Economics refers to all activities of mankind which are concerned with earnings and spending of money.
Economics born in the year 1776 with the publication of Professor Adam Smith's book an enquiry into the nature and causes of wealth of nations.
Economics is a science of management of limited resources which have alternative uses with unlimited human wants.
According to Robbins" Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."
In other words,"Economics is a study of allocation of scares means."

Major economic problems or problem of choice
Every economic system faces following economic problems:
1.What to Produce
2.How to Produce
3. For whom to produce or problem of distribution
4. Are the resources economically used?
5.problem of full employment of resources
6. Problem of economic growth.

Scope of Economics

Economics is the social science that is concerned with production , distribution and consumption of goods and services.

The subject matter of broadly can be divided into two parts microeconomics and macroeconomics.

Microeconomics is a branch of economics that studies the behaviour of individual households and firms in making decisions on the allocation of limited resources.
microeconomics is the study of the individual economic variables like specific firm, industry, consumer, producer, commodity price and factor price.
10 microeconomics is consistent with Product pricing, Factor pricing, Theory of economic welfare.

Macroeconomics is the study of aggregate economic variables like national income, general price level, consumption, total production, full employment ,savings and investment.
It is concerned with the behaviour of whole economic system in totality. It concerns the overall dimensions of economic life.
Macroeconomics deals with theory of income and employment ,theory of general price level ,theory of economic growth and Macro theory of distribution.

Microeconomics and macroeconomics depend upon each other.
Microeconomics provides building blocks for the aggregate theories.
microeconomics provide us with overall framework and economic environment within which the economic behaviour of individuals is studied.
The knowledge of both of them is essential for economic analysis. Neither approach is complete without the other.

Macroeconomic analysis requires microeconomic analysis. Society consists of individuals, individuals collectively make up society.
In the same way many firms constitute industry and many industries collectively make up the economy.

Business economics deals with the application of economic laws to the practical problems of business firms to take sound business decisions.
Business Economics is the applied branch of economics.
It is an integral part of traditional economics.
It is a special branch of economics that bridges the gap between abstract theory and business practice.principles for decision making in a business unit.
Business Economics is also known as managerial economics.

Nature or characteristics of business Economics:
1. Microeconomic in nature
It deals with the study of a business unit or a firm.This is because a business manager is concerned with the problems of his business unit rather than economy as a whole.
2. Applied use of Economics
Business Economics is application of economic theory. Economics deals with pure theory.
3. Business Economics is a science of managerial decision making
It helps the managers and making appropriate decisions.
4. Normative science
It is concerned with what management should do under the given particular circumstances.
5. Multidisciplinary
business Economics makes use of most modern tools of mathematics , statistics and operation research.In decision making and planning it also uses principles of accounting, marketing and production.
6. Science and Art
As a science it establishes relationship between cause and effect by collecting classifying and analysing the facts on the basis of principles.it provides methods to reach the ideal situation and also shows the way to attain the objectives of a business firm.

Methods of business Economics

Deductive method and Inductive method
Deductive method is also known as analytical method.It consists in deriving conclusions from general truths,takes few general principles and applies them draw conclusions.

Steps involved in deductive logic are as under:
1. Perception of the problem to be inquired into: In the process of deriving economic generalizations , the analyst must have a clear and precise idea of the problem to be inquired into.
2. Defining of terms: The next step in this direction is to define clearly the technical terms used analysis.Further, exemptions made for a theory should also be precise.
3. Deducing hypothesis from the assumptions : The third step in deriving generalizations is deducing hypothesis from the assumptionstions taken.
4. Testing of hypothesis: Before establishing laws for generalizations hypothesis should be verified through direct observations of events in the real world and through statistical

methods. (Their inverse relationship between price and quantity demanded of a good is a well established generalization).

Merits of deductive method

The main merits of deductive method are as under:

1.This method starts from the general and moves to the particular.

2. It is less time consuming and less expensive.

3.the use of mathematical techniques in deducing theories of economic brings exactness and clarity in economic analysis.

4.There being limited scope of experimentation the method helps in deriving economic theories.

5. This method is simple because it is analytical.

Demerits of Deductive Method:

1. Conclusions drawn from deductive methods are misleading.
2. Deductive reasoning is not applicable universally.
3. The deductive method is highly abstract.

Inductive method also known as empirical method. It involves the process of reasoning from particular facts to general principle.

It involves the process of reasoning from particular facts to general principle.

This method derive economic generalizations on the basis of Experimentations, Observations and Statistical methods.

Steps of inductive method:

the main steps involved in the application of inductive method are:

1. Observation
2. Formation of hypothesis
3. Generalisation
4. Verification

Merits of inductive method:

1.It is based on facts as such the method is realistic.

2. In order to test the economic principles method makes statistical the inductive method is therefore more reliable.

3. Inductive method is dynamic.

4. Inductive method also helps in future investigations.

Demerits of Inductive Method:Themain weakness of this method are as under:

1.If conclusions drawn from insufficient data the generalizations obtained may be faulty.

2. The collection of data itself is not an easy task.the sources and methods employed in the collection of data differ from investigator to investigator. The results therefore may differ even with the same problem.

3. The inductive method is time consuming and expensive.

The above analysis reveals that both the methods have weaknesses.

Inductive and deductive methods are both needed for scientific thought.

Role and Responsibilities of Business Economist

A Business Economist is also termed as an economic advisor. He is responsible for analyzing various internal and external environmental forces that influence the functioning of business organisations.
Managerial economist makes several successful business forecast and update the management team regarding the economic trends from time to time.
Managerial Economist always remains in touch with all the latest economic developments and environmental changes for informing the management.
external factors the farms interest such as general policy,National income and output and volume of trade.
He has an efficient role in earning reasonable profits on invested capital as its applies all relevant information which helps in making proper plans and strategies.
Managerial Economist has three important roles in every business organisation:
Demand analysis and forecasting ,
Capital management and
Profit management.
Responsibilities of managerial economist
Studies business environment
Analyses operations of business
Demand forecasting and estimation
Product planning
Economic intelligence
Performing investment analysis
Focuses on earning reasonable profit
Maintaining better relations

Studies Business Environment
The managerial economist is responsible for analysing the environment in which business operates.He studies various factors like growth of national income ,competition level, price trends, phase of business cycle and economy and updates the management regarding it from time to time.

Analyses operations of business
He analyses the internal operation of business and helps management in making better decisions in regard to internal workings.Managerial economist through his analytical and forecasting skills provides advice to managers for formulating policies regarding internal operations of the business.

Demand Forecasting and Estimation
Proper estimation and forecasting of future trends helps the business in achieving desired profitability and growth managerial economist through proper study of all internal and external forces makes successful forecasting of future uncertainties or trends.

Production planning
managerial economist is responsible for scheduling all production activities of business he evaluates capital budgets of organisations and accordingly helps in deciding timing and locating of various actions.

Economic intelligence

he provides economic intelligence services by communicating all economic information to management managerial economist case management always updated of all prevailing economic trends so that they can confidently talk in seminars and conferences.

Performing investment analysis
Managerial economist analyses various investment avenues and choose the most appropriate one. Studies and discovers new possible fields of business for learning better returns.

Focuses on earning reasonable profit
He assists management in earning a reasonable rate of profit on capital employed in the business he monitors activities of organisations to check whether all operations are running efficiently as per the plans and policies.

Maintaining better relations
Managerial economist maintains better relations with all internal and external individuals connected with the business it is his duty to develop a peaceful and cooperative environment within the organisation and aims to reduce any opposition taking place.

Supply and law of supply

Supply is the amount of a commodity that sellers are able and willing to offer for sale at different price per unit of time.
The higher the price the greater will be quantity of a commodity that will be supplied by a producer and vice versa. Therefore the relation between price and quantity supplied is direct and positive

Law of supply states that keeping other factors constant an increase in price results in an increase in quantity supplied.
In other words there is a direct relationship between price and quantity.
When the price paid by buyers for a good rises than suppliers increase the supply of that good in the market.
Law of supply shows the producer behaviour at the time of changes in the prices of goods and services.
When the price of a good rises, the supplier increases the supply in order to earn a profit because of higher prices.
It shows positive relation between the price and quantity supplied.
law of supply states that other factors remaining constant price and quantity supplied of a good are directly related to each other.when the price paid by buyers for good prices and suppliers increases the supply of that good in the market.

Determinants of supply
1. Price of the commodity. Thethe higher the price of a commodity the larger will be the quantity supplied and vice versa.
2. Technology changes. technological improvements help reduce production cost and increase profit this stimulate higher supply.
2. Prices of Factors Production. If the price of any one factor of production i.e labour or capital used in the production of a commodity increases, its cost of production will increase.

As a result its output will fall and the supply will be reduced the reverse will happen in the case of a fall in the price of a factor of production.
3.Tax/ subsidy.producer aims to maximize his profit but an increase in tax will only increase his expenses decreasing his capacity to buy resources supplies and forcing him to reduce his supply.
4. Price of other goods producer mein not only produce on product but other products as well as producers money is limited and if we increaseproducer may not only produce one product but other products as well as producers money is limited and if we increase is supply in one product he would have to decrease his supply in other products no unless his sales increases.
5. Future prices.If the firm expects prices to rise supply will increase. If the firm expects prices to fall supply will decrease.