III B.Tech I Semester

15AHS05 – MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common for CE and ME)

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Course Objective:
Prepare engineering students to analyze cost/revenue data and carry out make economic analyses in the decision making process to justify or reject alternatives/projects on an economic basis.

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.

Elasticity of Demand & Theory of Production and Cost Analysis: 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.

UNIT-II
Demand Forecasting: Meaning - Factors governing demand forecasting - Methods of demand forecasting - Forecasting demand for new products- Criteria of a good forecasting method.

Theory of Production and Cost Analysis: Production Function- Isoquants and Isocosts, MRTS, Cobb-Douglas Production function.

Cost Analysis: Cost concepts, Opportunity cost, Fixed Vs Variable costs, Explicit costs Vs. Implicit costs, Out of pocket costs vs. Imputed costs. Break even analysis -Determination of Break-Even Point (simple problems) - Managerial Significance and limitations of BEP.

UNIT -III
Introduction to Markets & Pricing Policies: Market structures: Types of competition, Features of Perfect Competition, Monopoly and Monopolistic Competition. Price-Output Determination under Perfect Competition, Monopoly, Monopolistic Competition.

Pricing Policies: Methods of Pricing-Marginal Cost Pricing, Limit Pricing, Market Skimming Pricing, Penetration Pricing, Bundling Pricing, and Peak   Load Pricing.Internet Pricing Models: Flat rate pricing, Usage sensitive pricing, Transaction based pricing, Priority pricing, charging on the basis of social cost, Precedence model, Smart market mechanism model.

UNIT-IV

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.

Introduction to business cycles: Meaning - Features of business cycles.

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).

UNIT V

Introduction to Financial Accounting: Introduction to Double-entry system, Journal, Ledger, Trial Balance- Final Accounts (with simple adjustments) - Limitations of Financial Statements.
Interpretation and analysis of Financial Statement: Ratio Analysis – Liquidity ratios, Profitability ratios and solvency ratios – Preparation of changes in working capital statement and fund flow statement.

LEARNING OUTCOMES:
1. Be able to perform and evaluate present worth, future worth and annual worth analyses on one of more economic alternatives.
2. Be able to perform and evaluate payback period and capitalized cost on one or more economic alternatives.
3. Be able to carry out and evaluate benefit/cost, life cycle and breakeven analyses on one or more economic alternatives.

Text Books:
1. J.V. PrabhakarRao: Managerial Economics and Financial Analysis, Maruthi Publications, 2011
2. N. AppaRao. & 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.