

Class: M.Com IVth Semester

Subject : Managerial Economics

Topic : Nature and Scope of Managerial Economics

Dr. Hemant Yadav

Date:03/05/2020

Q. Define Managerial Economics. How does it differ from Traditional Economics and discuss the nature and scope of Managerial Economics?

Ans.: **Meaning Of Managerial Economics :**

Managerial Economics is the applied branch of traditional economics , This branch of economics is also called as 'Business Economic', 'Economic Analysis for Business Decision', 'Economics of the Firm', 'Theory of the Firm', 'Science of Management', 'Art of Decision Making', 'Managerial Analysis' etc. this helps a firm in decision making and forward planning. In brief, the application of economic theory to business management is called as 'Managerial Economics'. In other words the practical application of economic theory in solving the problems of a business firm is called Managerial Economics. For example , the concepts relating to Demand , Price, Competition etc. theoretically analysed in traditional economics.

Definitions Of Managerial Economics :

“ Business Economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by business management .”_ **Spencer and Siegelman**

“Managerial Economics is a study of the behavior of firms in theory and practice”_ **James Bates and J.R. Parkinson**

Characteristics of Managerial Economics:

On the basis of the above discussion, the characteristics of Managerial Economics are as under :

1. Micro Economic Character
2. Prescriptive Nature
3. Pragmatic and Applied Approach
4. Conceptual and Material
5. Normative rather than a positive science
6. Integration of Economic Theory and Business Practice
7. Multi-disciplinary
8. Decision –making at Managerial Level

Nature of Managerial Economics

1. It is micro- economic in character
2. It is normative science
3. Managerial Economics is an art also

Scope of managerial Economics

1. Theory of firm
2. Demand Analysis and forecasting
3. Cost and Output Analysis
4. Pricing Theory
5. Market Structure Analysis
6. Study of Consumer Behaviour
7. Prices Practices and Policies
8. Profit Management
9. Capital Management
- 10 Macro Economics

Difference between Managerial economics and Traditional Economics

1. The traditional Economics is confined to the study of the concepts, principles and theoretical aspects of economic problems, while managerial economics is its applied branch in which abstract economic theories are applied in solving the problems of a firm.
2. The scope of traditional economic is very wide and it includes the study of problems related with consumption, production, exchange and distribution. The scope of managerial economics is quite limited as it analyses the problems relating to production and exchange only.
3. Traditional Economic is descriptive while managerial economics is prescriptive.
4. Traditional economics is both positive as well as normative science, where as managerial economics is only normative science.
5. Traditional Economics is very old , while Managerial Economics is a comparatively new subject . it has been developed only after the second World War.

Importance of Managerial Economics:

1. Predicting Economic Quantities
2. Binging Certainty in Uncertainty
3. Estimating Economic Relationship
4. Helpful in Understanding External Forces
5. Basis of Business Policies
6. Inducing the social Responsibility Of Management

Relationship of Managerial Economics with other Branches of learning:

1. Managerial Economics and Economics
 2. Managerial Economics and statics
 3. Managerial Economics and Mathematics
 4. Managerial Economics and Operation Research
 5. Managerial Economics and Accounting
-