



GOKARAJU RANGARAJU
INSTITUTE OF ENGINEERING AND TECHNOLOGY

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

Course Code: GR15A2104
II Year II Semester

L:2 T:1 P:0 C:3

Prerequisites: General awareness on Economics

Course Objectives

- To provide the student with a clear understanding of demand analysis, elasticity of demand and demand forecasting;
- Production function and cost analysis necessary to decide the levels of production and cost of production of the products or services; different types of markets and competition, different forms of organisation and different methods of pricing; the capital and capital budgeting, and fundamentals of accounting and financial analysis.

Course Outcomes

- After studying this course the engineering students - the prospective technocrats or techno-managers - will be in a position to scan the economic environment;
- understand the markets, competition, demand and production functions;
- Will be able to choose an appropriate form of organisation;
- Will be in a position to know the cost and decide the price of the products and/or services produced, and will be able to understand the financial statements and make financial analysis.

Unit-I

Introduction & Demand Analysis: Definition and Scope: Definition, Nature and Scope of Managerial Economics. **Demand Analysis:** Demand Determinants, Law of Demand and its exceptions. **Elasticity of Demand:** Definition, Types, Measurement and Significance of Elasticity of Demand. Demand Forecasting, Factors governing demand forecasting, methods of demand forecasting.

Unit-II

Production & Cost Analysis: Production Function – Isoquants and Isocosts, MRTS, Least Cost Combination of Inputs, Cobb-Douglas Production function, Laws of Returns, Internal and External Economies of Scale. **Cost Analysis:** Cost concepts. Break-even Analysis (BEA)-Determination of Break-Even Point (simple problems) - Managerial Significance.

Unit-III

Markets & New Economic Environment: Types of competition and Markets,



Features of Perfect competition, Monopoly and Monopolistic Competition. Price-Output Determination in case of Perfect Competition and Monopoly. Pricing: Objectives and Policies of Pricing. **Methods of Pricing. Business:** Features and evaluation of different forms of Business Organisation: Sole Proprietorship, Partnership, Joint Stock Company, Public Enterprises and their types. New Economic Environment: Changing Business Environment in Post-liberalization scenario.

Unit-IV

Capital Budgeting: Capital: Capital and its significance, Types of Capital, Estimation of Fixed and Working capital requirements, Methods and sources of raising capital.

Capital Budgeting: features of capital budgeting proposals, Methods of Capital Budgeting: Payback Method, Accounting Rate of Return (ARR) and Net Present Value Method and Internal Rate of Return (IRR) (simple problems).

Unit-V

Introduction to Financial Accounting & Financial Analysis: Accounting Concepts and Conventions - Double-Entry Book Keeping. Accounting Cycle: Journal, Ledger, Trial Balance, Final Accounts (Trading Account, Profit and Loss Account and Balance Sheet with simple adjustments).

Financial Analysis: Analysis and Interpretation of Liquidity Ratios, Activity Ratios, Capital structure Ratios and Profitability ratios. Du Pont Chart.

Teaching Methodologies

- Lectures
- Power Point presentations
- Seminars
- Working out problems on black/white boards,
- Conducting tutorials
- Giving homework and/or assignments etc.

Text Books

1. **Aryasri:** Managerial Economics and Financial Analysis, TMH, 2009.
2. **Atmanand:** Managerial Economics, Excel, 2008.

Reference Books

1. Ambrish Gupta, Financial Accounting for Management, Pearson Education, New Delhi. 2009
2. H. Craig Peterson & W. Cris Lewis, Managerial Economics, PHI, 2009