7/3/22

MEFA (Managerial economics and Finical Analytis).

1. Geo-graph
2. History
3. Economics about Humans
4. political science

- Universal knowlegde.
  - pure science
    - All Engg branches total(ie)
    - Math phy Chemistry
    - Medical phymarcy Agricultural
  - Fine Arts
    - Drawing
    - Designing
    - Graphics
    - Animation
    - Scullptures
  - Social Science.
    - Ecomicel
    - History
    - political
    - Agriculture
    - Social
    - psychology

Economices
(Decision making)

- eco — Human activities.
- nomos — satisfy / sacrifice.

1 Introduction to Economics:-

* **Meaning of economics:-** Economics is a study of human activity both at individual & national level. Economics as the science of wealth.

- **Economics activities:-** Earning and spending money are called economics activity.

⇒ The father of economics adam Smith defined economics as the study of nature and uses of national wealth.

Micro Economics:- This study of an individual consumer (or) a firm is called micro economics. price theory, law of demand and theories of market structures.

Macro Economics:- This study of aggregate (or) total level of economics activity in a country is called macro economics.

Management:- Management is the science & art of getting things done through people in formally organised groups. Management includes a number of functions planning, organising, staffing, directing and control.

Meaning of Managerial Economics:-

Managerial Ecconomics is a part of economics & it is a conferned with decision making. It is a science which deals with the application of economics theories, techniques.

18/3/22

*Nature and scope of Managerial Economics:-

25/3/22

Features of Mangerial Economics:-

1. close to Micro-Economics.
2. operates agaist the ~~...~~ backdrop of macro economics.
3. Normatemetive statements.
4. preserceptive actions.
5. applied in nature.
6. offers scope to evalute each alternative.
7. Interdeciplinary.
8. assumptions and Limitations.

Scope of Managerial Economics:-

The main focus in the managerial economic is to find an optimal solutions who a given managerial problem. The problem may relate to managerial decisions areas.

Mangerial decision Areas-

* producation
* Reduction (or) control of costs
* Determination of price of a given product / Service
* Make (or) buy decision
* Inventory decisions
* captial Management
* profit planning and management
* Investment decisions
*

concept & Techniques of Managerial Economics — Applied to → Mangerial decision Areas — for → optimum solutions

production :- Factor of production

Fixed factor → land - Rent

variable values/ factor:
→ captial - wage / salaries
→ labour - Interest
→ enterprenur / oraganizer - profit / loss
→ Technology - value / price

control of cost :- controling of costs of an products, the sells are became more. To Reduce it, that analysis of an product wastage Removing.

Determination:- Estimation of product price.

Make (or) buy :- To taking decision about making (or) buy the same product at market.

Inventory :- Stock decision making.

Economic order quality (E.O.Q) = $\sqrt{\frac{2AB}{C}}$

Captial Management :- Getting good returns / profit on investments on something.

profit planning & Management :- Maintaining the retuned good profits.

Linkages with other objects (or) Disciplines :- The interlinks objects of an Managerial economics.

1) economics - Marco, Mirco (decision making science)
2) Mathematics - calculation ......
3) operation Research - Transportationproblem
4) Statistics - Also Mathematical part (1956)
5) Accoutantcy - To know the financial positions. (Assets, Libilities ...)
6) psychology -
7) OB (organization Behaviour.

problem solving [integration, matrix, differentiation, etc...]

Linear programming problems

30/3/22

* It is interdisciplinary of the other subjects, is called as Managerial economics.

* Demand analysis :- [chapter-1]

1. What is Demand?

* Desire to buy a product.

* willingness to pay

* ability to pay

Demand:- Everyone want supported by the willingness and ability to buy constitutes demand for a particular product (or) service in other words if, I want a car and I can't pay for it there is no demand for the car from my side.

A product (or) service said to have demand when three(3) conditions are satisfy.

1. Desire on the ~~part~~ of the buyer to buy
2. willingness to pay for it.
3. ability to pay the specified price for it.

* unless, all this conditions are fullfilled this product is said to have any demand.

(Law of demand:-)

* Factors Determining Demand:-

Determining the factors of a product.

1. product price
2. customer income
3. customer tastes
4. customer feature incoming

A demand for a particular product depends on serval factors. The following factors determine the demand for a given product.

a) price of the product (P)
b) customer income level (I)
c) Tastes & preferences of the customers (T)
d) prices of related goods, which may be substitutes (PR)
e) Expections about the prices in features. (EP)
f) Expections about the incomes in features. (EI)
g) Size of population (SP)
h) Distribution of customers over different regions. (DC)
i) Advertising effords (A)
j) Any other factors capable of effecting the demands. (O)

Demand function:-

Demand function is a function, which describes a relationship between one variable and it's determinates.

Mathematically the demand function for a product (A) can be expressed as follows

$$Qd = f(P, I, T, PR, EP, EI, SP, DC, A, O).$$

Where Qd refers to quatity of demand and it is a function of the following variables

P - price of the product

I - Income level of the customer

T - Refers to taste and preferences of the customer.

PR - Refers to price of related goods.

EP - Refers to expection about the prices in feature.

EI - It refers to expections about the feature incomes

SP - Refers to size of population.

DC - Disterbution of customer over different regions

A - Adaverting effords.

O - Refer to anyother factors of effecting the demands.

4/4/23

Law of demand:-

1) what is law of Demand? (5m)

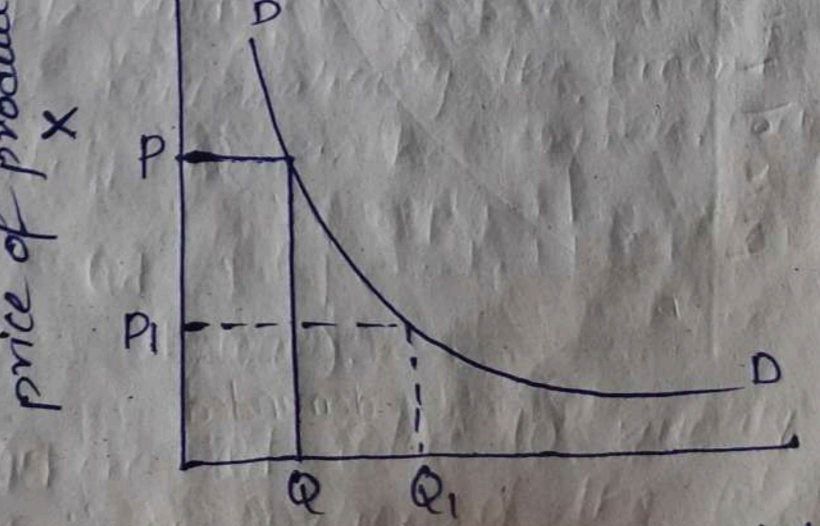
The law of demand states: other things remaining the same, the amount of quantity demanded rises with every fall in the price and vice versa.

The law of demand state the relationship between price and demand of a particular product or service. It makes an assumptions that all other demand remain the same or do not change.

Assumptions of the law of Demand:-

The phrase 'other things remaining same' is price, income, taste, future, size of population, advertising efforts, and any other factors.

operation of the law of Demand:-

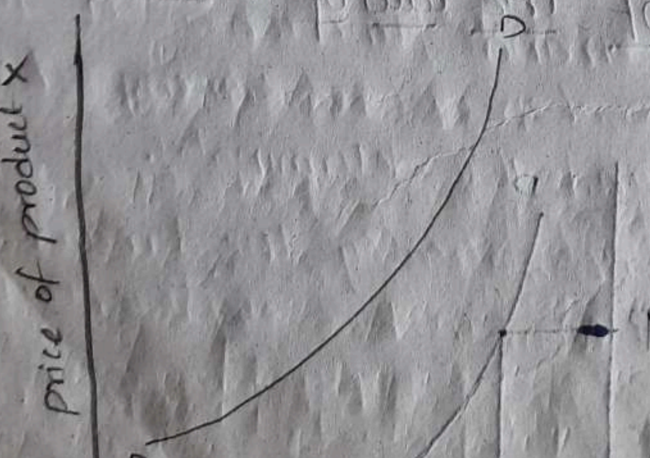


* Quantity Demanded

From the above, it can be seen that in the normal course at OP price, the quantity demand is OQ, If the price falls from P to P_1 then the higher quantity OQ_1 is bought. OP is the demand curve. This shows that there is an inverse relationship b/w the demand and the price. It can be seen that the demand curve is sloping downwards from left to right.

There are certain exception to this law. In other words the law does not hold good in the following cases:-

1. Necessities feared
2. confers distinction (product such as jewels, diamonds, and so on).
3. Giffen's paradox.
4. Ignorance of price changes.



Elasticity of Demand:-

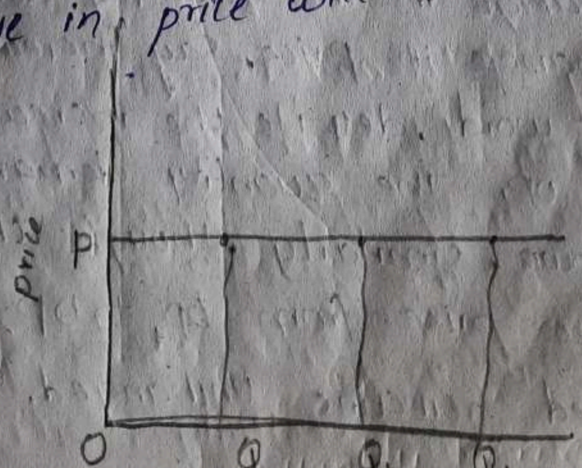
The term 'elasticity' is defined as the rate of responsiveness in the demand of a commodity for a given change in price or any other determinants of demand.

In other words, It explain the exact of change in quantity demanded because of a given change in the other determining factors, may be price or any other factors.

Measurement of Elasticity:-

1) perfectly elastic demand
2) perfectly Inelastic demand
3) Relatively Elastic demand
4) Relatively Inelastic demand
5) unity / unitary Elasticity.

1) perfectly elastic demand:- when any quantity can be sold at a given price, and when there is no need to reduce price, the demand is said to be prefectly elastic. In such cases, even a small increase in price will lead fall demand.

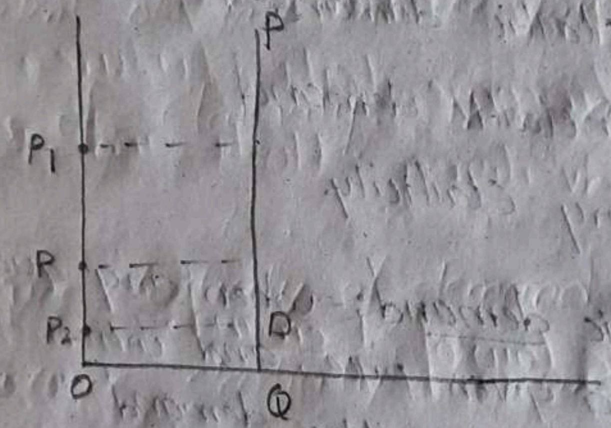


* price is fixed, but product demand is increased.

In above diagrams reveals that the quantity demanded increases from OQ to OQ, from OQ, to OQ2 even though there is no change in price.

2) prefectly Inelastic demand:- when a significant degree of change in price leads to little or no change in the quantity demanded, then be the elasticity is said to be the prefectly Inelastic.

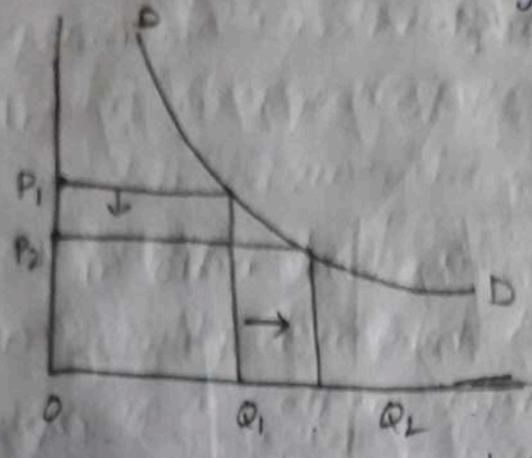
* product price increase (or) decrease but the quantity demand still confined.



quatity demanded

In the above diagram, it reveals that there no change in the quantity demanded though there is change in price, say increases or decrease. In other words, despite the increases in price from OP to OP1 the quantity demanded has not fallen down. similarly, though there is a fall in the price from OP1 to OP2. The quantity demanded remains unchanged.

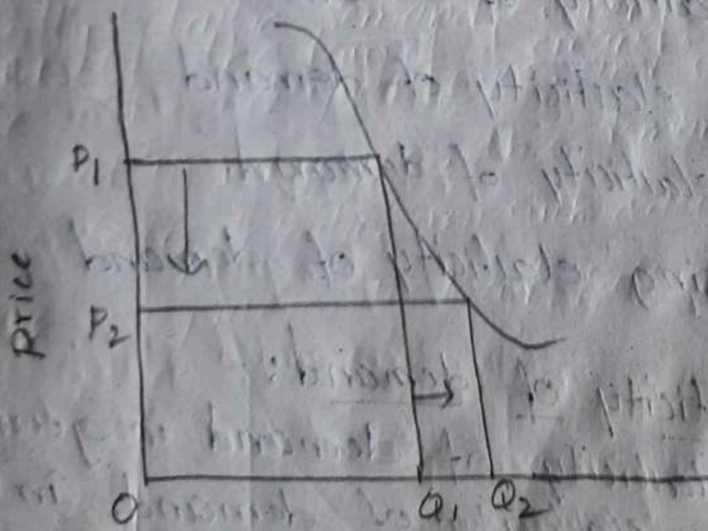
3) <u>Relatively</u> <u>elastic</u> <u>Demand</u>:- The demand said to be relatively elastic when the change in demand is more than the change in the price.



Quantity demanded.

In the above diagram, It reveals that the quantity demanded increase from OQ_1 to OQ_2 because of a decrease in price from OP_1 to OP_2. The extent of increase in the quantity demanded is greater than the extent of fall in the price.

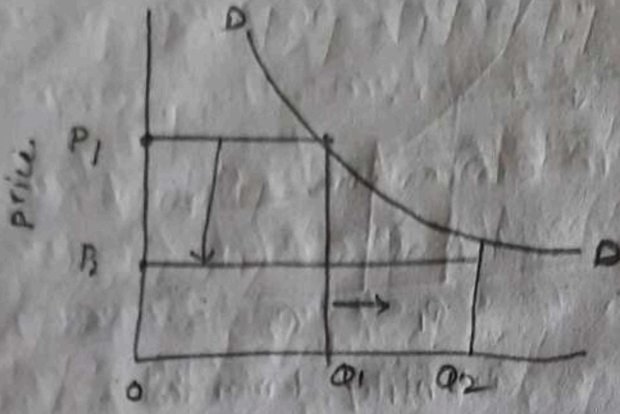
4) <u>Relatively</u> <u>Inelastic</u> <u>Demand</u>:- The demand said to be relatively inelastic when the change in demand is less than the change in the price.



* Quantity demanded.

The above diagram, reveals that the quantity demanded increase from OQ_1 to OQ_2 because of a decrease in price from OP_1 to OP_2.

5) unity Elasticity :- It is also called as unitary elastic demand. The elasticity in demand is said to be unity when the change in demand is equal to change in price.



The above diagram reveals that the quantity demanded increase from OQ_1 to OQ_2 because of a decrease in price from OP_1 to OP_2. The extent of increase in the quantity demanded is equal to the extent of fall in the price.

* Types of Elasticity:- There are four types. Such as.

a) price elasticity of demand
b) Income elasticity of demand
c) cross elasticity of demand
d) Advertising elasticity of demand

a) price elasticity of demand:-
Elasticity of demand in general refer to price elasticity of demand. In other words, it refers to the quantity demanded of a commodity in response to a given change in price. price elasticity is always

negative which indicates that the customer tends to buy more with every fall in the price. The relationship between the price and the demand is inverse.

$$Edp = \frac{(Q_2 - Q_1)/Q_1}{(P_2 - P_1)/P_1}$$

where Q_1 is the quantity demanded before price change, Q_2 is quantity demanded after price change, P_1 is price before change and P_2 is the price after change.

b) <u>Income</u> <u>Elasticity</u> <u>of</u> <u>Demand</u>:– Income elasticity of demand refers to the quantity demanded of a commodity in response to a given change in income of the consumer.

$$Edi = \frac{(Q_2 - Q_1)/Q_1}{(I_2 - I_1)/I_1}$$

where Q_1 is the quantity demanded before change,

Q_2 ⇒ is the quantity demanded after change,

I_1 ⇒ is income before change,

I_2 ⇒ It is the income after change.

c) <u>Cross</u> <u>Elasticity</u> <u>of</u> <u>Demand</u>:– cross elasticity of demand refers to the quantity demanded of a commodity in response to a change in the price of a related good, which may be subititute or complement.

$$E_{dc} = \frac{(Q_2 - Q_1)/Q_1}{(P_2y - P_1y)/P_1y}$$

where

$Q_1 \Rightarrow$ Quantity demanded before change.

$Q_2 \Rightarrow$ quantity demanded after change.

$P_1y \Rightarrow$ price before change and

$P_2y \Rightarrow$ price after change.

6/4/22

(d) Advertising Elasticity :- It refers to increase in the sales revenue because of change in the advertising expenditure. In other words, there is a direct relationship b/w the amount of money spent on advertising and it's impact on sales. Advertising elasticity is always positive.

$$E_{da} = \frac{(Q_2 - Q_1)/Q_1}{(A_2 - A_1)/A_1}$$

where $Q_1 \Rightarrow$ quantity demanded before change

$Q_2 \Rightarrow$ quantity demanded after change

$A_1 \Rightarrow$ amount spent on advertising before change

$A_2 \Rightarrow$ amount spent on advertisement after change.

Demand Forecasting

Method of Demand forecasting:-

1) Survey Methods.
   a) Survey of buyer intentions
      (i) census method
      (ii) sample method
   b) sales before opinion method
2) statistical methods
   a) Trend projection methods
      (i) Trend line by observation
      (ii) least square method
      (iii) Time series Analysis
      (iv) moving average methods
      (v) exponential smoothing
   b) Barometric techniques
   c) simultaneous equations methods
   d) correlation and regression methods
3) other methods
   a) Expert opinion method
   b) Test marketing
   c) controlled experiments.
   d) Judgemental approach.