



THIRUTHANGAL NADAR COLLEGE

(Belongs to the Chennaivazh Thiruthangal Hindu Nadar Uravinmurai Dharma Fund)

Selavayal, Chennai-51.

A Self-Financing Co-educational College of Arts & Science

Affiliated to the University of Madras

Accredited with 'B' Grade by NAAC

An ISO 9001: 2015 Certified Institution

NAME OF THE DEPARTMENT: B.COM (CA)

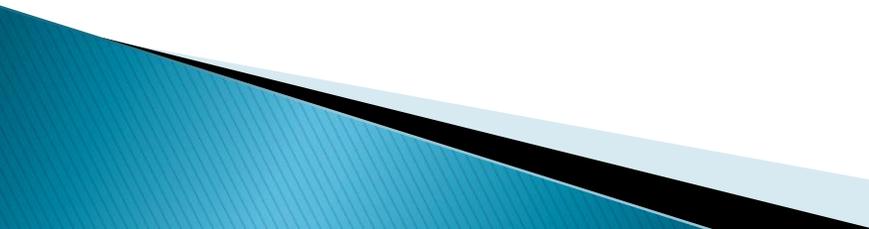
SUBJECT : BUSINESS ECONOMICS

TOPIC : MEANING, NATURE AND SCOPE OF BUSINESS

ECONOMICS

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Business Economics– Meaning

- ▶ Business Economics, also called Managerial Economics, is the application of economic theory and methodology to business.
 - ▶ Business involves decision-making.
 - ▶ Decision making means the process of selecting one out of two or more alternative courses of action
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Nature of Business Economics

- ▶ Traditional economic theory has developed along two lines; viz., normative and positive.
 - ▶ Normative focuses on prescriptive statements, and help establish rules aimed at attaining the specified goals of business.
 - ▶ Positive, on the other hand, focuses on description it aims at describing the manner in which the economic system operates without staffing how they should operate. The emphasis in business economics is on normative theory.
 - ▶ Business economic seeks to establish rules which help business firms attain their goals, which indeed is also the essence of the word normative. However, if the firms are to establish valid decision rules, they must thoroughly understand their environment. This requires the study of positive or descriptive theory. Thus, Business economics combines the essentials of the normative and positive economic theory, the emphasis being more on the former than the latter.
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Scope of Business Economics

- ▶ : As regards the scope of business economics, no uniformity of views exists among various authors. However, the following aspects are said to generally fall under business economics.
- ▶ 1. Demand Analysis and Forecasting
- ▶ 2. Cost and production Analysis.
- ▶ 3. Pricing Decisions, policies and practices.
- ▶ 4. Profit Management.
- ▶ 5. Capital Management.
- ▶ These various aspects are also considered to be comprising the subject matter of business economics.

Objectives and Uses (importance) of managerial Economics

- To integrate economic theory with business practice.
 - To apply economic concepts and principles to solve business problems.
 - To allocate the scarce resources in the optimal manner.
 - To make all-round development of a firm.
 - To minimize risk and uncertainty
 - To help in demand and sales forecasting.
 - To help in profit maximization.
 - To help to achieve the other objectives of the firm like industry leadership, expansion implementation of policies etc...
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Functions and Responsibilities of managerial economist

1. Sales forecasting.
 2. Market research.
 3. Production scheduling
 4. Economic analysis of competing industry.
 5. Investment appraisal.
 6. Security management analysis.
 7. Advise on foreign exchange management.
 8. Advice on trade.
 9. Environmental forecasting.
 10. Economic analysis of agriculture Sales forecasting
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