INTRODUCTION

The science of managerial economics has emerged only recently. Very little efforts have been made in the past to achieve unanimity concerning the ultimate nature and scope of the subject. The noteworthy absence of academic writing and research in this field is due to the fact that in its formative years problems concerning managerial economics were examined not by academicians but by persons who were experienced practitioners. Consequently the subject could not be brought within the academic discipline. Confusion still persists and false notions are prevalent with regard to the utility of this science as a result of which full advantage has not been taken of the knowledge it confers. The purpose of this thesis, therefore, is to remove these misgivings and brings to light certain issues concerning the various aspects of managerial economics so that its study may become more useful and meaningful.

The subject matter of this thesis has been divided in six parts:

The first part is devoted to the nature and significance of managerial economics. It examines in detail all aspects concerning the definition of managerial
economics, its nature, scope and significance.

The second part deals with the strategy of business. It examines various motivational hypotheses of the firm and investigates profits in detail.

The third part pertains to the analysis of demand. It portrays various concepts of demand, elasticity of demand and forecasting of demand in the context of economic rationale of decision making.

The fourth part examines the cost structure of the firm with a view to relate cost function with economic environment of the firm.

The fifth part discusses various pricing theories and practices in the light of the experience of the theoretical economists and professional business executives.

The sixth part concentrates on capital budgeting and deals with the demand and supply of capital in order to rationalize the use of capital.

In this thesis, the author has integrated various concepts from various branches of knowledge after analysis and synthesis. In reaching conclusions, he has often ended up with original contribution to the subject. It is one of the pioneering studies of the subject that has systematized the knowledge into a whole. The author, however, has covered a part of the subject, the vast area is still uncovered. This study is in essence beginning in the scientific application of new tools and techniques to managerial
decision making. If such studies are pursued the author is fully confident that they will prove more useful to national economies in general and business world in particular.