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# **INTRODUCTION TO MANAGERIAL ECONOMICS**

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# An Introduction

- “Economics is the art of making the most of life”  
GB Shaw
- Economics is the study of how society manages scarce resources
- Economics is the study about how people make decisions: How much they work, what they buy, how much they save, how they invest their savings.



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# How People Make Decisions

- People Face trade offs
- The cost of something is what one gives up to get in
- Rational people think at the margin
- People respond to incentives



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# Emergence of Managerial Economics

- Growing complexity of business decision making process due to changing market conditions and business environment
- The increasing use of economic logic, conceptual theories and tools of economic analysis in the process of business decision making process
- Rapid increase in demand for professionally trained managerial manpower



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# What is Managerial Economics

“Managerial Economics refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its objectives most effectively” **Salvatore**



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# How Managerial Economics Helps

It deals with firms more specifically

- With the environment in which the firms will operate
- The decisions that the Managers take
- The effects of such decisions on themselves and on the stakeholders (Customers, competitors, employees and the society)



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# What we will Gain?

- This course will provide an understanding about the theories that future Managers will need-
  
- Demand Analysis
- Cost Analysis
- Pricing Practices and Policies
- Analysis of Business Environment
- Management of Externalities



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# Happy Learning

