MUTHAYAMMAL ENGINEERING COLLEGE

(An Autonomous Institution)

(Approved by AICTE, New Delhi, Accredited by NAAC & Affiliated to Anna University)
Rasipuram - 637 408, Namakkal Dist., Tamil Nadu.

MUST KNOW CONCEPTS

MKC

MBA **2020-21**

Course Code & Course Name : 19MBA03 MANAGERIAL ECONOMICS

Year/Sem/Sec : I/I/-

S.No.	Term	Notation (Symbol)	Concept / Definition / Meaning / Units / Equation / Expression	Units
			Unit-I : INTRODUCTION	
1.	Economics		The branch of knowledge concerned with the production, consumption, and transfer of wealth.	I
2.	Micro Economics		The branch of economics that studies the behaviour of individuals and firms in making decisions regarding the allocation of scarce resources	I
3.	Macro Economics		It is a branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole.	I
4.	Demand		It is the quantity of a good that consumers are willing and able to purchase at various prices during a given period of time.	I
5.	Supply		The total amount of a product (good or service) available for purchase at any specified price.	I
6.	Elasticity		It is the measurement of the proportional change of an economic variable in response to a change in another.	I
7.	Demand Forecasting		It provides an estimate of the amount of goods and services that its customers will purchase in the future.	I

8.	Delphi Method		It is a forecasting process framework based on the results of multiple rounds of questionnaires sent to a panel of experts	I
9.	Survey Method		It is the technique of gathering data by asking questions to people who are thought to have desired information.	I
10.	Statistical Method		It comprises the rules and procedures for collecting, describing, analysing and interpreting quantitative and qualitative data	I
11.	Scope of Economics		• Demand Analysis and Forecasting. • Cost and Production Analysis. • Pricing Decisions, Policies and Practices. • Profit Management.	I
12.	Types of economics		• Liberal Managerialism • Normative Managerialism • Radical Managerialism • Art and Science • Micro Economics • Uses Macro Economics • Multi-disciplinary • Prescriptive / Normative Discipline	I
13.	Significance of economics		1.Business Planning 2.Cost Control 3.Determination 4.Business Prediction 5.Profit Planning And Control	I
14.	Nature of economics		1.Art and Science 2.Management oriented 3.Multi-disciplinary 4.Close to Micro Economics 5.Uses Macro Economics	I

15.	Role of responsibility of managerial economics		• Role of Business Economics • Social Responsibility of Business • Analyses operations of business • Demand forecasting and estimation • Production planning • Maintaining better relations	I
16.	Law of demand		The law of demand states that the quantity demanded of a good shows an inverse relationship with the price of a good when other factors are held constant	I
17.	Factors determining demand		1. Tastes and Preferences of the Consumers 2. Income of the People 3. Changes in Prices of the Related Goods 4. Advertisement Expenditure	I
18.	Elasticity of demand		Elasticity of Demand, on the other hand, specifically measures the effect of change in an economic variable on the quantity demanded of a product.	I
19.	Price elasticity of demand		Price elasticity of demand (PED) shows the relationship between price and quantity demanded and provides a precise calculation of the effect of a change in price on quantity demanded.	I
20.	Income elasticity of demand		Income elasticity of demand measures the relationship between the consumer's income and the demand for a certain good. It may be positive or negative, or even non-responsive for a certain product	I
21.	Cross elasticity of demand		Cross elasticity of demand refers to an economic concept that usually measures the responsiveness in the demanded quantity of one good when	I

			the price of another product changes.	
22.	Demand forecasting		It is a technique for estimation of probable demand for a product or services in the future. It is based on the analysis of past demand for that product or service in the present market condition	I
23.	Factors affecting demand forecasting		1.Seasonality 2.Competition 3. Geography 4. Types of Goods	I
24.	Law of supply		The law of supply is a basic principle in economics that asserts that, assuming all else being constant, an increase in the price of goods will result in a corresponding direct increase in the supply thereof.	I
25.	Factors determining supply		Price of the given Commodity Prices of Other Goods: Prices of Factors of Production	I
Unit-II : COST ANALYSIS				
26.	Private Cost		Costs that are incurred by the individuals and firms who are directly involved in some economic activity.	II
27.	The Explicit cost		The cost actually incurred by the firm for making all the physical payments and the contractual obligations	II
28.	Short Run		It expresses the idea that an economy behaves differently depending on the length of time it has to react to certain stimuli.	II

29.	Long Run		The long run is a period of time in which all factors of production and costs are variable.	II
30.	Marginal cost		It is the change in the total cost that arises when the quantity produced is incremented by one unit	II
31.	Economies of scale		The cost advantages that enterprises obtain due to their scale of operation with cost per unit of output decreasing with increasing scale.	II
32.	Diseconomies of scale		They are the features that lead to an increase in average costs as a business grows beyond a certain size.	II
33.	Internal Economics		They are those economies in production which occur to the firm itself when it expands its output.	II
34.	External Economics		It occurs outside of an individual company but within the same industry.	II
35.	Small scale production		Small scale units buy raw materials and other components in small quantities.	II
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44.	External Economics		It occurs outside of an individual company but within the same industry.	II
45.	Small scale production		Small scale units buy raw materials and other components in small quantities.	II
46.	Cost		It refers to the amount of payment made to acquire any goods and services.	II
47.	Cost function		The cost function measures the minimum cost of producing a given level of output for some fixed factor prices.	II
48.	Types of internal economics		• Administrative or Managerial Economies. • Technical Economies. • Marketing Economies or Commercial Economies. • Indivisibility. • Financial Economies.	II
49.	Diseconomics of large scale production		Diseconomies of scale happen when a company or business grows so large that the costs per unit increase.	II
50.	Small and large scale production		Small scale production is production with small capital outlay and therefore at a low level of output. On the other hand large scale production is production with a large scale outlay and therefore results in high level of output.	II
Unit-III : MARKET STRUCTURE				
51.	Market Structure		Describes the nature of competition and the pricing policy followed in the	III

			market.	
52.	Perfect Competition		It describes a market structure where competition is at its greatest possible level(Large no of buyer & seller).	III
53.	Imperfect Competition		It exists in a competitive market, but where some of its features or sectors are not truly completely competitive.	III
54.	Monopoly		A market structure characterized by a single seller, selling a unique product in the market.	III
55.	Duopoly		It is a situation where two companies own all, or nearly all, of the market for a given product or service.	III
56.	Firm		It is a commercial enterprise, a company that buys and sells products and/or services to consumers with the aim of making a profit.	III
57.	Price discrimination		It is a selling strategy that charges customers different prices for the same product or service based on what the seller thinks	III
58.	Oligopoly		It is a market structure with a small number of firms	III
59.	Equilibrium		It is a situation in which economic forces such as supply and demand are balanced.	III
60.	Monopolistic Competition		Many producers sell products that are differentiated from one another.	III
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68.	Oligopoly		It is a market structure with a small number of firms	III
69.	Equilibrium		It is a situation in which economic forces such as supply and demand are balanced.	III
70.	Pricing		Pricing is the process whereby a business sets the price at which it will sell its products and services.	III
71.	Characteristics of market structure		Market structure refers to structural variables such as number of firms, barriers to entry and exit, product differentiation, etc.	III
72.	Comparison of different market conditions		There are four basic types of market structures: perfect competition, imperfect competition, oligopoly, and monopoly.	III
73.	Examples of market conditions		cost of living, demographics, supply and demand, mortgage rates	III
74.	Market dynamics		Market dynamics are forces that will impact prices and the behaviors of producers and consumers.	III
75.	Local market conditions		Local market conditions means certain relevant and material conditions, criteria, data, and facts, beyond the control or influence of a new motor vehicle dealer	III

Unit-IV : CONSUMER BEHAVIOUR				
76.	Consumption		The use of goods and services by households	IV
77.	Human- Wants		All the desires and aspirations and motives of humans are known as human wants in economics.	IV
78.	Utility		It refers to the total satisfaction received from consuming a good or service.	IV
79.	Marginal Utility		It determines how much of an item consumers are willing to purchase	IV
80.	Necessaries		They are those goods of consumption without which a man cannot live or exist.	IV
81.	Comforts		The goods which make our lives comfortable.	IV
82.	Luxuries		It is an Expensive thing which used to display one’s wealth & power.	IV
83.	Total Utility		Total benefit obtained by person from consuming goods and services.	IV
84.	Form Utility		Utility created by changing form (or)shape of the materials.	IV
85.	Place Utility		It refers to the utility created for the product by the virtue of its location.	IV
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89.	Marginal Utility		It determines how much of an item consumers are willing to purchase	IV
90.	Law of diminishing		The law of diminishing marginal utility states that all else equal, as	IV

	marginal utility		consumption increases, the marginal utility derived from each additional unit declines.	
91.	Price		The amount of money that has to be paid to acquire a given product.	IV
92.	Law of Equi marginal utility		The law states that a consumer should spend his limited income on different commodities in such a way that the last rupee spent on each commodity yield him equal marginal utility in order to get maximum satisfaction.	IV
93.	Importance of law of equi-marginal utility		When a product is scarce, the law of substitution comes to our assistance. Concept has an important influence on price determination.	IV
94.	Characteristics of human wants		• Human wants are unlimited • A particular want is satiable • Wants are recurring • Wants are complementary	IV
95.	Time utility		When a farmer stores his wheat after harvesting for a few months and sells it when its price rises, he has created time utility and added to the value of wheat.	IV
96.	Service Utility		When doctors, teachers, lawyers, engineers, etc. satisfy human wants through their services, they create service utility.	IV
97.	Possession Utility		Utility is also added by changing the possession of a commodity. A book on economic theory has little utility for a layman.	IV
98.	Knowledge Utility		When the utility of a commodity increases with the increase in knowledge about its use, it is the creation of knowledge utility through propaganda, advertisement, etc.	IV
99.	Natural Utility		All free goods such as water, air, sunshine, etc., possess natural utility. They have the capacity to satisfy our	IV

			wants.	
100.	Characterisitics of utility		• Utility and Usefulness • Utility and Satisfaction • Utility and Pleasure • Utility is Subjective • Utility is Relative • Utility is Abstract	IV
Unit-V : NATIONAL INCOME				
101.	National Income/ Dividend		It means the value of goods and services produced by a country during a financial year..	V
102.	GNP[Gross National Product]		GNP is the value of all finished goods and services produced in a country in one year by its nationals.	V
103.	NNP[Net National Product]		NNP is a measure of how much a country can consume in a given period.	V
104.	Product/ Value added method		It measures the contribution of each producing unit in the domestic economy avoiding any possibility of double counting	V
105.	Income method		It measures national income from the side of payments made to the primary factors of production in the form of rent, wages, interest and profit for their productive services in an accounting year.	V
106.	Expenditure Method		Measures as a flow of expenditure and sum of total private consumption expenditure.	V
107.	Foreign investment		When a company or individual from one nation invests in assets or ownership stakes of a company based in another nation.	V
108.	Accumulated Depreciation		It is the total amount of a plant asset's cost that has been allocated to depreciation expense since the asset was put into service.	V
109.	Declining balance		It is an accelerated depreciation method that records larger	V

	method		depreciation expenses during the earlier years of an asset's useful life, and smaller ones in later years.	
110.	Net investment		It is the amount spent by a company or an economy on capital assets, or gross investment, less depreciation.	V
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		General Questions		
126.	What Is Managerial Economics?		Economics is a social science, which studies human behavior in relation to optimizing allocation of available resources to achieve the given ends.	
127.	What do you mean by Capital Expenditure?		All expenditure which results in the acquisition of fixed assets and other development projects, the benefits of which are expected to be received beyond one year in the future is capital expenditure.	
128.	What are the types of Capital Expenditure?		Profit earning projects, Replacement Projects, Expansion Projects, Non-profit projects	
129.	How Classes of Companies are Classified?		Chartered company, Statutory company, Registered company, Companies with unlimited liability,	

			Companies with liability limited by guarantee, Companies with liability limited by shares, Private Company, Public Company,	
130.	What are the Privileges of a Private Company?		Because of advantages of limited liability, privacy in business and simplicity in formation many people prefer to start private companies rather than public companies.	
131.	What are the types of Partnership Organization?		General Partnership, Limited Partnership	
132.	How public undertaking has progressed in India?		By passing the Industrial Policy Resolutions of 1948 and 1956 and Industries Act of 1951, the State's sphere in the industrial field increased significantly.	
133.	What are the advantages and disadvantages of Net Present Value Method (NPV)?		It recognizes time value of money and considers cash flows over a period of several years. It is based on cash inflows rather than accounting profit; it helps in better analyses of wealth of the shareholders.	
134.	How is Journal Classified?		General, Special	
135.	What are the benefits and limitations of Internal Rate of Return (IRR) Method?		It takes into account time value of money and is based on cash flows and not accounting profits. It aims at maximizing profits, hence helps in selecting that proposal which is expected to earn more than the minimum rate of return.	
136.	What are the types of Financial Analysis?		• External Analysis • Internal Analysis • Horizontal Analysis • Vertical Analysis • Ratio Analysis	
137.	What are the merits		It is simple to understand and easy to	

	and demerits of Payback Period?		compute. It is cost effective as compared to other methods. It ignores cash inflows after the payback period, which may result in incorrect selection of project and does not consider the life time of the asset.	
138.	What are the merits and demerits of Rate of Return Method (ARR) Method?		It is very simple and easy to operate. It takes the entire earnings of the project in calculating rate of return, hence gives better view of profitability unlike PBP. It ignores the period in which the profits are earned.	
139.	What Does Perfect Competition Mean?		Perfect opposition is basically an monetary model that enables to explain a hypothetical marketplace form. In this shape the producer or the customer does have any type of marketplace authority for you to make modifications in charges.	
140.	What Is A Demand Forecast?		A call for forecast is the prediction of what is going to manifest in your enterprise's existing product sales. It would be great to determine the call for forecast the usage of a multi-useful method.	
141.	What Is Equilibrium Of The Firm And Industry ?		Firm is an company that buys and hires assets and sells goods and services	
142.	Explain Factors Influencing Managerial Decision ?		Critical managerial decision making is the key to superior performance at work. One has to consult crucial Data, beyond data and overall performance metrics and evaluation earlier than making decisions.	
143.	How Will You Arrive At A Business Decision?		Managerial Decisions/ Decision Analysis is the Process of selecting the satisfactory out of alternative possibilities, open to the firm.	
144.	What Are Firms?		Firm is an enterprise owned with the aid of one or collectively by way of a few or many human beings, engaged	

			in a productive pastime, with a particular aim.	
145.	What Are The Factors Of Production?		• Land. • Labor • Capital.	
146.	What Are The Main Techniques Of Demand Estimation?		Survey Method Statistical Method.	
147.	What Is The Significance Of Foreign Exchange Rate Risk		Foreign alternate risk is also known as hedging. Those individuals who are threat averse follow this sort of transaction to store company from sudden loses.	
148.	What Is Pricing Of Factors Of Production?		Whenever we've touched at the pricing of productive elements, we have signified the expenses of their unit offerings, i.E., their rents.	
149.	What Are The Types Of Market Economies?		Free Market, Mixed Market, Command and Traditional Economy.	
150.	Why Does An Indifference Curve Never Meet?		No indifference curve can intersect because all factors on indifference curve are ranked similarly favored and ranked either or less extra preferred than every different factor at the curve.	

Faculty Team Prepared **Signatures**

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