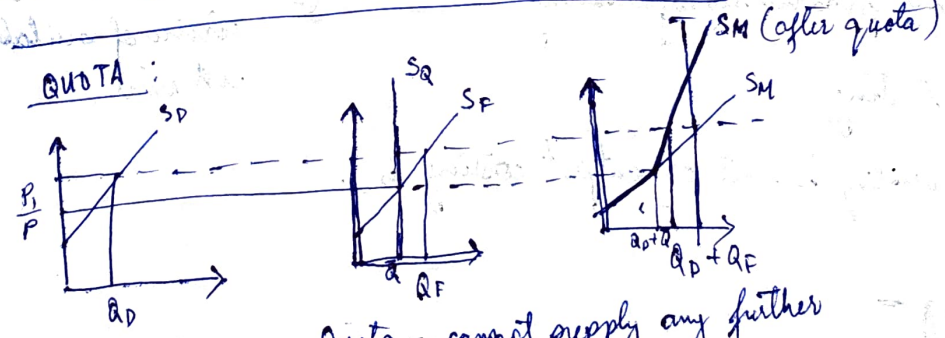
ECONOMICS:



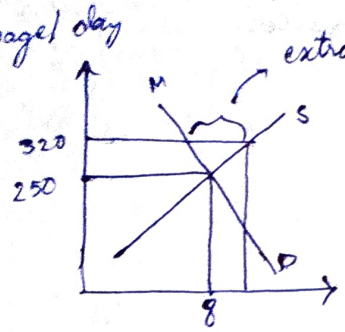




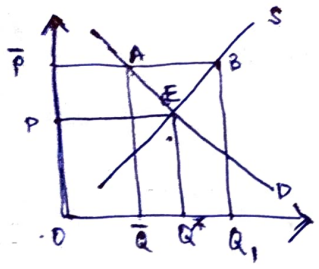
QUOTA:



Quota - cannot supply any further



market got accelerated.



$A + \bar{P}$; $OQ_1 = \bar{P}B$.

$O\bar{Q} = \bar{P}A$

$\bar{P}A < \bar{P}B$

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FINANCE :

Diff. classifications of industries

1. Service sector 2.

* cost doesn't convey any meaning unless unit is mentioned

cost unit –

transport industry – [goods transport (cost per ton/gallon).
passenger transport

~~cost per~~

– method of costing for goods manufacturer cannot be implied to method of imputing a cost for service sector.

– standardised product manufacturing
↳ customised product manufacturing

Σ expenses,

(1) OPERATING COSTING
choice of suitable cost unit

Unit or Output Costing

what type of industry is unit or output costing is.

(2) Processed costing –

best example – Textile industry – Raccoon can be sold or can be processed further

Manufacturing advantage – it will be acculated

(3) JOB COSTING
~~LONG DURAT~~
(4) CONTRACT COSTING:

POTSANGBAM URJELLY POTSANGBAM URJELLY
URJELLY URJELLY

26.08.22

MANAGEMENT

VISION :

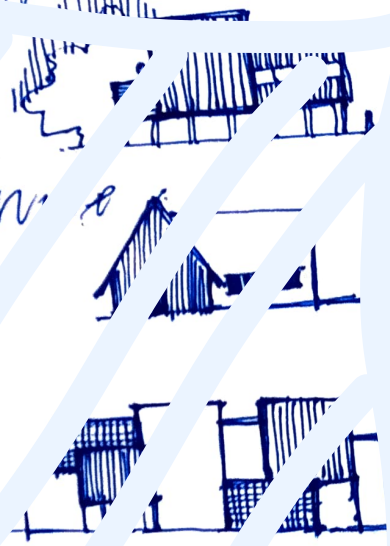
↳ provides strong foundation for developing a comprehensive mission

STRATEGIC VISION : addresses 'where are we going' question

POTSANGBAM URJELLY POTSANGBAM URJELLY POTSANGBAM URJELLY URJELLY

jelly

Samriddha



Samridha !

ANSOFF MATRIX .