SECOND YEAR B. B. A.
Paper- 7 MANAGERIAL ECONOMICS
(Effective from June 1999)

1. Nature and Scope of Managerial Economics : **12%**

1. Definition of Managerial Economics.
2. Nature of Managerial Economics.
3. Economics-Economic Analysis : Forms and fallacies.
   - The fallacy of Composition.
   - Post hoc, Propter hoc.
   - The fallacy in Syllogism.
   - Probabilistic vs deterministic inferences.
   - Black or Write or Gray fallacies.
   - Wishing it were so.
4. Business Decisions : types.
   - Intuitive and Analysis.
   - Strategic and Tactical decisions,
   - Decisions under different degree of certainty / uncertainty.
5. Forward Planning :
6. Relationship between Managerial Economics to :
   - Economics.
   - Decision making.
   - Business Administration.
   - Scope of Managerial Economics.

2. Types of Demand : **8%**

1. Demand for Consumer's goods and Producer's goods.
2. Demand for Perishable goods and Durable goods.
3. Autonomous demand and Derived demand.
4. Firm and Industry Demand-Market share.
5. Demand by market segment and by total market.
6. Time characteristics of demand.

3. Elasticity of Demand : **12%**

1. Price elasticity, income elasticity, Cross elasticity, Advertisement elasticity, elasticity of substitution their measurement (Point and arc methods) and importance in business decisions.
2. The Sociology-psychological analysis of demand- a critique of the conventional demand theory.
3. Demand and Revenue relationship.

4. Demand Forecasting : **12%**

1. Demand forecasting-meaning and its Significance.
2. Objectives of short run and long run demand forecasting.
3. Forecasting Methods.
   (a) Survey Methods :
   (b) 1. Experts' opinion i.e. simple and Delphi.
   2. Consumer interaction :
   - Complete enumeration.
   - Sample survey.
   - end use method.

   (c) Statistical Methods :
   - Trend analysis (graphical).
   - Auto-regression method.
   - Simple Regression Analysis with example.
   - Simultaneous Equation.
   - Input-output methods.
4. Choosing right forecasting technique.
5. Criateria of good forecasting technique.

5. Production Analysis : **10%**

1. Production and Production function-cobb Douglas-Production function.
2. Iso-quants; Properties of Iso-quants :

- The Principle of Marginal Rate of Technical Substitution.
- Iso-cost line.
- Least Cost input combination.
- Maximum input-Output combination.
- Maximum profit input combination.
- Factors price effect (output effect technical substitution effect).
- Expansion path.
- Explanation of law of variable proportion and return to scale with Iso-quanta Iso analysis.
- Simple example.

6. Nature of Profit : 6%

What is profit ? Profit Theories, Functions of Profit, Accounting profit and economic profit (without example).

7. Cost concepts and Relationships : 8%

1. Cost Concepts : Accounting cost and Economics Cost-opportunity cost and Actual cost-Incremental cost and Sunk cost-fixed and variable cost.
2. Total cost, Average cost, Marginal cost, Average fixed cost. Average variable cost-their relationships U-shape of short run Average cost curve- Long run average cost curve. (Saucer shape and L-shape).
3. Estimation of cost function :

- Engineering method.
- Survivorship method.
- Statistical method.
- Managerial uses of Estimated cost function i.e. optimum scale, optimum output and determination of supply.

8. Break Even Analysis : 6%

Concept - Break even chart- Assumptions - uses and limitations.

9. Market Structure : 20%

1. Concepts of total Revenue, Average Revenue, Marginal Revenue and their relationship.
2. Perfect Competition - Monopoly - Duopoly - Monopolistic Competition - Oligopoly.
3. Government intervention and pricing - Types - reasons - Consequences of Government interventions.

10. Cost - Benefit Analysis : 6%

Meaning of Cost - Benefit analysis method of evaluation Limitation of cost benefit analysis uses of cost benefit analysis.

Note : The Committee recommends to arrange guest talks for orientation on the following topics :

1. Demand forecasting.
2. Production Analysis.
3. Linear Programming.
4. Cost- benefit Analysis.