**Department of Computer Applications**

**Gist of Lectures as per syllabus**

**Session 2017-2018**

**PAPER BCA 204- MANAGERIAL ECONOMICS**

**Dr. Ajaz Ahmad**

**Associate Professor**

**HOD, Economics**

**TOPIC 1:**  **INTRODUCTION**

Economics seeks to solve the problem of scarcity, which is when human want exceeds the available supply. Managerial economics is applied economics in the sphere of business management. Purpose is to show how economic analysis can be used in formulating business policies.

There are two aspects of economics i.e. Micro economics and Macro economics. Micro economics deals with individual aspects of the economy and it includes individual consumer, individual producer etc. Macro economics deals with the economy as a whole such as study of unemployment, Inflation etc.

Economics is positive as well as normative science. Positive economics is that branch of economics that is objective and fact based. Normative economics is the art side of economics. Positive economics focuses on what is where as normative economics focuses on what ought to be.

Price mechanism means the system where the price is determined with the forces of demand and supply. Law of demand shows negative relationship between price and quantity demanded while elasticity of demand shows proportionate change in quantity demanded due to proportionate change in price. There are different degrees of elasticity of demand and elasticity of supply. There are different methods to calculate elasticity of demand. Such percentage method, total outlay method, arc method, point method etc.

**TOPIC 2:**  **CONSUMER BEHAVIOUR**

Wants satisfying power of a commodity is called utility. There are two approaches to study utility analysis, Cardinal Approach and Ordinal Approach.

Consumer equilibrium is the point where consumer gets maximum satisfaction from his given expenditure. Marshall says a consumer is in equilibrium when last unit utility (MU) obtained from different good is same. In maximization of utility consumer faces no. of constraints such as income, prices of commodities etc. Hicks explained consumer’s equilibrium with the help of indifference curve. But his condition is identical to Marshall. This is the reason that Hicks analysis is referred to as the old wine in new bottle.

Price effect measures how optimal combination changes when price changes. Price effect is sum of substitution effect and income effect. Demand Forecasting is the projection of Firm expected level of sales based on chosen marketing plan and environment.

**TOPIC 3:**  **PRODUCER BEHAVIOUR**

Costs are important in production and supply decision making by entrepreneurs. Every rupee increase in cost reduces the profit. There are various forms of cost such as TC, VC, FC, AC, AVC, AFC, MC etc.

The objective of the firm is to minimize the cost. A firm will choose a factor combination that minimizes the total cost of production. Producer is in equilibrium when cost is minimized or production is maximized.

**TOPIC 4:**  **MARKET**

Market is the mechanism by which buyers and sellers are brought together. The analysis of market structure is of great importance when studying micro economics. How the market will behave depending on the no. of buyers and sellers, its dimension, the existence entry and exit etc. will determine how equilibrium is achieved.

Market structures are Perfect Competition and Imperfect Competition. Imperfect competition. Imperfect competition includes monopoly, Duopoly, Oligopoly, monopolistic competition etc.

Perfect competition and monopoly are two extreme cases. In perfect competition there are very large no. of buyers and sellers while in monopoly there is single buyer in monopoly. Monopolistic competition is in between the two, having characteristics of both perfect market and monopoly. In perfect market firm is price taker while in monopoly firm in price maker.

**TOPIC 5:**  **INVESTMENT DECISION**

Investment decision plays a major role it is the overall financial performance, growth and survival of the business. Capital budgeting is the process by which a company determines whether protects are worth pursuing. It is the technique of evaluating big investment projects .It is the process of determining the validity of long run investment. The Payback period answers the question of how long does it take the project to payback its initial investment.