

4/4 B.Tech - SEVENTH SEMESTER

EC 7T6

Managerial Economics and Financial Analysis

Credits: 3

Lecture: 3 periods/week

Internal assessment: 30 marks

Tutorial: 1 period /week

Semester end examination: 70 marks

Course Objectives:

- To introduce micro as well as macro, economic concepts that are useful in business decision making.
- To analysis various business situations with the help of various economic concepts.
- To help students better recognize the application of modern principles and methods of microeconomics to real-world business problems in different contexts.
- To master the basic tools of microeconomics: supply and demand analysis; firms' production and pricing decisions, market equilibrium and market structure analysis.
- The objective of this course is to acquaint the students regarding various accounting concepts and its application in managerial decision making.
- To enable the students to analyze a company's financial statements and come to a reasoned conclusion about the financial situation of the company.
- To introduce prospective managers of new ventures to prepare and analyse financial statements.
- To enable the students understand how organisations make important investment and financing decisions

Learning Outcomes:

Students will be able to

- Analyze various aspects of managerial economics, production & cost analysis, markets & pricing strategies.
- Develop an ability to identify, formulate, and solve engineering problems by applying the subject knowledge of Managerial economics.
- Apply capital budgeting, financial analysis techniques in evaluating various investment opportunities
- Enhance their capabilities in the interpretation of balance sheets are followed in industries, organizations & institutes.

UNIT-I

Introduction to Managerial Economics & Demand Analysis: Definition of Managerial Economics, Nature and Scope – Managerial Economics and its relation with other subjects-

Basic economic tools in Managerial Economics. **Demand Analysis:** Meaning- Demand distinctions- Demand determinants- Law of Demand and its exceptions.

UNIT-II

Elasticity of Demand & Demand Forecasting: Definition -Types of Elasticity of demand - Measurement of price elasticity of demand: **Demand Forecasting:** Meaning - Factors governing demand forecasting - Methods of demand forecasting (survey of buyers' Intentions, Delphi method, Collective opinion, Analysis of Time series and Trend projections, Economic Indicators, Controlled experiments and Judgmental approach).

UNIT-III

Theory of Production, Cost Analysis and Types of Industrial Organization: Production Function- Isoquants and MRTS, Law of variable proportions- Law of returns to scale. **Cost Analysis:** Cost concepts, Opportunity cost, Fixed Vs Variable costs, Explicit costs Vs. Implicit costs, Out of pocket costs vs. Imputed costs.-Determination of Break-Even Point (simple problems) - Managerial Significance and limitations of BEP. **Types of Industrial Organization:** Characteristic features of Industrial organization, Features and evaluation of Sole Proprietorship, Partnership, Joint Stock Company.

UNIT-IV

Introduction to Markets & Financial Accounting: Market structures, characteristics of market and **Types** of competition– pricing strategies. **Financial Accounting:** Introduction to Double-entry system, Journal, Ledger, Trial Balance- Final account (with simple adjustments).

UNIT – V

Analysis of Financial Statement and Capital Budgeting: Ratio Analysis – Liquidity ratios, Profitability ratios and solvency. **Capital and Capital Budgeting:** Meaning of capital budgeting, Need for capital budgeting – Capital budgeting decisions - Methods of Capital Budgeting: Payback Method, Accounting Rate of Return (ARR), IRR and Net Present Value Method (simple problems)

Learning Resources

Text Books:

1. Managerial Economics and Financial Analysis, J.V.Prabhakar Rao, Maruthi Publications, 2011
2. Managerial Economics and Financial Analysis, N. Appa Rao. & P. Vijaya Kumar, Cengage Publications, New Delhi, 2011

References:

1. Managerial Economics and Financial Analysis, A R Aryasri, TMH, 2011
2. Managerial Economics, Suma damodaran, Oxford, 2011
3. Managerial Economic & Financial Analysis, S. A. Siddiqui & A.S. Siddiqui , New Age International Publishers, 2011