MANAGERIAL ECONOMICS

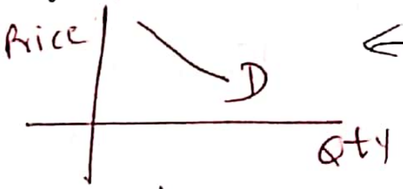
→ Combo of economics theory & managerial theory.

→ It deals with the application of economic concepts, theories, tools & methodologies to solve practical probs of a business.

Key factors :
- Demand Analysis
- Production (i/p, o/p analysis)
- Cost relation (~~Costing~~ cost o/p analysis)
- Price - o/p analysis
- Profit analysis
- Investment decisions.

→ demand = No. of units of a commodity that consumers are willing to buy @ a given price under some conditions.

→ demand curve → downward from LHS to RHS



→ law of demand → $D \propto \frac{1}{P}$

→ Demand schedule → plot to get

Price	Qty
⋮	⋮

→ demand func^n:

$$\boxed{D_x = f(P_x, P_r, Y, T, F)}$$

- D_x — demand for a commodity x
- P_x — price of a commodity x
- P_r — price of related commodities
- Y → income of indiv. consumer
- T → Taste & preferences
- F → expectation in change of price in the future.

cost sheet
- → opportunity cost
- → implicit & explicit

Cost func^n
- short-run ↓ FC, VC, AFC, AVC, AC, MC.
- long-run ↓ LAC, LMC

→ Price- o/p analysis:

• Classific^n of markets → MARKET STRUCTURES →

based on:

↳ No. of firms

↳ Nature of products.

↳ Monopoly

↳ Monopolistic Compet.

↳ Oligopoly

↳ Perfect Compet.

short & long-run.

→ i/p & o/p analysis: (Production) $\boxed{\text{Hints}}$

→ Factors of prod^n → i/p → land, labour & capital

→ Goods & services → o/p.

→ Analysed by marginal product, VMPL & decide how many workers to hire based on profit.

→ Analyse qty supplied with D & S in ~~all~~ ~~or~~ perfect markets, firms. [graphs]

→ Profit analysis:

→ Based on TR & TC, find where (for which o/p) → max. profit → attained.

→ Profit = TR - TC:

TR	TC	Profit
		⋮

→ monopolistic competition → set the price to earn ↑ profit (P > ATC). (short-run)

→ Break-even-analysis → no-profit - no - loss point.

→ Labour market → profit = -ve ⇒ no more hiring of workers.

↳ Barrier to Entry:
↳ A high cost / other type of barrier that prevents ~~the entry of~~ business start-ups from entering the market and competing with other businesses.
↳ Eg: License, Govt. regulations etc,
↳ Feature of monopoly.

↳ Firm: An association of individuals who have organised themselves to convert i/p → o/p (i/p: factors of prod^n; o/p: goods & services) to ~~fulfil~~ fulfill the needs of the households.

Objectives of a firm:
→ To maximise the profit, sales, growth, o/p, satisfaction of customers & stake holders, share holders' return on investment.
→ Achieve the goal of the organization.

↳ Objectives of Managerial Economics:
① Implement devices to analyse the broad-scale of company's financial goals.
Manually / DBMS to record costs, production, profits, qty sold etc., and detect obstacles, help in growth of company / achieve the organization goals.

(2) Analyze the business goal regularly – weekly, monthly, yearly ... to ~~evaluate~~ scrutinize business hazards & thus, evaluate marketing procedures.

(3) Is investment in a new business financially sound? (Can we invest in a new business)

Decision-makers plan a strategy for prod^n, qty, marketing etc., Learning abt the cost & risk beforehand → helps achieve business goal easily.

Steps involved in decision-making:

(1) Identify the problem

(2) Look for solutions

(3) Look for alt. sol^{n}s

(4) Evaluate alt. sol^{n}s

(5) Select an alt. sol^n

(6) Implement the sol^n

(7) Monitor the sol^n.