

# [Managerial economics essay](https://assignbuster.com/managerial-economics-essay/)

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Why is Managerial Economics being considered a central part of each functional area of management ? Mans. Definition : Managerial economics is a socialsciencediscipline that combines the economics theory, concepts and known business practices in order to make the process of decision making easy.

It is a very useful concept for every manager that is planning for the future. A key area of managerial economics is the theory of a firm that involves the best mix of the scarce resources to maximize profits within the firm. Managerial economics can be used to achieve virtually all thegoalsof a business organization in an efficient manner.

Typical managerial decision-making may involve one of the following issues: Decisions pertaining to the price of a product and the quantity of the commodity to be produced Decisions regarding manufacturing product/part/component or outsourcing to/ purchasing from another manufacturer Choosing the production technique to be employed in the production of a given reduce Decisions relating to the level of inventory of a product or raw material a firm will maintain Decisions regarding the medium of advertising and the intensity of the advertising campaign Decisions pertinent to employment and training Decisions regarding further business investment and the modes of financing the investment. It should be noted that the application of managerial economics is not restricted to profit-seeking business organizations. Tools of managerial economics can be applied equally well to decision problems of nonprofit organizations. Mark Herschel and James L. Pappas cite the example of a nonprofit hospital making use of the managerial economics techniques for optimization of resource use.

While a nonprofit hospital is not like a typical firm seeking to maximize its profits, a hospital does strive to provide its patients the best medical care possible given its limited staff (doctors, nurses and support staff, equipment, space and other resources. The hospital administrator can employ concepts and tools of managerial economics to determine he optimal allocation of the limited resources available to the hospital. In addition to nonprofit business organizations, government agencies and other nonprofit organizations (such as cooperatives, schools and museums) can exploit the techniques of managerial decision making to achieve goals in the most efficient manner.

While managerial economics aids in making optimal decisions, one should be aware that it only describes the predictable economic consequences of a managerial decision. For example, tools of managerial economics can explain the effects of imposing automobile import quotas on the availability of domestic cars, prices charged for automobiles and the extent of competition in the auto industry. Analysis of managerial economics reveals that fewer cars will be available, prices of Managerial Economics By Messianic managerial economics does not address whether imposing automobile import quotas is a good government policy. This question encompasses broader political considerations involving what economists call value Judgments. Manna