

Class - B.Com 1.

Subject: Business Economics
and Environment

Paper : 1

Unit : I

Topic : Importance of Business
Economics

Lecture

Sequence No: 4

Prepared by :

Dr. Roy Anitakumari Pasemannand
Maswari College Durbhanga.

E-mail roy27583@gmail.com

Importance of Business Economics:

classmate

Date

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Business economics plays an important role in decision making in an organisation. Decision making is a process of selecting the best course of action from the available alternatives. Role and responsibilities of managerial economics. The decision-making function thus becomes one of making choices and taking decisions that will provide the most efficient means of attaining the desired end.

Business economics helps in establishing relationship between different economic factors such as income, profits, losses and market structure. This helps in guiding managers in effective decision making and running the organisation.

- ① Business economics covers various important concepts such as Demand and Supply analysis, Short run cost and long run costs and Law of Diminishing Marginal Utility. These concepts support managers in identifying and analysing problems and finding solutions.
- ② Managers of firms are confronted with a number of decision-making problems, having to choose among a number of possible alternatives. They must choose that course of action by which the available resources / funds are most efficiently used for achieving a set of goals. Business

Economics helps in analysing alternative and which would achieve the optimal result.

- ③ It helps managers to identify and analyse various internal and external business factors and their impact on the functioning of the organisation.
- ④ Business Economics helps in co-ordinating between sound economic theory and flexible business policies. It helps in finding how sound and strong economic principles may be adopted and adapted to suit the corporate needs.
- ⑤ Business economics helps managers in framing various policies, such as pricing policies and cost policies, on the basis of economic study and finding.
- ⑥ Business Economics helps in coordinating between sound economic theory and flexible business policies. It helps in finding how sound and strong economic principles may be adopted.
- ⑦ Business Economics study various economic variables such as cost production and business capital, organisation can predict the future.
- ⑧ Business Economics helps in estimating level of risk and degree of uncertainty involved. This helps in decision and planning for uncertainty.

- ⑨ Business Economics takes cognizance of the interaction between the firm and society & accomplishes the key role of business as an agent in the attainment of social and economic welfare. Business Economics focusses attention on these social obligations as constraints subjects to which business decision are to be taken in so doing, it serves as an instrument in furthering the economic welfare of the society.
- ⑩ Business Economics plays an important role in business planning and decision making by estimating economic relationships between different business factors such as income, elasticity of demand and cost volume profit analysis etc.
- ⑪ Management has to identify all the important factors that influence firm. Plans, policies and programmes of the firm should be adjusted in the light of these factors. Business Economics plays important role by assisting management in understanding of these factors.
- ⑫ Business economics helps in establishing relationship between different economics factors such as income, profit, losses and market structure. This helps in guiding managers in effective decision making and running the organisation.