Managerial economics.

Definition:

According to spencer and siegelman Managerial Economics is "the integration of economic theory with business practice for the purpose of facilitating decision-making and forward planning by Management.

Objectives:

I. Economic objectives:

Profit maximisation is also known as theory of firm. Maximising profit is considered as the rational behaviour of the firm entrepreneur.

II. Organisation objectives:

1. Long run survival
2. Caputiering a business Empire in the Market.

III. Social objectives:

Good Corporate citizenship - has to observe the rules and regulations of the Government.

IV. Human goals:

Fair deal to employees - Pay proper wages, salaries and bonus & motivate to work. adopt social security measures.

V. National goals:

National priorities - plan their business activities according to the national objectives.

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Demand forcecasting:

Demand forecasting helps a firm, whether small or large to diversify its output to stabilises its income over time.

A forecast is an estimate of a future situation.

Objectives of demand forecasting:

I. Short-term objectives:

(i) Formulation of production policy:
to formulate the appropriate production policy to overcome the problems.

(ii) Price policy formulation:
To evalue a suitable price strategy.

(iii) Suitable purchase policy:
To determine the volume of raw materials and other inputs to purchased and to control the volume of inventory.

(iv) fix sales targets:
The company will be forced to have unrealistic sales targets.

(v) Regular avaliability of labour:
To meet the production requirement scheduled during a given period of time.

II. Long term objectives:

1. Financial planning:
to make arrangements to

raise necessary funds and at rates of interest.

ii) Man Power planning:

There fore, trained and Skilled labour are needed for new type of job responsibilities.

iii) To decide about expansion:

The Company should carefully estimate the probable demand for its product in the long-run.

Methods of Forecasting:

Forecasting methods:

Survey method.
i. Consumer's Survey
ii. Collective Survey

Statistical method.
1. Trend projection
2. Regression
3. Least Square
4. Leading indicator
5. Simulataneous.

i) Consumer's Survey:

According to this method, the experts on a particular product approach the buyers to know about the particular product under study.

2) Collective Survey:

It is also known as the 'Sales force opinion method'. According to this method, Salesman are considered to be the nearest Persons to the Consumers.

I. Statistical method:

(i) Trend projection:

It is the basic tendency of the output and sales of the firm.

(ii) Regression and Correlation:

This method establishes the relationship between quantity demanded and one or more independent variables.

$$Y = a + bx$$

x, y - variables, a, b - Constants.

(iii) Least Square:

It is a mathematical procedure of fitting a curve.

$$Y = a + bx$$

Y = Sales, a, b = variables x - unit of time

(iv) Leading Indicator method:

1. Leading series, 2. Coincident series, 3. Lagging theories.

(v) Simulatenous Equation method:

It refers to the development of a Complete model which explains the behaviours of all the variables that decision unit Control.