

MANAGERIAL ECONOMICS

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CONTENTS

Introduction
Economic as a science
what is Managerial Economics
Nature of Managerial Economics
Scope of Managerial Economics
Role of Managerial Economist

MANAGERIAL ECONOMICS

According to the [Edwin Mansfield](#), “Managerial economics is concerned with the ways in which managers should make decisions in order to maximize the effectiveness or performance of the organizations they managers.”

INTRODUCTION

Managerial Economics in a general sense refers to the integration of economic theory with business practices. It is that branch of economics which serves as a link between abstract theory and managerial practices.

ECONOMIC AS A SCIENCE

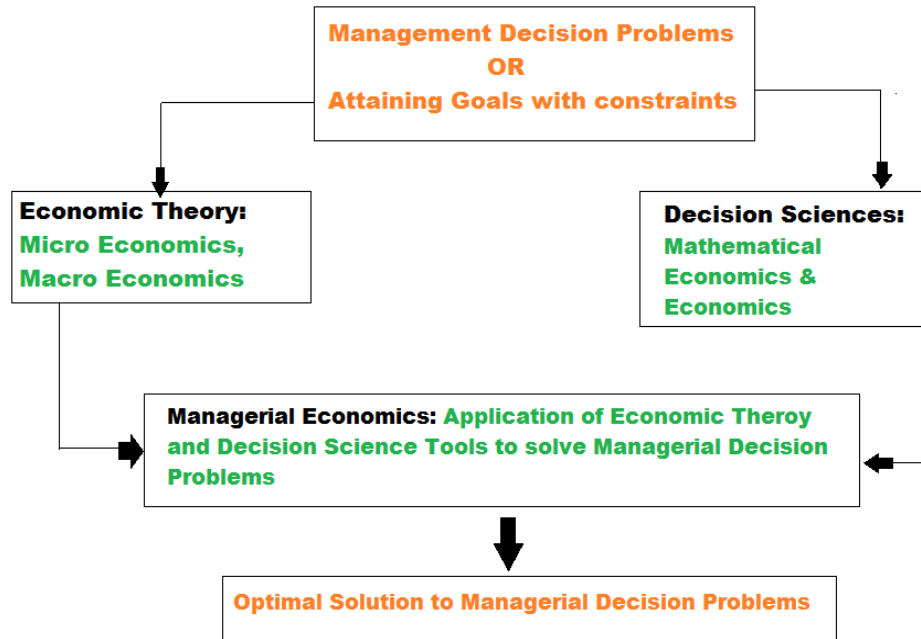
Economic as a Science is concerned with the problem of allocation of scarce resources among competing ends. These problems of allocation are regularly faced by the individuals, firms and business corporations. Economics provides the tools and concepts which explains the behavior pattern of economic variables such as demand, supply, price, competition, etc.

WHAT IS MANAGERIAL ECONOMICS?

Managerial economics is the science of directing scarce resources to manage cost effectively. It consists of three branches: competitive markets, market power, and imperfect markets. A market consists of buyers and sellers that communicate with each other for voluntary exchange.

NATURE OF MANAGERIAL ECONOMICS

THE NATURE OF MANAGERIAL ECONOMICS



SCOPE OF MANAGERIAL ECONOMICS

The scope of managerial economics is very wide as it involves the application of economic concepts and analysis to all the problems and areas of the manager and the firm. Managerial Economics deals with four problems in both decision-making and forward planning. These problems are:

1. Resources Allocation for optimal results
2. Inventory and queuing problem
3. Pricing Problems
4. Investment Problems

ECONOMICS DIFFER FROM ECONOMICS

Although managerial economics originates from economics yet there are variety of differences between the two.

The main points of differences are as under:

1. Whereas managerial economics involves application of economic principles to the problems of the firm, Economics deals with the body of the principles itself.
2. Where managerial economics is micro-economics in character, Economics is both macro-economic and micro-economic.

ROLE OF MANAGERIAL ECONOMIST

A managerial economist has been regarded as one of the most important executives of the company. This status is gaining an increasing importance in business in recent times. The primary function of a managerial economist are making decisions, organizing & processing information. These functions can take the following two general forms: