

EM3T3 MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS Credits: 4

Lecture: 4 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.

Course Outcomes:

Student

- Understand the basic concepts of economics and its application in the decision making
- Analyze the benefits of various types of organizations.
- Prepare the financial statements and interpret the results.
- Analyze the financial statements through ratio analysis and capital budgeting.

Unit I

Introduction to Managerial Economics & Demand Analysis: Definition of Managerial Economics, Characteristics 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: Total outlay method, Point method and Arc method- Significance of 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) - Forecasting demand for new products- Criteria of a good forecasting method.

Unit-III

Theory of Production and Cost Analysis: Production Function- Isoquants and Isocosts, MRTS, Law of variable proportions- Law of returns to scale- Least Cost Combination of Inputs, Cobb-Douglas Production function - Economies of 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.

UNIT-IV

Introduction to Markets, Managerial Theories of the Firm & Pricing Policies: Market structures: Types of competition, Features of Perfect Competition, Monopoly and Monopolistic Competition. Price-Output Determination under Perfect Competition, Monopoly, Monopolistic Competition and Oligopoly Managerial theories of the firm - Marris and Williamson's models.

Unit - V

Types of Industrial Organization & Introduction to business cycles: Characteristic features of Industrial organization, Features and evaluation of Sole Proprietorship, Partnership, Joint Stock Company, State/Public Enterprises and their types.

Unit VI

Introduction to Financial Accounting: Introduction to Double-entry system, Journal, Ledger, Trial Balance- Final Accounts (with simple adjustments)- Limitations of Financial Statements.

Unit VII

Interpretation and analysis of Financial Statement: Ratio Analysis – Liquidity ratios, Profitability ratios and solvency.

Unit VIII

Capital and Capital Budgeting: Meaning of capital budgeting, Need for capital budgeting – Capital budgeting decisions (Examples of capital budgeting) - Methods of Capital Budgeting: Payback Method, Accounting Rate of Return (ARR), IRR and Net Present Value Method (simple problems)

Learning resources

TEXT BOOKS:

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

REFERENCES:

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