



**MALLA REDDY COLLEGE  
OF ENGINEERING & TECHNOLOGY**  
(AUTONOMOUS INSTITUTION - UGC, GOVT. OF INDIA)

**PREFACE** *for*

**MANAGERIAL ECONOMICS**

(I YEAR I SEMESTER)



SCHOOL OF MANAGEMENT STUDIES  
AUTONOMOUS

**ICET CODE MLRD**

# **PREFACE** *for* **MANAGERIAL ECONOMICS** (I YEAR I SEMESTER)

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<b>Academic Year</b>	<b>: 2020-21</b>
<b>Name of the Subject</b>	<b>: MANAGERIAL ECONOMICS</b>
<b>Prescribed Textbook</b>	<b>: D.M.Mithani, Managerial Economics, HPH, Yogesh Maheshwari, Managerial Economics, PHI.</b>
<b>Nature of the Subject</b>	<b>: Common Paper</b>

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## **Course Instructors**

**A.LAKSHMI, MBA**

**Assistant Professor**

**G.VENKATA REDDY, MBA(PhD)**

**Assistant Professor**

## **COURSE AIM**

Managerial Economics as the first year MBA core course aims to the students to acquire knowledge, to understand the economic environment of an organization. Its main objective is to develop students' capacity to analyze the economic environments in which business entities operate and understand how managerial decisions can vary under different constraints that each economic environment plays on a manager's pursuit of his/her goals. Its focus will be on analyzing the functioning of markets, the economic behaviour of firms and other economic agents under various market structures, and the economic and social implications of the outcomes.

## **COURSE OUTCOMES**

- Students should be able to understand the basic economic principles.
- Students to know the application of demand concepts in different perspectives, which helps to frame out decisions in the practical world.
- Students to understand the production, technical relationship in factors of production, its process and impact of various costs on production.
- Students should be able to understand market structure and pricing practices.
- Students to Understand the basics of national income accounting .

## UNIT-I INTRODUCTION TO MANAGERIAL ECONOMICS

**Introduction: Definition - Nature and Scope - ME as an Inter-disciplinary - Basic Economic Principles - The Concept of Opportunity Cost - Incremental Concept - Scarcity - Marginalism - Equi-marginalism - Time perspective - Discounting Principle.**

<b>Objective</b>	The objective of the study is to know the evolution and basic principles of managerial economics.
<b>Outcome</b>	It helps to understand fundamental concepts of economics and enables students how these concepts are utilized in business management.
<b>Overview</b>	<ul style="list-style-type: none"> <li>• The terms '<b>Managerial Economics</b>' and '<b>Business Economics</b>' are often synonyms and used interchangeably in managerial studies.</li> <li>• It is also known as '<b>Economics for Managers</b>'. Basically, Managerial Economics is an <b>Applied Economics</b> in the sphere of business management.</li> <li>• It is an application of economic theory and methodology to decision-making problems faced by the business firms. Thus, it is the economics of business or managerial decisions or it is the process of application of principles, concepts and techniques.</li> <li>• Managerial Economics is an interdisciplinary subject as it derives its roots from different disciplines, such as management, economics, operations research, organization behavior, anthropology, mathematics, statistics, and psychology etc.,. It is equipped with different tools and techniques, what we learn in this unit and that are helpful in formulation of plans and effective decision making in the business world.</li> </ul>

## UNIT-II THEORY OF DEMAND

**Demand Analysis: Law of Demand - Movement in Demand Curve - Shift in the Demand Curve.**

**Elasticity of Demand: Types & Significance of Elasticity of Demand - Measurement Techniques of Price Elasticity.**

**Forecasting: Demand Forecasting and its Techniques - Consumers Equilibrium - Cardinal Utility Approach - Indifference Curve Approach - Consumer Surplus.**

<b>Objective</b>	To understand the concept of Demand and its significance, forecasting and elasticity of Demand and supply.
<b>Outcomes</b>	To know the application of demand concepts in different perspectives, which helps to frame out decisions in the practical world.
<b>Overview</b>	<ul style="list-style-type: none"> <li>• The amount of a particular economic good or service that a consumer or group of consumers will want to purchase at a given price.</li> <li>• The demand curve is usually downward sloping, since consumers will want to buy more as price decreases.</li> <li>• Demand for a good or service is determined by many different factors other than price, such as the price of substitute goods and complementary goods.</li> <li>• In extreme cases, demand may be completely unrelated to price, or nearly infinite at a given price. Along with supply, demand is one of the two key determinants of the market price.</li> </ul>

**UNIT-III**  
**PRODUCTION AND COST ANALYSIS**

**Production Analysis: Production Function - Production Functions with One/Two Variables - Cobb-Douglas Production Function - Marginal Rate of Technical Substitution - Isoquants and Isocosts - Returns to Scale and Returns to Factors - Economies of Scale.**

**Cost Analysis: Cost concepts - Determinants of Cost - Cost-Output Relationship in the Short Run and Long Run - Short Run vs. Long Run Costs - Average Cost Curves - Overall Cost Leadership.**

<b>Objective</b>	The objective of the study is to know the analysis of production in the process of utility creation.
<b>Outcome</b>	Students to understand the production, technical relationship in factors of production, its process and impact of various costs on production.
<b>Overview</b>	<ul style="list-style-type: none"> <li>• Production is a process of combining various material inputs and immaterial inputs in order to make something for consumption (the output).</li> <li>• It is the act of creating output, a good or service which has value and contributes to the utility of individuals.</li> <li>• The term <i>cost</i> simply means cost of production.</li> <li>• It is the expenses incurred in the production of goods.</li> <li>• There are various classifications of costs based on the nature and the purpose of calculation.</li> <li>• In the short run, fixed cost does not change with output. It must be paid even if '0' units of output are produced.</li> <li>• The total variable costs vary according to the output.</li> </ul>

**UNIT-IV: MARKET STRUCTURE AND PRICING PRACTICES**

**Market Structures: Features and Types of different Competitive Situations - Price-Output Determination in Perfect Competition - Monopoly - Monopolistic Competition and Oligopoly - both the long run and short run;**

**Pricing: Pricing philosophy.**

<b>Objective</b>	The objective of the study is to know the analysis of Market and Competition an outlook of pricing strategies.
<b>Outcome</b>	Students are able to understand the market structure variables.
<b>Overview</b>	<ul style="list-style-type: none"> <li>• Market structure is important in that it affects market outcomes through its impact on the motivations, opportunities and decisions of economic actors participating in the market.</li> <li>• The goal of economic market structure analysis is to isolate these effects in an attempt to explain and predict market outcomes.</li> <li>• It attempts to explain and predict market outcomes through the extent of market competition.</li> <li>• Perfect Competition--many sellers of a standardized product</li> <li>• Monopolistic Competition--many sellers of a differentiated product,</li> <li>• Oligopoly--few sellers of a standardized or a differentiated product, and</li> <li>• Monopoly--a single seller of a product for which there is no close substitute.</li> </ul>

## UNIT-V: MACRO ECONOMICS & BUSINESS

**Macro Economics: Nature, Concept and measurement of National Income. Classical and Keynesian approaches to Income, Employment and Investment.**

**Inflation: Types, causes and measurement of inflation. Philips curve, stagflation.**

<b>Objective</b>	The objective of the study is to know the meaning and components of the National Income Accounts. Students will identify the determinants of various macroeconomic aggregates such as output, unemployment, inflation, productivity and the major challenges associated with the measurement of these aggregates
<b>Outcome</b>	After completion of the course students will be able to 1. Understand the basics of national income accounting 2. Understand the causes and consequences of business cycles 3. Understand the roles of fiscal and monetary policy in fighting recessions and inflation 4. Understand factors that contribute to and detract from long-term economic growth 5. Apply economic reasoning to understand the operation of an economy
<b>Overview</b>	<ul style="list-style-type: none"><li>• Macroeconomics is the branch of economics that deals with the structure, performance, behavior, and decision-making of the whole, or aggregate, economy.</li><li>• The two main areas of macroeconomic research are long-term economic growth and shorter-term business cycles.</li><li>• Macroeconomics in its modern form is often defined as starting with John Maynard Keynes and his theories about market behavior and governmental policies in the 1930s; several schools of thought have developed since.</li></ul>

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