YESHWANTRAO CHAPHEKAR COLLEGE, PALGHAR

PRESENTATION

ON

CHAPTER- 1. INTRODUCTION TO BUSINESS ECONOMICS-I

PRESENTED BY:

PROF. RAMESH GUPTA

INTRODUCTION

- Economics studies how societies use their scarce resources to produce and distributes commodities to satisfy unlimited wants of its people.

- Goods and services have utility.

- Production requires resources.

- Resources are classified into Land, Labour, Capital and Enterprise.

Continued…

- Resources have alternative uses.

- Thus the problems of scarcity and choices becomes the basis of economic analysis.

- The subject matter of modern economics is generally divided into two parts : Microeconomics (Mikros)- Individual study, Household, firm etc and Macroeconomics (Makros)- National Income, Employment Level, etc.

The scope of Business Economics:

- **Market Demand and Supply** – (Market Price)

- **Production Analysis** – (Laws of variable proportion & Laws of return to scale)

- **Cost and Profit Analysis -** (opportunity cost implicit cost)

- **Market structures** – (Monopoly, Oligopoly, Perfect Competition and Monopolistic Competition)

CONTINUED…

- **Pricing** – (Firms revenue and Profit)

- **Objectives of the firm** – (BEP, Profit Maximising, Sales max, etc).

- **Forecasts and Business Policy** - Economic, political environment, Govt policies, National Income changes, Population changes, Business cycles all affects firm's decisions.

- **Project Planning** – Pay-back period, NPV, Internal Rate of Return.

OPPORTUNITY COST:

- Suppose you have a couple of hours at your disposal , you might want to use this time to watch TV, chatting with friends and help a social service organisation.

- Let us assume you feel that helping out at the social service organisation would be the best way to spend your time, then **the opportunity cost would be the next best alternative that you have sacrificed**, let’s say chatting with friends.

- You have to forego another activity.

- This forgoing is opportunity cost of doing the activity you choose.

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MARGINAL COST:

- Marginal means **additional or extra.**
- We need to understand that some variables are independent (output level) and some are dependent (TC).
- As output level increases, so will total cost.
- This change in total cost is measured by **Marginal Cost.**

CONTINUED…

- Base of Economic decision making
- Decisions at margin
- Optimum use of resources
- Ratio of change in dependent variable to the independent variable. MC=Change in TC/Change in Q
- MR=Change in TR/Change in Q
- Incrementalsim (Additional production in batches)

FUNCTIONAL RELATIONS AND TOOLS FOR ECONOMIC ANALYSIS

- VARIABLES – Variables are price, profit, revenue, cost, investment. It all has different values, it is represented by a symbol. Eg – **Price** may be represented by **P**, **Cost** by **C** and so on.
- FUNCTIONS – Explain relationship between two variables.
- Between consumption and disposable income. C=f(Y) and Q=f (P).

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Continued…

- **Schedule-** List of question to varify rules and theory.
- **Equations** – use to varify rules and theory
- **Graphs** – Inverse (curve downward slope)
- **Economic Data** – to test the relevance of a specific prediction of theories and models.

THANK YOU

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