

Applications of Managerial Economics

MMS (Foundation Programme)
DRBRIMS,
Thane

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Self appraisal

- ✓ Why company should hire me?
- ✓ Why company should pay me higher perk /salary / package ?
- ✓ Am I Asset or Liability to company?



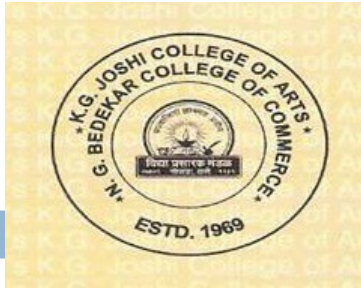
Answers

Economics and Managerial Economics would help you to achieve your goals

and

answer the questions.

Let's see.



Economics and Managerial Economics

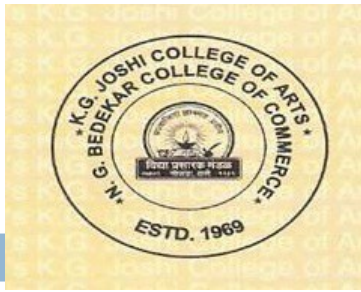
Def:- Economics is the ‘*Study of allocation of scarce resources, among alternative uses*’.

1. Resources are always scarce.
2. They are not only scarce, but also have alternative uses.
3. Optimum allocation is required

Allocation problems are faced by individuals, Organizations (Both profit making and non- profit making) and Nations also.

Economics deals with:

1. How an individual consumer allocates his scarce resources among alternative uses?
 - in such a way that he always tries to get maximum satisfaction.
 - Maximization of satisfaction / utility is the goal of an individual consumer



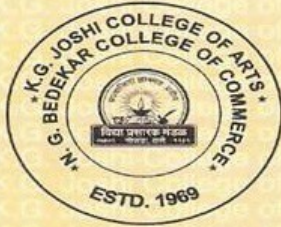
Economics and Managerial Economics.....cont.

2. Similarly, an individual producer aims at least cost combination of inputs to get a given quantities of output.

3. How an individual firm/Industry attains equilibrium.

A firm is said to be an equilibrium, if it attain profit maximizing level of out put.

It tries to maximize Revenue, or minimize Cost



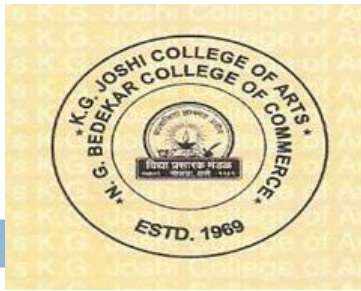
Economics and Managerial Economics.....cont.

Microeconomics deals with the study of individual behaviour.

- It deals with the equilibrium of an individual consumer, producer, firm or industry.

Macroeconomics on the other hand, deals with economy wide aggregates.

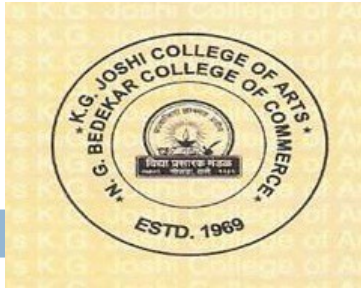
- Determination of National Income Output, Employment
- Changes in Aggregate economic activity, known as Business Cycles
- Changes in general price level , known as inflation, deflation.
- Policy measures to correct disequilibrium in the economy, Monetary policy and Fiscal policy



Economics and Managerial Economics.....cont.

What is Managerial Economics?

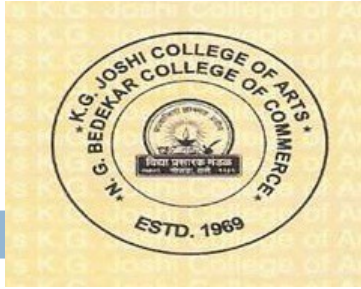
“Managerial economics is the study of the allocation of scarce resources available to a firm or other unit of management among the activities of that unit”



Economics and Managerial Economics.....cont.

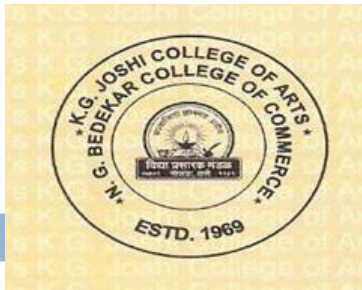
Core content of Managerial Economics :

- Demand Analysis and forecasting of demand
- Production decisions (Input-Output Decisions)
- Cost Analysis (Output - Cost relations)
- Price – Output Decisions
- Profit Analysis
- Investment Decisions

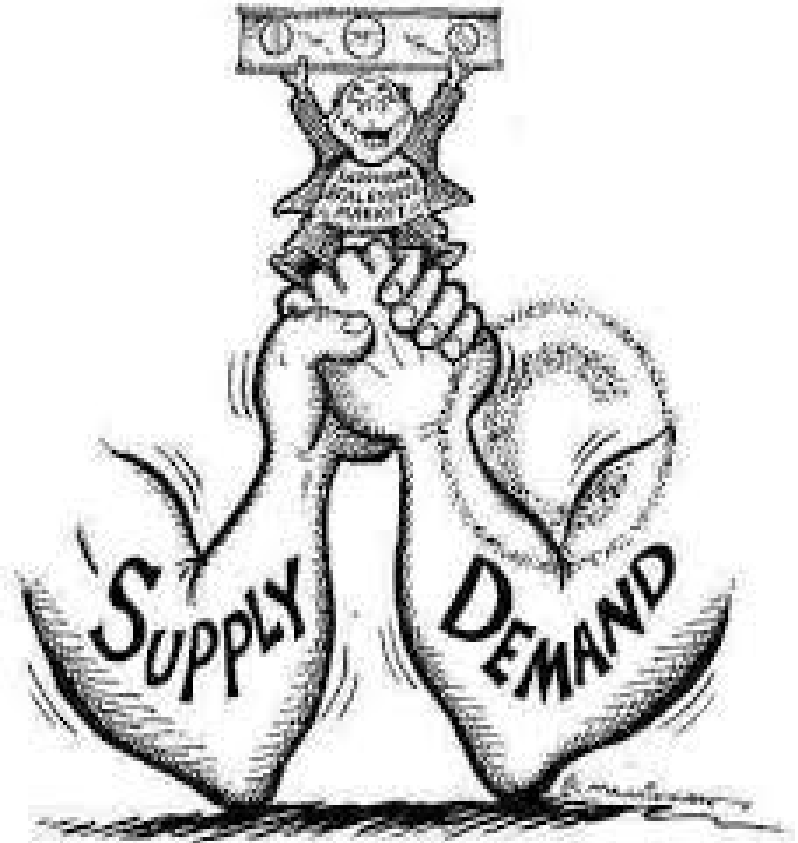


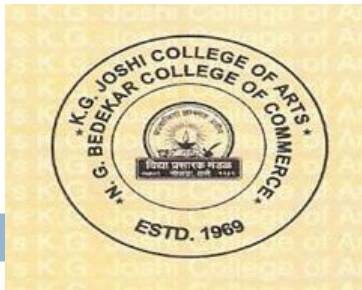
Goals of a business firm

- ✓ Profit maximization
- ✓ Sales Maximization
- ✓ Revenue Maximization
- ✓ Growth Maximization



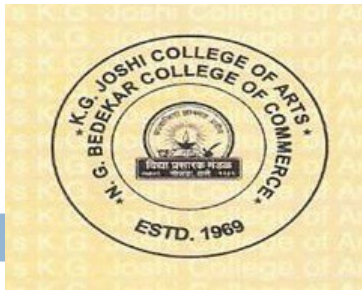
Battle between Demand and Supply





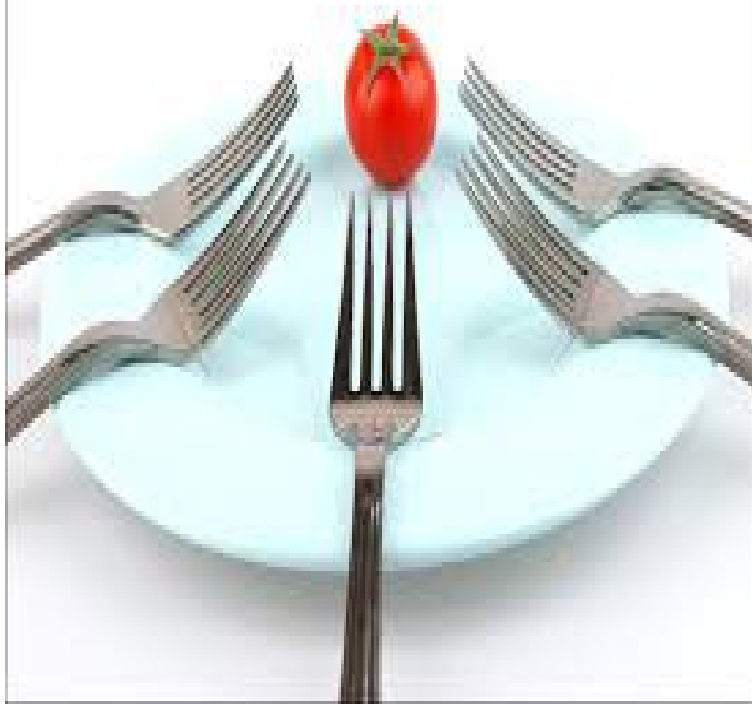
Demand and Consumer Behaviour

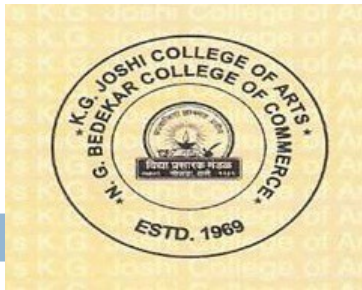




Scarcity and Production

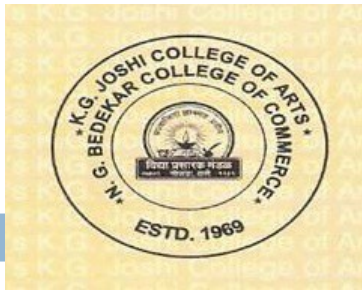
Scarcity Creates Demand



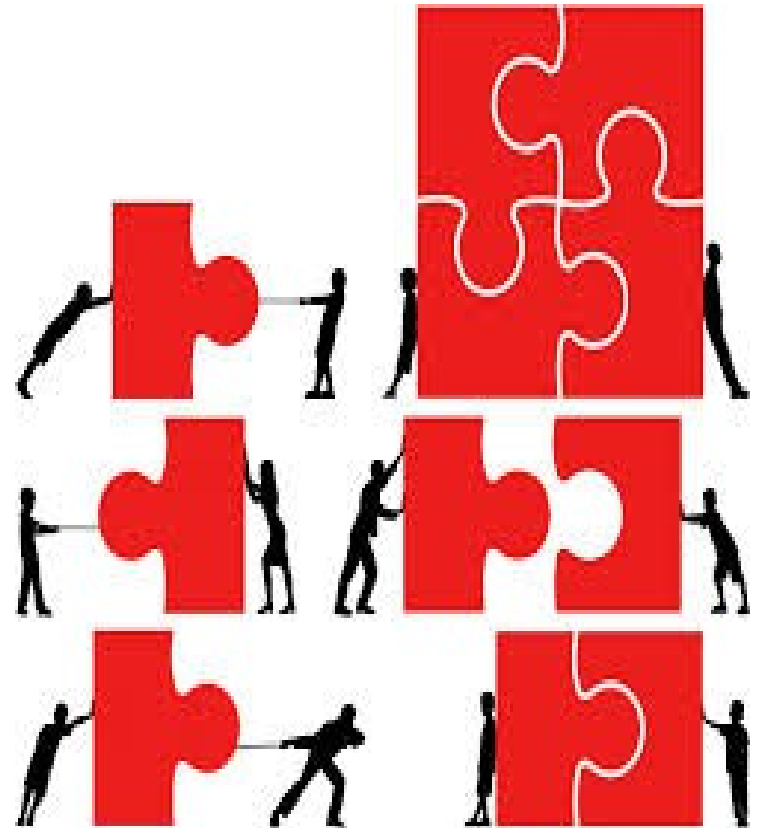


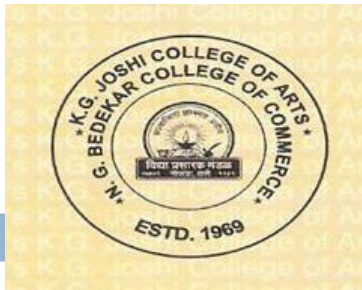
Production Decision





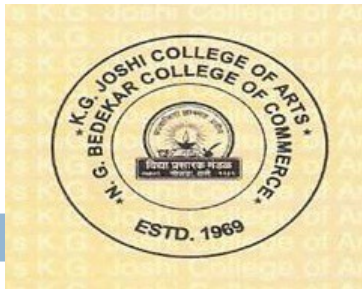
Production Decision...cont.





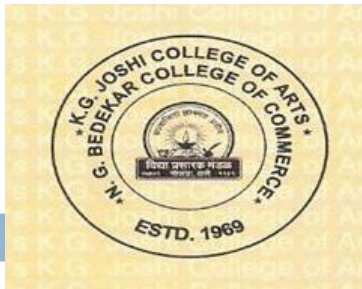
Production Costs





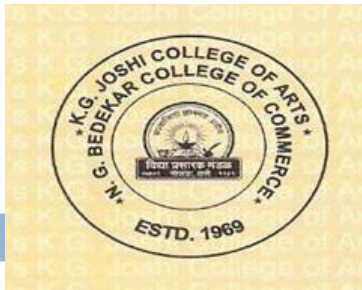
Price and Production





Profit





Markets Structure

Perfect
Competition

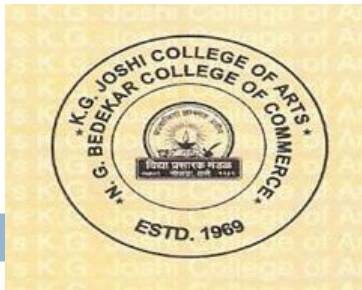
Imperfect
Competition

Monopoly

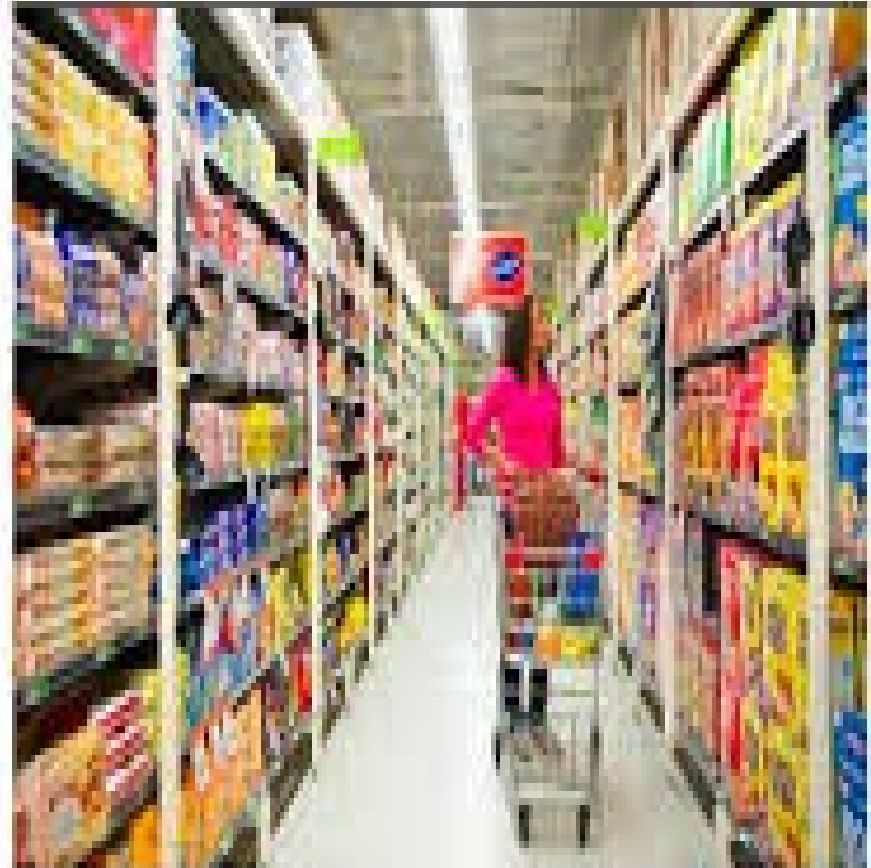
Duopoly

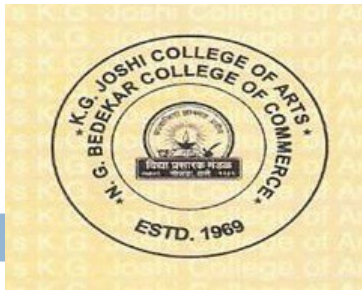
Oligopoly

Monopolistic Competition

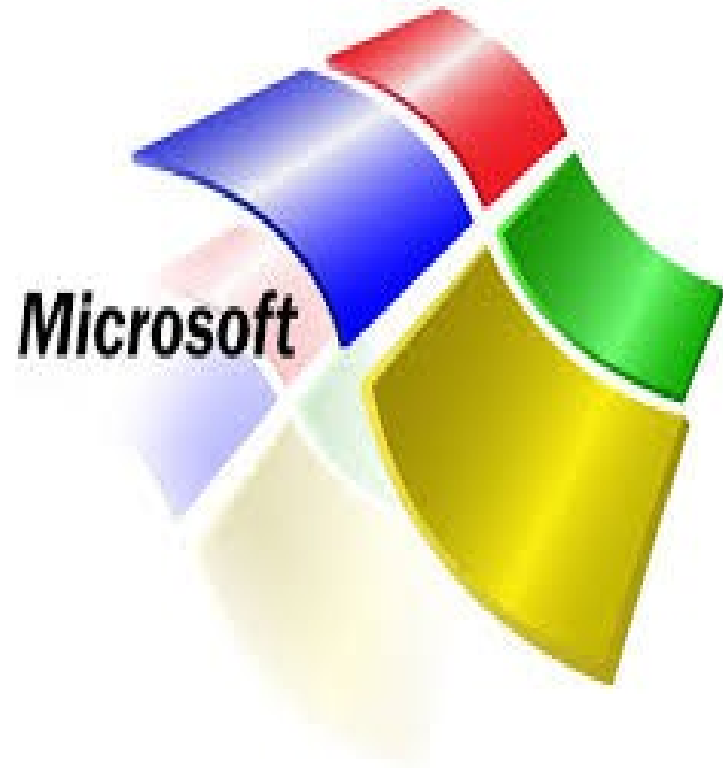


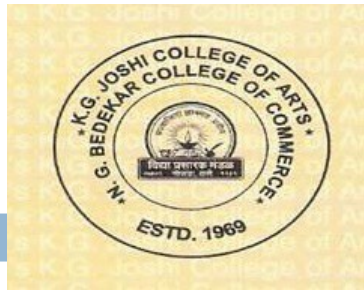
Perfect Competition





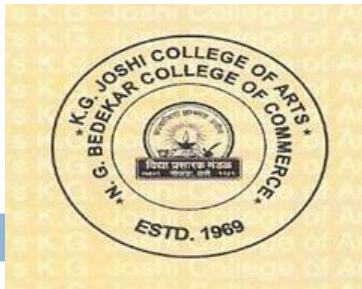
Monopoly Market





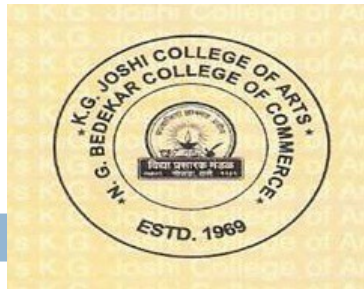
Duopoly Market





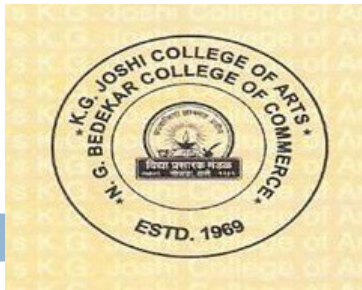
Oligopoly Market





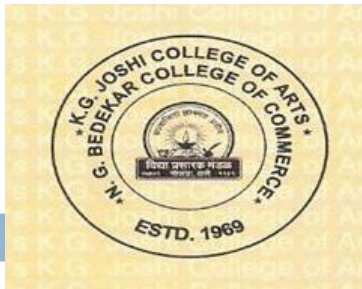
Oligopoly Market...cont.





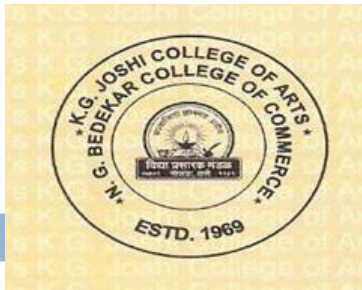
Monopolistic Competition





Monopolistic Competition..2





Price Discrimination



Doctor's Fee



Lawyer's Fee



Transport fare

Rail Fare
Bus Fare



Thanks !

