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## INTRODUCTION

Business economics is considered an important part of modern management system. It is not possible to ascertain what should be the direction of management in traditional economics. There are two aspects of economics.

- Theoretical Economics and
- Applied Economics

The practical economics is more important than the theoretical economics.

To understand the term business Economics clearly we need to examine the two words 'Business' and 'Economics' which together form "Business Economics".



The word business means small unit of sale and purchase for get a profit while in economics sense the word business means human activities which are performed with the objective of earning profit. Business economics is that branch of economics which is applied in the process of decision making. It serves to bridge the gap between traditional theory and business practice.

According to Jael Dean, the purpose of managerial economics is to show, how economics analysis can be used in formulating business policies.

In short business economics may be defined as the study of economics theories, logic and methodologies which are generally applied to seek solution to the particular problems of business.



## SCOPE OF BUSINESS ECONOMICS

Business economics is economics applied to the analysis of business problem and decision making which may be broadly divided into two category as shown in the following chart –



## IMPORTANCE OF BUSINESS ECONOMICS

Business economics plays a vital role in business management it helps the management in taking appropriate decision – making and forward planning. The importance of business economics can be highlighted as under .

- 1- analysis of business problem .
- 2- helpful in decision making .
- 3- helpful in organizing
- 4-helpful in coordination
- 5-fulfil in social responsibility
- 6- reducing risk and uncertainty
- 7- estimating economic relationship



# UTILITY

“Utility is the capacity of satisfying human wants .”

Related Questions = What is meant by utility ?



## LAW OF DIMINISHING MARGINAL UTILITY

The law of Diminishing Marginal Utility is a generalization drawn from the characteristics of human wants. The wants of a human being for a particular commodity diminishes as its consumption increases.

According to Boulding, “As a consumer increases the consumption of any one commodity, keeping constant the consumption of all other commodities, the marginal utility of the variable commodity must eventually decline.”



## ASSUMPTION OF THE LAW -

- 1- Homogeneity
- 2- Continuity
- 3- Appropriate Size
- 4- Constancy





## EXCEPTIONS OF THE LAW -

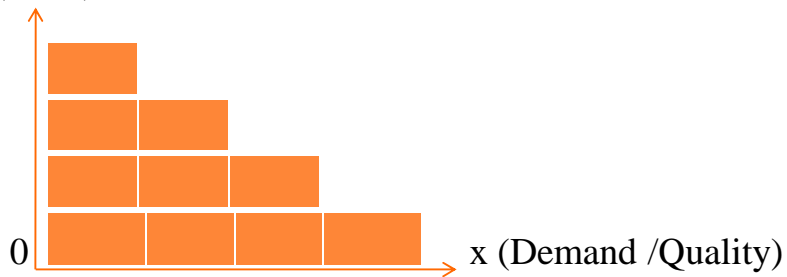
- 1- Miser
- 2- Drunkords
- 3- Hobbles
- 4- Music, Poetry
- 5- Good Books
- 6- Consumption of Public Goods



## LAW OF DEMAND

The Relation of price to sales is known as economic as the Law of Demand. The law of demand states that “Higher the price, lower the demand and vice versa other things remaining the same”.

y (Price)



## RELATED QUESTIONS

- 1- Define Business Economics ?
- 2- Explain the spoke of Business.
- 3- Give importance of Business Economics.
- 4- What is Law of Diminishing Marginal Utility ?
- 5- Give the Exception the Law of Diminishing Marginal Utility.
- 6- What is the Law of Demand ? Explain with diagram.



## REFERENCE

1. V.C. Singh, Business economics.
2. J.P. Mishra, Business economics.



## SELF DECLARATION

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**THANK YOU**

