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Economics for Engineers

YMG 4001

Economics

16/01/2023

1) Define managerial economics :- (4)

⇒ managerial economics can be defined as the application of economic theories policies and methodology to business decision making. More specifically it is the use of tools and techniques of economic analysis to solve the business related problems of decision making by the business form. Thus, business economics shows the process of integrating economic theories with business operation.

2) Difference between economics and business economics. (5)

⇒ (i) The principal subject matter of economics is to analyze the utilization of limited resources of a country for satisfying unlimited wants of the human being.

(ii) The principal subject matter of business ecomics is the analysis of decision making process of a company by utilization of available resources.

(2) in econonics its theories are very important whereas in business economics application of theories with proper statistics and mathematics is very important.

(3) With the help of economics purchasing power, standard of living of the citizen of a country can be determined. Thus, its scope is much wider, on the other hand with the help of microeconomics, a company's contribution to economic development can be determined.

(4) Economics helps in developing various economic policies decisions for the economics. ex:- monitoring policies & physical policies. whereas microeconomics helps in developing managerial policies such as salary to be given, working hours etc.

Nature of business economics :- (5)

i) business economics is micro economics :- Economic theories are divided into two parts — macro economics & micro economics. While macroeconomics is concerned with the economic magnitude relating to the entire economy Such as national income, national Production etc. micro economics is concerned with decision making of a single economic entity. It is concerned with an individual firm which works within a macro economic environment.

ii) Perspective in nature :- It actually Prescribes the way through which a business can achieve its goals, within its constraints, It prescribes the Policies that should be undertaken by any business firm for achieving its Purpose

iii) Pragmatic in approach :- Business economics deals with real life Problems faced by any business firm. It focuses on providing Possible Solutions to the entire Problem rather than focusing on one Problem.

iv) Emphasises on Quantitative analysis :- Business economics is mainly concerned with Some of the quantitative aspects of business decisions. Decisions related to output to be produced, input to be used, Prices to be freezed, etc. to be used in quantitative term. Some of the aspects like efficiency of labour or efficiency of factor inputs are estimated.

24/Jan/2023

Q.1 Define economics as a science of wealth.

Ans: Economics can be defined as a i) Wealth definition ii) material welfare definition iii) Scarcity and choice definition iv) development and growth definition.

The wealth definition of economics was first provided by 'Adam Smith' in year 1776 in a book named as "Enquiry into the nature and cause of the wealth of nations."

The central point of this definition is wealth creation. Smith definition is Wealth creation. Smith identified wealth with welfare. He stated that the discipline of economics is meant to identify the factors which makes one economy richer than the other. Economics is the subject which is concern with an objective that how to make a nation wealthy. Some characters of this definition are:

1) Greater emphasis on wealth: This well centered definition give too much importance to wealth in an economy. It is believed that economy prosperity of any nation depends on accumulation of wealth.

2) Enquiry into the creation of wealth: This definition also deals with an enquiry to the causes behind the creation of wealth.

3) A study on the nature of wealth: As per this definition, wealth includes only manufactured products. For this reason, labour was turned as most productive individuals.

TO DO

Assignment: Define the contribution of economics analysis in the success of new engineering business. Eg. Related to the local market.

24/Feb/2023 ! !

Q.2. Define economics as a science.

Ans: i) Positive Science :-

Economics is positive science as well as normative science. A positive or pure science analysis causes and effect relationship between variables but it doesnt pass valid judgement. In other words, it states what is and not ought to be sometimes economics, is only concerned with the study of economics decision of individuals and the society but not the ethics of this decisions. Economics should be neutral in nature. Eg.

ii) Normative Science :-

As normative science, economics involves values judgement. It is perspective in nature and it describes what ought to be or what should be.

Eg. What should be the price of a product and what should be the level of national income.

Q.3. Define economics as an art.

Ans: A discipline of study is termed as art if it tells us how to do a thing that is to achieve an objective. It is noteworthy that the final justification for studying economics lies in the possibility of our ability to use these studies. Art is nothing but practice of knowledge, where as science teaches us to know or understand. Therefore, economics is a combination of arts as well as science.

31/Jan/2023

Q1. Relationship of economics with other disciplines.

Ans: ① Managerial economics and statistics:

Statistical tools are really important in business decision making. Statistical techniques are used in collecting, processing and analysing the data, testing the validity of economical theories with the real economic phenomenon. Various statistical tools such as theory of probability, measures of dispersion, multi variant analysis are used for predicting business decisions.

② Managerial economics & Mathematics:

The main challenge of a business is to minimise cost or how to maximise profit. To find the answers various concepts like trigonometry, geometry are used along with their techniques such as logarithm, matrix, calculus are also used in managerial decision making.

③ Managerial economic & Accountancy:

Various data are required by a managerial economist for the decision making purpose. Data such as profit and loss statement of a firm gives details about the performance of the firm.

④ **Managerial economics & Operation Research :**

Models and tools of operation research as quantitative techniques are also important. The models and techniques are developed on the basis of inter-dicisiplinary approach for solving problems and allocating scarce resources.

⑤ **Managerial economics and economics :**

Managerial economics has been described as economics applied to decision making. Managerial economics has been studied as a special branch of economics, bridging the gap between pure economics and managerial practice.

Q.2. Explain different types of firm.

Ans : ① **Sole proprietership :** It is a very common type of business firm and suitable for small businesses. It refers a form of business organisation which is owned, controlled, managed by a single individual.

② **Joint - Hindu - family Business :** It is a specific form of business that is found only in India. It refers to a form of business where it is owned and carried out by the family members. This business is governed by Hindu - family law.

③ **Partnership business :** The main problem of other business firms are lack of financial support, market expertise etc.

to solve these problems, partnership business is formed. It serves as an answer to the need of capital requirement, knowledge and skills. It is governed by Indian Partnership Act 1932.

06/Feb/2023

Transactions

① Business started with ₹ 4 lakhs (4,00,000) → 1st transaction

② Purchased machinery of ₹ 1 lakh (1,00,000) → 2nd transaction

③ Purchased technical equipments ₹ 50,000 → 3rd transaction

④ Purchased raw materials for ₹ 40,000 → 4th transaction

⑤ Sold goods of ₹ 80,000 → 5th transaction

Types of Accounts

Real Accounts

(Buying, selling)

- Debit what comes into business and credit what goes out.

Personal Accounts

(Debit, Credit)

- Debit the reciever & Credit the giver
- individual to individual

Nominal Accounts

(Profit and loss)

- debit all expenses and losses and credit all income and gains

In the books of ______

From the period of ______

ledger folio

Date	Particulars		L/F	Amounts Dr (Debit)	Amounts Cr (Credit)
	Cash A/c To Capital A/c (Being Cash invested in Business)	Dr.		400000	400000
	Machinery A/c To Cash A/c. (Being purchased machinery)	Dr.		100000	100000

Date	Particulars		L/F	Amounts Dr (Debit)	Cr (Credit)
	Technical equipment A/c To Cash A/c (Being purchased tech equip)	Dr		50,000	50,000
	Raw material A/c To Cash A/c (Being purchased raw material)	Dr		40,000	40,000
	Sell A/c To Cash A/c (Being sold goods)	Dr		80,000	80,000

13/Feb/2023

In the books of Siya Ram & Sons and for the period of 2020

Date	Particulars	L/F	Debit (Dr)	Credit (Cr)
1/23	Cash A/c Dr to Capital A/c (Being business started)		50,000	50,000
2	Purchased goods A/c Dr for Cash A/c		20,000	20,000
4	Purchase A/c dr. to Subhas A/c		12000	12000
5	Furniture A/c dr to Cash A/c		6,000	6,000
7	Cash A/c dr to Sell A/c		13,000	13,000
9	Mahesh A/c dr to Sales A/c		15,000	15,000
10	Subhas A/c dr to Cash A/c		8,000	8,000

Date	Particulars	L/F	Debit (Dr)	Credit (Cr)
12	Cash A/c dr to Mahesh A/c		10,000	10,000
16	Purchased A/c dr. to Cash A/c		7,500	7,500
17	Purchase A/c dr to Ravi A/c		5,000	5,000
18.	Cash A/c dr to Sales A/c		12,000	12,000
19.	Suresh A/c dr to Sales A/c		7,000	7,000
20.	Machine A/c dr. to Cash A/c		8,000	8,000

21/Feb/2023

Date	Particulars	L/F	Debit (Dr)	Credit (Cr)
1 April	Cash A/c Dr		100000	5,00,000
	Bank A/c		400,000	
	to Capital A/c			
4 April	Purchase A/c Dr		1,40,000	70,000
	to Cash A/c			70,000
	To Sudhir A/c			
April 7	Building A/c Dr		2,00,000	
	To Bank A/c			
April 12	Arun A/c Dr			
	Cash A/c Dr			
	To Sales A/c			
April 14	Bank A/c Dr			
	Discount allowed Dr			
	To Arun A/c			
April 16	Stationary Account Dr		180	
	To Cash A/c			
April 17	Premium A/c Dr		1000	5000
	Drawing A/c Dr		4000	
	To Bank A/c			

Dr **Cash A/c** Cr 13/March/2023

Date	Particulars	Amount	Date	Particulars	Amount
	To Capital A/c	40,000		By tech equip A/c	50,000
	To machinery A/c	100,000		By raw material A/c	40,000
	To Sales A/c	80,000			

Capital A/c

Date	Particulars	Amount	Date	Particulars	Amount
				By Cash A/c	40,000

Debit **Cash A/C** Credit 14/March/2023

Date	Particulars	Amount	Date	Particulars	Amount
	To Capital A/C	50,000		By Purchase A/C	20,000
	To Sell A/C	13,000		By Furniture A/C	6000
	To Mahesh A/C	15,000		By Subhas A/C	8000
	To Sell A/C	12,600		By Purchase A/C	7500
				By machinery A/C	8000
	To Balance c/d	85,600		By Balance b/d	(36,100)
					85,600

Capital A/C

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance b/d	50,000		By Cash A/C	50,000
		50,000		By Balance c/d	50,000

Purchase A/C

Date	Particulars	Amount	Date	Particulars	Amount
	To Cash A/C	20,000		By Balance b/d	44,500
	To Subhas A/C	12,000			44,500
	To furniture A/C	6000			
	To Cash A/C	7500			
	To Ravi A/C	5000			
		44,500			

Sells A/C

				By Cash A/C	13,000
				By Mahesh A/C	15,000
				By Cash A/C	12,600
				By Subhas A/C	7000

- **Trial Balance :-**

REMEMBER

No CD or BD for nominal accounts in Ledger posting
↳ Balance

Date	Particular	Debit	Credit
	Cash A/c	77,000	
	Capital A/c		40,000
	Purchase A/c	5000	
	Salary A/c	2000	
	Sales A/c		44,000
		84,000	84,000