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## Article Summary

Mental accounting is a group of cognitive operations that households and individuals use individuals to organise, evaluate, and keep track of business operations. The article summarises the current state of our components of mental knowledge about how people engage in mental accounting. The article is a depth analysis of mental accounting in relation to personal decision-making. The author starts by introducing mental accounting. According to the author, the difference between mental accounting and financial and managerial accounting is the fact that mental accounting involves households and individuals and not organisations.
The other also highlights the process of mental decision-making. The author illustrates the transaction utility that shows what happens when an individual purchases a commodity, the code of acquiring the purchase is gaining and, on the other hand, giving out the money is a loss. The individual gets transaction and acquisition utility. Acquisition utility is a measure of value obtained relative to its price. Transactional utility is value of the deal.
Another important aspect in mental accounting is either to leave the account closed or open. The mental accounting prediction is used in making the decision to close the account or not in avoidance of potential loss. Advance purchases, payment depreciation and sunk costs are other aspects to consider when opening or closing an account. In a budget, grouping money is done into three levels: expenditure into budgets, Income divided into categories and wealth allocated into accounts as assumed in economics is not fungible according to the author. Whenever the budgets used are not fungible, they influence consumption. Another violation of fungibility occurs because some budgets are intentional set too low to deal with particular inside self-control problems.
It is a rational to do Mental accounting and it significant in economic cannot be undermined. The author concludes by highlighting the benefit of mental accounting. Nevertheless, the author sees room for improvement of the mental accounting. Those people who want to improve their individual decision-making can do more work on decision-making. This will give then better results.