

Class B.Com-1.

Subject- Business Economics &
Environment.

Paper : 1

Unit : I

Topic : Business Economics

Lecture
Sequence No: 1.

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Meaning:

Business economics is a field in applied economics which uses economic theory and quantitative methods to analyze business enterprises and the factors contributing to the relationships structures diversity of organizational structures and the relationships of firm with labour, capital and product markets.

Business economics focuses on the economic issues and problems related to business organization, management and strategy. Business Economics is the process of application of the principles concepts and techniques of economics to solve the managerial problems of business and industrial enterprises.

Definition:

- (1) According to **Mc Nair and Merrian**, "Business Economics consist of the use of economic modes of thoughts to analyse business situations."
- (2) According to **Spencer and Siegelman** "Business Economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management".
- (3) According to **Lord Robins**: "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

Business Economics is the study of economic theories logic and methodology which are general applied to seek solution to the practical problems of business. Business economics is thus constituted of that part of economic knowledge and economic theories which is used as a tool of analysing business problem for rational business decisions.

Characteristics of Business Economics

① Micro-economics

It is an application of that part of micro-economics focusing on those topics which are of great interest and importance to business managers. These topics includes theories of demand, production and cost, profit-maximising model of the firm, fixation of price, profit planning calculating the cost, optimal prices and advertising expenditure, government regulation, capital management,

② Economics concepts & principles of Theory of firm :-

Economic concepts and principles of Theory of firm are employed in business economics. Thus, in business economics. Thus, in business economics the main emphasis is given upon the firm, the environment in which the firm find itself and the business decision which firms have to take. It study behaviour of firm, type of market structure.

③ Branches of economics :

Business economics is also called normative economics which prescribes standards or norms for policy making. Business economics is prescriptive rather than descriptive in nature. In economic theory, we try to explain economic behaviour, in business economics, we try to prescribe policies for a business manager which are most likely applied to achieve his objectives. In economics law of demand, Law of Diminishing Returns Return. In Business economics we apply these laws for policy planning at the level of a firm.

④ Pragmatic in Approach :-

It deals only with the determinants of business making. It tries to solve the business problems in their day to day functions. It does not involve itself with the theoretical controversies of economic yet it does not relegate the realities of business decision-making to the background by bringing in abstract assumptions. While economic theory abstracts from realities of the individual business units to build up its theories.