

COMMERCE

Dear Students of M.Com (Part 1)

Hope you all are fine and staying at home.

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For the purpose of preparation of Annual Examination of 2020, I am sending you some valuable information. Kindly go through them.

### **Paper 3 – Managerial Economics and Business Environment**

Paper III is divided into two groups, i.e., Group A and Group B. Group A is Managerial Economics and Group B is Business Environment.

In Group A, Managerial Economics can be defined as amalgamation of economic theory with business practices so as to ease decision-making and future planning by management.

Managerial Economics assists the managers of a firm in a rational solution of obstacles faced in the firm's activities. It makes use of economic theory and concepts. It helps in formulating logical managerial decisions. The key of Managerial Economics is the micro-economic theory of the firm. It lessens the gap between economics in theory and economics in practice. Managerial Economics is a science dealing with effective use of scarce resources. It guides the managers in taking decisions relating to the firm's customers, competitors, suppliers as well as relating to the internal functioning of a firm. It makes use of statistical and analytical tools to assess economic theories in solving practical business problems.

Scope of Managerial Economics: Managerial Economics deals with allocating the scarce resources in a manner that minimizes the cost. As we have already discussed, Managerial Economics is different from microeconomics and macro-economics. Managerial Economics has a more narrow scope - it is actually solving managerial issues using micro-economics. Wherever there are scarce resources, managerial economics ensures that managers make effective and

efficient decisions concerning customers, suppliers, competitors as well as within an organization. The fact of scarcity of resources gives rise to three fundamental questions-

- a. What to produce?
- b. How to produce?
- c. For whom to produce?

Nature of Managerial Economics: Managers study managerial economics because it gives them insight to reign the functioning of the organization. If manager uses the principles applicable to economic behaviour in a reasonably, then it will result in smooth functioning of the organisation.

#### **Characteristics of Managerial Economics:**

(i) It studies the problems and principles of an individual business firm or an individual industry. It aids the management in forecasting and evaluating the trends of the market.

(ii) It is concerned with varied corrective measures that a management undertakes under various circumstances. It deals with goal determination, goal development and achievement of these goals. Future planning, policy making, decision making and optimal utilization of available resources, come under the banner of managerial economics.

(iii) Managerial economics is pragmatic. In pure microeconomic theory, analysis is performed, based on certain exceptions, which are far from reality. However, in managerial economics, managerial issues are resolved daily and difficult issues of economic theory are kept at bay.

(iv) Managerial economics employs economic concepts and principles, which are known as the theory of Firm or 'Economics of the Firm'. Thus, its scope is narrower than that of pure economic theory.

(v) Managerial economics incorporates certain aspects of macroeconomic theory. These are essential to comprehending the circumstances and environments that envelop the working

conditions of an individual firm or an industry. Knowledge of macroeconomic issues such as business cycles, taxation policies, industrial policy of the government, price and distribution policies, wage policies and antimonopoly policies and so on, is integral to the successful functioning of a business enterprise.

(vi) Managerial economics aims at supporting the management in taking corrective decisions and charting plans and policies for future.

You should read, what is the meaning of Managerial Economics, its definition, what is the nature and scope of managerial economics and its characteristics.

The second topic that you can consult is Demand, the meaning of demand, demand schedule, demand curve, the elasticity of demand, kinds of demand, law of demand and what are its exception and various methods of measuring elasticity.

The other topic is Price, price determination and the next theories of profit, risk and uncertainty of bearing theory of profit. Critically examine the demand and supply theory of profit, demand forecasting.

Group B is Business Environment. Business Environment means a collection of all individuals, entities and other factors, which may or may not be under the control of the organisation, but can affect its performance, profitability, growth and even survival. Every business organisation operates in a distinctive environment, as it cannot exist in isolation. Such an environment influence business and also gets affected by its activities.

Major features:

1. **Dynamic:** The environment in which the business operates changes continuously because there is a wide variety of factors that exist in the environment, causing it to change its shape and character.

2. **Complex:** There are many forces, events and conditions that constitute business environment, arising from various sources. So, it is a bit difficult to understand the relative influence of a particular factor, on the operation of the organisation.
3. **Uncertain:** Uncertainty is an inherent characteristic of the business environment because no one can predict what is going to happen in future.
4. **Multi-faceted:** A single change in the business environment, can be viewed differently by different observers because their perceptions vary.
5. **Far-reaching Impact:** The survival, growth and profitability, of a business enterprise, depends largely on the environment in which it exists. A small change in the environment has a far-reaching impact on the organisation in different ways.
6. **Relative:** The notion of a business environment is relative since it varies from one location to another.

You must go through what is Business environment, its meaning, definition and concept of its nature and importance. Next you must read liberalization policy on India's foreign investment and foreign trade and next you must be clear regarding disinvestment in Indian context, its merits and demerits. The other important concept is privatization and what are its concept, merits and demerits and lastly you should also focus on economic reforms.

Rest e-contents would also be given soon.

**Stay Home, Stay Safe**

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