

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

Online Lecture Series

Topic: Introduction to Managerial Economics Lecture-03



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TOPICS TO BE COVERED



- INTRODUCTION TO ECONOMICS
- DEFINITION OF MANAGERIAL ECONOMICS

UNIT-I

INTRODUCTION TO MANAGERIAL ECONOMICS

Course Outcome

Knowledge on fundamentals of economics, estimating the demand for a product, capable of analyzing elasticity & forecasting methods



Evolution in the Definitions of Economics

- A. Wealth Definition (1776) Adam Smith
- B. Welfare Definition (1890) Alfred Marshall
- C. Scarcity Definition (1932) Lionel Robbins

Father of Economics



Adam Smith (1723-1790)
(1776*)



Alfred Marshall (1840-1924)
(1890*)



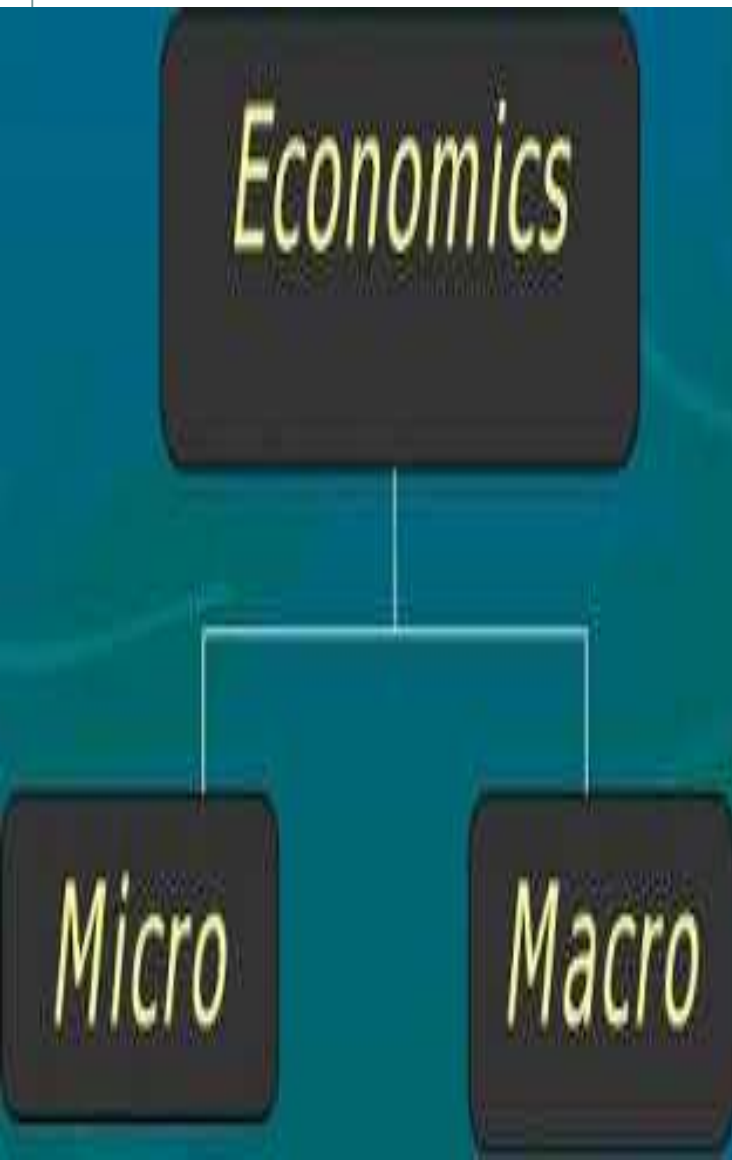
Lionel Robbins (1898-1984)
(1932*)

Classification of fields in Economic literature



- General Economics
- International Economics
- Financial Economics
- Macro Economics
- Labour and Demographic Economics
- **Micro Economics**
- Law and Economics
- Business Administration & Business Economics
- Economic systems
- Agricultural & Natural Resource Economics
- Miscellaneous

MACRO & MICRO ECONOMICS



MACRO



MICRO



Distinction Between Micro Economics and Macro Economics

Microeconomics

Individual markets

Effect on price of a good

Individual labour market

Individual consumer behaviour

Supply of good

Macroeconomics

Whole economy (GDP)

Inflation (general price level)

Employment/unemployment

Aggregate demand (AD)

Productive capacity of economy

DEFINITION OF MANAGERIAL ECONOMICS



Managerial Economics

“The integration of economic theory with business practice for the purpose of facilitating business decision making and forward planning by management”

-Spencer and Sieggleman

OTHER DEFINITIONS OF MANAGERIAL ECONOMICS

Definition

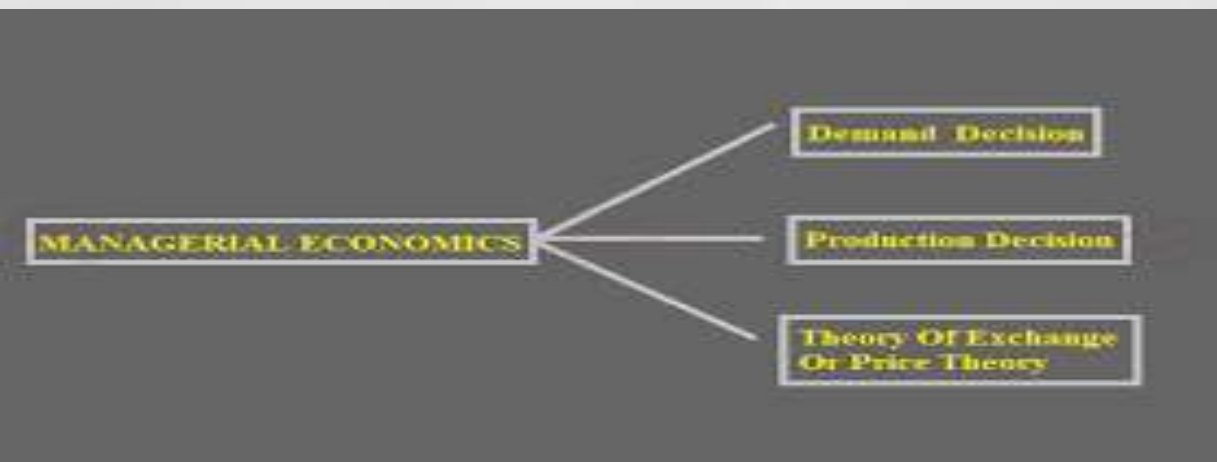
- According to McNair and Meriam, “Managerial economics is the use of economic modes of thought to analyze business situations.”
- According to Mansfield, “Managerial economics provides a link between economic theory and decision sciences in the analysis of managerial decision making?”
- Hague on the other hand, considers managerial economics as “a fundamental academic subject which seeks to understand and to analyze the problems of business decision-making.”
- According to Joel Dean, “The purpose of the Managerial Economics is to demonstrate how economic analysis can be used in the formulation of business policies.”
- In the words of T.J. Webster, “Managerial economics is the synthesis of microeconomic theory and quantitative methods to find optimal solutions to managerial decision-making problems?”

Managerial Economics



Importance of Managerial Economics

- Business Planning and Forecasting
- Analyze Cost and Production level
- Formulate pricing policies
- Manages profit
- Capital Management



Applications of Managerial Economics

Top Jobs for Economics Majors



Market Research Analyst



Economic Consultant



Compensation and Benefits Manager



Actuary



Credit Analyst



Financial Analyst

What can economists study?



- Anything that involves decision making
- Anything that involves choices and tradeoffs



What kind of skills do economists use?



- Critical thinking
- Mathematics
- Statistics
- Data acquisition & analysis
- Technical software
- Writing, reporting & communication

Then what?



- Economists try to provide information that will be useful for decision makers
 - What is the nature and magnitude of cause-and effect?
 - What are the costs and benefits of an action(or inaction)?
 - What is the best way to accomplish a particular goal?
 - Economists use theory, data, math and statistics to help solve real-world problems.



THANK YOU