

Table of Contents

<i>Preface</i>	<i>iii</i>
<i>Introduction</i>	<i>xxi</i>
Chapter 1: Managerial Economics: Meaning, Nature, Scope, and Importance	1
1.1 Introduction	2
1.2 Meaning of Economics.....	2
1.2.1 Nature of Economics	3
1.2.2 Branches of Economics.....	3
1.3 Concept of Managerial Economics	4
1.3.1 Scope of Managerial Economics	4
1.3.2 Importance of Managerial Economics	5
1.3.3 Distinction between Economics and Managerial Economics	6
1.3.4 Managerial Economics in Other Disciplines	6
1.3.5 Role of a Managerial Economist	7
1.4 Major Economic problems.....	7
1.5 Decision Making Process.....	7
1.6 Summary	9
1.7 Key Terms	9
1.8 Exercise	9
Multiple Choice Questions.....	9
Short Answer Type Questions	11
Long Answer Type Questions	16
Chapter 2: Business Objectives of Organizations	21
2.1 Introduction	22
2.2 Business Objectives.....	22
2.3 Profit- A Prime Business Objective	23
2.3.1 Types of Profit	23
2.3.2 Theories of Profit.....	24
2.4 Functions of Profit	25
2.5 Issues in Measuring Profit	26
2.6 Maximization of Profit	27
2.7 Controversy over Profit Maximization.....	29
2.8 Alternative Objectives of Business Organizations	30

2.8.1	Baumal's Hypothesis of Sales Revenue Maximization	30
2.8.2	Marris's Hypothesis of Maximization of Organization's Growth Rate	30
2.8.3	Williamson's Hypothesis of Maximization of Managerial Utility Function.....	31
2.8.4	Rothchild's Hypothesis of Long-run Survival and Market Share Goals	31
2.6.5	Entry Prevention and Risk Avoidance	31
2.8.6	Cyert-March Hypothesis of Satisficing Behavior	31
2.9	Generating Reasonable Profit- A Practical Methodology	32
2.10	Profit Planning and Control	33
2.11	Summary	34
2.12	Key Terms.....	34
2.13	Exercise	35
	Multiple Choice Questions.....	35
	Short Answer Type Questions	37
	Long Answer Type Questions	40
Chapter 3: Demand and Supply Analysis.....		45
3.1	Introduction	46
3.2	Concept of Demand.....	46
3.3	Types of Demand.....	47
3.4	Determinants of Demand.....	48
3.5	Law of Demand.....	49
	3.5.1 Demand Schedule	50
	3.5.2 Demand Curve.....	51
	3.5.3 Demand Function	53
	3.5.4 Assumptions in Law of Demand	55
	3.5.5 Exception to Law of Demand.....	55
3.6	Changes in Demand and Quantity Demanded.....	56
	3.6.1 Expansion and Contraction of Demand.....	57
	3.6.2 Increase and Decrease in Demand.....	57
3.7	Concept of Supply.....	58
3.8	Determinants of Supply.....	58
3.9	Law of Supply	59
	3.9.1 Supply Schedule	59
	3.9.2 Supply Curve.....	59
	3.9.3 Supply Function	60
	3.9.4 Assumptions in Law of Supply	60
	3.9.5 Exception to Law of Supply	61
3.10	Expansion and Contraction of Supply	61
3.11	Increase and Decrease in Supply.....	62
3.12	Market Equilibrium-Demand and Supply Equilibrium	62
	3.12.1 Determination of Market Price	63
	3.12.2 Shifts in Market Equilibrium.....	63
3.13	Summary	65
3.14	Key Terms	66
3.15	Exercise	66

Multiple Choice Questions.....	66
Short Answer Type Questions	68
Long Answer Type Questions.....	74
Practical Questions.....	77
Chapter 4: Utility Analysis of Consumer Demand	81
4.1 Introduction	82
4.2 Utility: A Basis of Consumer Demand	82
4.2.1 Total Utility.....	82
4.2.2 Marginal Utility.....	83
4.3 Law of Diminishing Marginal Utility	83
4.3.1 Limitations of Law of Diminishing Marginal Utility	85
4.3.2 Exceptions to the Law of Diminishing Marginal Utility.....	85
4.4 Measurement of Utility	85
4.4.1 Cardinal Utility Concept.....	85
4.4.2 Ordinal Utility Concept	86
4.5 Concept of Consumer Behavior Analysis.....	86
4.6 Consumer Behavior Analysis: Cardinal Utility Approach	86
4.6.1 Consumer's Equilibrium through Utility.....	87
4.6.2 Derivation of Individual Demand	88
4.7 Consumer Behavior Analysis: Ordinal Utility Approach.....	89
4.7.1 Meaning of Indifference Curve	89
4.7.2 Marginal Rate of Substitution	91
4.7.3 Properties of Indifference Curve	92
4.7.4 Criticism of Indifference Curve	94
4.7.5 Concept of Budget Line.....	94
4.7.6 Slope of Budget Line	96
4.7.7 Shifts in Budget Line	96
4.7.8 Consumer's Equilibrium through Indifference Curve and Budget Line	97
4.8 Summary	98
4.9 Key Terms	98
4.10 Exercise	98
Multiple Choice Questions.....	98
Short Answer Type Questions	100
Long Answer Type Questions.....	104
Chapter 5: Elasticity of Demand and Supply	109
5.1 Introduction	110
5.2 Elasticity of Demand	110
5.3 Price Elasticity of Demand	110
5.4 Types of Price Elasticity of Demand	112
5.4.1 Perfectly Elastic Demand	112
5.4.2 Perfectly Inelastic Demand.....	113
5.4.3 Relatively Elastic Demand	113
5.4.4 Relatively Inelastic Demand.....	114
5.4.5 Unitary Elastic Demand.....	115

5.5	Measurement of Price Elasticity	116
5.5.1	Total Outlay Method	116
5.5.2	Percentage or Proportional Method.....	117
5.5.3	Point or Geometry Elasticity Method.....	118
5.5.4	Arc Elasticity Method.....	120
5.6	Factors Influencing Price Elasticity of Demand	121
5.7	Practical Applications of Price Elasticity of Demand	122
5.8	Income Elasticity of Demand	123
5.8.1	Types of Income Elasticity of Demand	123
5.8.2	Significance of Income Elasticity of Demand	125
5.8.3	Distinguishing Income Elasticity and Income Sensitivity	125
5.9	Cross Elasticity of Demand	126
5.9.1	Measurement of Cross Elasticity of Demand	126
5.9.2	Types of Cross Elasticity of Demand.....	126
5.9.3	Significance of Cross Elasticity of Demand	127
5.10	Advertisement Elasticity of Sales	127
5.10.1	Interpretation of Advertisement Elasticity of Sales.....	128
5.10.2	Factors Influencing Advertisement Elasticity of Sales	128
5.11	Elasticity of Supply	128
5.11.1	Types of Elasticity of Supply	129
5.11.2	Methods of Measuring Elasticity of Supply	132
5.11.3	Factors Determining Elasticity of Supply	133
5.12	Summary	134
5.13	Key Terms	134
5.14	Exercise	135
	Multiple Choice Questions.....	135
	Short Answer Type Questions	137
	Long Answer Type Questions	147
	Practical Questions.....	160
Chapter 6: Demand Forecasting		163
6.1	Introduction	164
6.2	Concept of Demand Forecasting.....	164
6.2.1	Significance of Demand Forecasting	164
6.2.2	Objectives of Demand Forecasting.....	165
6.2.3	Factors Influencing Demand Forecasting.....	166
6.2.4	Steps of Demand Forecasting	167
6.3	Types of Data Collected for Demand Forecasting	168
6.3.1	Methods of Primary Data Collection	168
6.3.2	Methods of Secondary Data Collection.....	174
6.4	Techniques of Demand Forecasting.....	175
6.4.1	Survey Method.....	175
6.4.2	Statistical Methods	177
6.5	Limitations of Demand Forecasting	186
6.6	Criteria for Efficient Demand Forecasting	186

6.7	Summary	188
6.8	Key Terms	188
6.9	Exercise	189
	Multiple Choice Questions.....	189
	Short Answer Type Questions	191
	Long Answer Type Questions	195
Chapter 7: Production Analysis		199
7.1	Introduction	200
7.2	Concept of Production	200
7.3	Factors of Production	200
	7.3.1 Land	201
	7.3.2 Labor	201
	7.3.3 Capital.....	203
	7.3.4 Enterprise	204
7.4	Production Possibility Curve	207
7.5	Production Function.....	208
7.6	Short-Run Production Function	210
	7.6.1 Law of Diminishing Returns	210
	7.6.2 Significance of Law of Diminishing Returns	213
	7.6.3 Optimal Employment of Labor.....	213
7.7	Long-Run Production Function	214
	7.7.1 Isoquant Curve.....	214
	7.7.2 Marginal Rate of Technical Substitution	215
	7.7.3 Forms of Isoquants	216
	7.7.4 Elasticity of Factor Substitution.....	218
7.8	Iso-cost Lines.....	218
7.9	Producer's Equilibrium	219
	7.9.1 Determination of Producer's Equilibrium	219
	7.9.2 Expansion Path.....	220
7.10	Returns to Scale.....	220
	7.10.1 Increasing Returns to Scale	221
	7.10.2 Constant Returns to Scale	221
	7.10.3 Diminishing Returns to Scale	222
7.11	Different Types of Production Functions	222
	7.11.1 Cobb-Douglas Production Function	222
	7.11.2 Leontief Production Function.....	223
	7.11.3 CES Production Function	223
7.12	Summary	225
7.13	Key Terms	225
7.14	Exercise	225
	Multiple Choice Questions.....	225
	Short Answer Type Questions	227
	Long Answer Type Questions	236

Chapter 8: Cost and Revenue Analysis	249
8.1 Introduction	250
8.2 Concept of Cost.....	250
8.3 Kinds of Costs	251
8.3.1 Accounting Cost	251
8.3.2 Analytical Cost	253
8.4 Different Types of Costs in the Short Run.....	254
8.5 Different Types of Costs in the Long Run	257
8.5.1 Long Run Total Cost	258
8.5.2 Long Run Average Cost.....	258
8.5.2 Long Run Marginal Cost	259
8.6 Economies and Diseconomies of Scale.....	259
8.7 Concept of Revenue	260
8.7.1 Average Revenue	261
8.7.2 Marginal Revenue	261
8.7.3 Relationship between Total Revenue and Marginal Revenue.....	262
8.7.4 Relationship between Average Revenue and Marginal Revenue	262
8.8 Break-Even Analysis.....	263
8.8.1 Margin of Safety.....	265
8.8.2 Uses and Limitations of Break-Even Analysis	265
8.9 Summary	267
8.10 Key Terms	267
8.11 Exercise	267
Multiple Choice Questions.....	267
Short Answer Type Questions	269
Long Answer Type Questions	274
Chapter 9: Market and Market Structures	277
9.1 Introduction	278
9.2 Concept of Market	278
9.3 Classification of Market.....	278
9.4 Types of Market Structures.....	279
9.4.1 Purely Competitive Market	279
9.4.2 Perfectly Competitive Market.....	280
9.4.3 Imperfectly Competitive Market	281
9.5 Summary	284
9.6 Key Terms	285
9.7 Exercise	285
Multiple Choice Questions.....	285
Short Answer Type Questions	287
Long Answer Type Questions.....	293
Chapter 10: Pricing and Output Decisions: Perfect Competition and Monopoly.....	297
10.1 Introduction	298
10.2 Price and Output Determination under Perfect Competition.....	298
10.2.1 Demand under Perfect Competition	298

10.2.2	Supply under Perfect Competition	299
10.2.3	Equilibrium under Perfect Competition	299
10.2.4	Time Element under Perfect Competition	300
10.3	Time Element under Perfect Competition	300
10.3.1	Price Determination in Very Short Period	300
10.3.2	Price Determination in Short Period	301
10.3.3	Equilibrium in Long Run	303
10.4	Price and Output Determination under Monopoly	303
10.4.1	Demand and Revenue under Monopoly	304
10.4.2	Monopoly Equilibrium	305
10.4.3	Monopoly Equilibrium in Case of Zero Marginal Cost	306
10.4.4	Short-Run and Long-Run View under Monopoly	306
10.5	Price Discrimination under Monopoly	306
10.5.1	Types of Price Discrimination	307
10.5.2	Degrees of Price Discrimination	307
10.5.3	Necessary Conditions for Price Discrimination	308
10.5.4	Advantages and Disadvantages of Price Discrimination	308
10.6	Price and Output Decisions in Discriminating Monopoly	308
10.7	Dumping	309
10.8	Summary	312
10.9	Key Terms	312
10.10	Exercise	312
	Multiple Choice Questions	312
	Short Answer Type Questions	314
	Long Answer Type Questions	320
Chapter 11: Pricing and Output Decisions: Monopolistic Competition		323
11.1	Introduction	324
11.2	Price and Output Determination under Monopolistic Competition	324
11.3	Demand and Marginal Revenue Curves under Monopolistic Competition	325
11.4	Price-Output Equilibrium under Monopolistic Competition	325
11.4.1	Equilibrium in Short Run	326
11.4.2	Equilibrium in Long Run	326
11.5	Product Adjustment	327
11.6	Group Equilibrium	327
11.7	Adjustments in Selling Costs	328
11.7.1	Effect of Selling Costs on Demand Curve	329
11.7.2	Selling Costs and Equilibrium Output	329
11.8	Distinguishing between Monopolistic Competition and Perfect Competition	330
11.9	Criticism of Monopolistic Competition	330
11.9	Summary	331
11.10	Key Terms	331
11.11	Exercise	332
	Multiple Choice Questions	332
	Short Answer Type Questions	334

Long Answer Type Questions	338
Chapter 12: Pricing and Output Decisions: Oligopoly.....	341
12.1 Introduction	342
12.2 Indeterminate Price and Output in Oligopoly	342
12.3 Oligopoly Models	343
12.4 Sweezy's Kinked Demand Curve Model	343
12.5 Collusion Model-The Cartel	344
12.6 Price Leadership under Oligopoly.....	345
12.6.1 Types of Price Leadership	346
12.6.2 Price-Output Determination under Price Leadership	346
12.6.3 Drawbacks of Price Leadership	347
12.7 Duopoly.....	347
12.7.1 Cournot's Duopoly Model.....	348
12.7.2 Edgeworth Model.....	349
12.7.3 Chamberlin Model	349
12.8 Effects of Oligopoly	350
12.9 Summary	351
12.10 Key Terms	351
12.11 Exercise	351
Multiple Choice Questions.....	351
Short Answer Type Questions	353
Long Answer Type Questions.....	357
Chapter 13: Game Theory	359
13.1 Introduction	360
13.2 Concept of Game Theory	360
13.2.1 Assumptions of Game Theory.....	360
13.2.2 Structure of a Game	360
13.2.3 Pure and Mixed Strategies	361
13.2.4 Dominant and Dominated Strategies	362
13.2.5 Maximin Strategy.....	362
13.2.6 Minimax Strategy.....	363
13.3 Nash Equilibrium	364
13.4 Prisoners' Dilemma	364
13.5 Types of Games.....	365
13.5.1 Cooperative and Non-Cooperative Games.....	366
13.5.2 Normal Form and Extensive Form Games	366
13.5.3 Simultaneous Move Games and Sequential Move Games.....	366
13.5.4 Constant Sum, Zero Sum, and Non-Zero Sum Games	367
13.5.5 Symmetric and Asymmetric Games	367
13.6 Summary.....	368
13.7 Key Terms	368
13.8 Exercise	368
Multiple Choice Questions.....	368
Short Answer Type Questions	370

Long Answer Type Questions	375
Chapter 14: Pricing Strategies and Practices	383
14.1 Introduction	384
14.2 Concept of Product Pricing	384
14.2.1 Price and Non-price Competition	385
14.2.2 Factors affecting Pricing Decisions	386
14.3 Pricing Decision Framework	387
14.4 Pricing Methods	388
14.4.1 Cost-based Pricing	388
14.4.2 Demand-based Pricing	389
14.4.3 Competition-based Pricing	389
14.4.4 Other Pricing Methods	390
14.5 Pricing Strategies	390
14.5.1 Multiple Product Pricing	390
14.5.2 Differential Pricing	391
14.5.3 Promotional Pricing	392
14.5.4 Product Line Pricing	392
14.5.5 Psychological Pricing	393
14.6 Product Life Cycle Based Pricing	395
14.7 Pricing with Respect to Established Products	396
14.8 Unethical Pricing Practices	396
14.9 Summary	397
14.10 Key Terms	398
14.11 Exercise	398
Multiple Choice Questions	398
Short Answer Type Questions	400
Long Answer Type Questions	404
Chapter 15: Factor Pricing	407
15.1 Introduction	408
15.2 Concept of Factor Pricing	408
15.3 Theories of Factor Pricing	408
15.3.1 Marginal Productivity Theory	409
15.3.2 Modern Theory of Factor Pricing	410
15.4 Equilibrium of a Firm in Factor Market	413
15.4.1 Equilibrium in Factor Market: Perfect Competition	413
15.4.2 Equilibrium in Factor Market: Imperfect Competition	414
15.5 Transfer Earnings	415
15.6 Equity in Income Distribution	415
15.7 Wages	416
15.7.1 Nominal Wages vs. Real Wages	416
15.7.2 Determinants of Real Wages	416
15.7.3 Classical Theories of Wages	417
15.7.4 Modern Theory of Wages	419
15.7.5 Determination of Wages under Imperfect Competition	420

15.7.6	Labor Exploitation	421
15.7.7	Role of Trade Unions in Determining Wage Rates	422
15.7.8	Wage Differentials	422
15.8	Rent.....	423
15.8.1	Ricardian Theory of Rent	423
15.8.2	Modern View of Rent	424
15.8.3	Quasi-Rent	426
15.9	Interest	426
15.9.1	Components of Gross Interest	427
15.9.2	Theories of Interest.....	427
15.10	Profit.....	430
15.10.1	Innovation Theory of profit.....	431
15.10.2	Uncertainty Bearing Theory	431
15.11	Summary	433
15.12	Key Terms	433
15.13	Exercise	433
	Multiple Choice Questions.....	433
	Short Answer Type Questions	435
	Long Answer Type Questions.....	438
Chapter 16: National Income.....		447
16.1	Introduction	448
16.2	Concept of National Income	448
16.2.1	Gross National Product	448
16.2.2	Gross Domestic Product.....	449
16.2.3	Net Domestic Product	449
16.2.4	Net National Product	450
16.2.5	Personal Income	450
16.2.6	Disposable Income	450
16.2.7	Transfer Payments.....	450
16.2.8	Numerical Illustrations–I.....	451
16.3	Measurement of National Income.....	452
16.3.1	Value-added Method	453
16.3.2	Income Method.....	454
16.3.3	Final Expenditure Method	455
16.4	Summary	456
16.5	Key Terms	456
16.6	Exercise	457
	Multiple Choice Questions.....	457
	Short Answer Type Questions	459
	Long Answer Type Questions.....	461
	Practical Questions.....	464
Chapter 17: Theory of Employment		467
17.1	Introduction	468
17.2	Classical Theory of Employment	468

17.2.1	Assumption of Full Employment	468
17.2.2	Flexibility of Price and Wages	469
17.2.3	Say's Law.....	470
17.2.4	Concept of Equality of Savings and Investment	471
17.2.5	Criticism of Classical Theory	472
17.3	Keynesian Theory of Employment	472
17.3.1	Principle of Effective Demand.....	473
17.3.2	Determination of Effective Demand.....	473
17.3.3	Determination of Equilibrium Level of Employment.....	474
17.4	Determinants of Income and Employment	475
17.4.1	Propensity to Consume	475
17.4.2	Inducement to Invest.....	479
17.5	Summary	481
17.6	Key Terms	482
17.7	Exercise	482
	Multiple Choice Questions.....	482
	Short Answer Type Questions	484
	Long Answer Type Questions	490
Chapter 18: National Income Determination.....		497
18.1	Introduction.....	498
18.2	Keynesian Theory of National Income Determination.....	498
18.2.1	Determination of National Income in Two-Sector Economy	498
18.2.2	Shifts in Aggregate Demand Schedule	502
18.3	Determination of National Income in Three-Sector Economy.....	505
18.3.1	Change in Government Expenditure and Government Expenditure Multiplier	506
18.3.2	Change in Lump Sum Tax and the Tax Multiplier.....	507
18.3.3	Balanced Budget Multiplier.....	507
18.3.4	Proportional Income Tax and Balanced Budget Multiplier.....	508
18.4	Determination of National Income in Four-Sector Economy	508
18.4.1	Export Function	509
18.4.2	Import Function	509
18.4.3	Foreign Trade Multiplier with Tax Function.....	510
18.5	Summary	511
18.6	Key Terms.....	511
18.7	Exercise	511
	Multiple Choice Questions.....	511
	Short Answer Type Questions	513
	Long Answer Type Questions.....	519
Chapter 19: Role of Government in an Economy		529
19.1	Introduction	530
19.2	Requirement of Government Intervention in an Economy	530
19.3	Role of Government in Different Economic Systems.....	531
19.3.1	Capitalist Economy	532
19.3.2	Socialist Economy	532

19.3.3	Mixed Economy	533
19.4	Role of Government in Economic Development	533
19.5	Role of Government in Private Businesses	534
19.5.1	Regulatory Measures	534
19.5.2	Promotional Roles	535
19.6	Fiscal Policy	535
19.7	Monetary Policy	535
19.7.1	Tools of Monetary Policy	536
19.7.2	Limitations of Monetary Policy	539
19.8	Economic Legislations	539
19.8.1	Monopolies and Restrictive Trade Practices (MRTP) Act	540
19.8.2	Industrial Relation and Disputes Act	541
19.8.3	Foreign Exchange Regulation Act (FERA)	542
19.9	Foreign Exchange Management Act (FEMA)	543
19.10	Summary	544
19.11	Key Terms	544
19.12	Exercise	544
	Multiple Choice Questions	544
	Short Answer Type Questions	546
	Long Answer Type Questions	553
Chapter 20:	Money and Inflation	561
20.1	Introduction	562
20.2	Concept of Barter System	562
20.3	Concept of Money	563
20.3.1	Functions of Money	563
20.3.2	Different Approaches of Money	564
20.3.3	Types of Money	566
20.3.4	Demand for Money	566
20.3.5	Supply of Money	567
20.4	Theories of Money	567
20.4.1	Quantity Velocity Approach	567
20.4.2	Cash Balances Approach/Cambridge Equation	568
20.4.3	Income-Expenditure Approach	569
20.5	Concept of Inflation	569
20.5.1	Kinds of Inflation	570
20.5.2	Theories of Inflation	570
20.5.3	Causes of Inflation	572
20.5.4	Methods for Measuring Inflation	572
20.5.5	Measures of Inflation	573
20.6	Summary	575
20.7	Key Terms	575
20.8	Exercise	575
	Multiple Choice Questions	575
	Short Answer Type Questions	577

Long Answer Type Questions	584
Chapter 21: Business Cycles.....	593
21.1 Introduction	594
21.2 Concept of a Business Cycle.....	594
21.3 Phases of a Business Cycle.....	595
21.3.1 Expansion.....	596
21.3.2 Peak.....	596
21.3.3 Recession.....	596
21.3.4 Trough	596
21.3.5 Recovery.....	596
21.4 Theories of Business Cycles.....	597
21.4.1 Pure Monetary Theory.....	597
21.4.2 Monetary Over-Investment Theory.....	598
21.4.3 Schumpeter's Theory of Innovation.....	598
21.4.4 Keynes Theory.....	599
21.4.5 Samuelson's Model of Multiplier Accelerator Interaction.....	599
21.4.6 Hicks's Theory.....	602
21.5 Controlling Business Cycles–Stabilization Policies.....	604
21.6 Summary	605
21.7 Key Terms	605
21.8 Exercise	605
Multiple Choice Questions.....	605
Short Answer Type Questions	607
Long Answer Type Questions.....	613
Chapter 22: Banking.....	623
22.1 Introduction	624
22.2 Concept of a Bank.....	624
22.3 Commercial Bank	625
22.3.1 Functions of Commercial Banks.....	625
22.3.2 Types of Credit Offered by Commercial Banks	628
22.4 Credit Creation by Commercial Banks.....	629
22.5 Central Bank	631
22.6 Functions of Central Bank.....	632
22.7 Summary	634
22.8 Key Terms	634
22.9 Exercise	635
Multiple Choice Questions.....	635
Short Answer Type Questions	636
Long Answer Type Questions.....	640
Chapter 23: Economic Growth and Tools of Economic Analysis	643
23.1 Introduction	644
23.2 Meaning of Economic Growth.....	644

23.3	Theories of Economic Growth	645
23.3.1	Harrod-Domar Theory	645
23.3.2	Neo-Classical Theory	647
23.4	Concept of Economic Analysis.....	648
23.4.1	Economic Variables	649
23.4.2	Slope.....	649
23.4.3	Optimization Techniques.....	656
23.4.4	Linear Programming	660
23.5	Summary	665
23.6	Key Terms	666
23.7	Exercise	666
	Multiple Choice Questions.....	666
	Short Answer Type Questions	668
	Long Answer Type Questions	676
Chapter 24: International Economics		685
24.1	Introduction	686
24.2	Concept of International Economics.....	686
24.3	Concept of Globalization	687
24.3.1	Defining Globalization	687
24.3.2	Forces of Globalization.....	688
24.3.3	Brighter Side of Globalization	688
24.3.4	Darker Side of Globalization.....	689
24.3.5	Underdeveloped Nations: Reforms to Reap Benefits of Globalization	690
24.4	Concept of International Trade	691
24.4.1	Regulatory Framework of International Trade	692
24.4.2	Instruments of International Trade Policy	692
24.5	Classical Trade Theories.....	693
24.5.1	Theory of Mercantilism.....	693
24.5.2	Theory of Absolute Advantage.....	693
24.5.3	Theory of Comparative Advantage.....	694
24.6	Heckscher and Ohlin Theory – Modern Theory of International Trade	695
24.7	Porter’s Diamond Theory of National Advantage	696
24.8	Evaluation of International Trade Theories.....	696
24.9	International Economic Institutions.....	697
24.9.1	World Trade Organization	697
24.9.2	International Monetary Fund.....	698
24.9.3	United Nations Conference on Trade and Development	698
24.9.4	Regional Economic Integration	698
24.10	India’s International Trade Policy –EXIM Policy	700
24.11	Evolution of International Monetary System	704
24.12	Balance of Payments	705
24.13	Foreign Direct Investment -India and the World.....	705
24.14	Instruments of Payment	708
24.15	Export Documentation.....	709

24.16	Export Procedures.....	712
24.17	Direction and Quantum of India's Exports.....	713
24.18	Summary.....	721
24.19	Key Terms.....	721
24.20	Exercise.....	721
	Multiple Choice Questions.....	721
	Short Answer Type Questions.....	723
	Long Answer Type Questions.....	728
Chapter 25:	Capital Budgeting and Investment Decisions.....	731
25.1	Introduction.....	732
25.2	Concept of Capital Budgeting.....	732
25.3	Pre-requisites of Capital Budgeting.....	733
25.4	Sources of Funds.....	734
25.5	Time Value of Money.....	735
	25.5.1 Future Value of Cash Flows.....	735
	25.5.2 Present Value of Cash Flows.....	736
25.6	Cost of Capital.....	737
	25.6.1 Cost of Debt Capital.....	738
	25.6.2 Cost of Preference Capital.....	739
	25.6.3 Cost of Equity Capital.....	740
	25.6.4 Cost of Retained Earnings.....	743
	25.6.5 Weighted Average Cost of Capital.....	743
	25.6.6 Marginal Cost of Capital.....	745
25.7	Determining Optimum Level of Capital.....	746
25.8	Investment Decisions under Certainty.....	747
	25.8.1 Net Present Value Method.....	747
	25.8.2 Internal Rate of Return Method.....	748
	25.8.3 Payback Period Method.....	749
	25.8.4 Profitability Index.....	749
	25.8.5 Average Rate of Return Method.....	750
25.9	Investment Decisions under Risk.....	756
	25.9.1 Sensitivity Analysis.....	757
	25.9.2 Scenario Analysis.....	758
	25.9.3 Decision Tree Analysis.....	758
	25.9.4 Break-Even Analysis.....	759
	25.9.5 Risk-Adjusted Discount Rate Method.....	759
	25.9.6 Certainty-Equivalent Analysis.....	760
25.10	Summary.....	762
25.11	Key Terms.....	762
25.10	Exercise.....	763
	Multiple Choice Questions.....	763
	Short Answer Type Questions.....	764
	Long Answer Type Questions.....	772

Case Studies	795
Case Study-1: Demand and Supply Analysis of ABC Pvt. Ltd.....	795
Case Study-2: Russian Economy from 1990 to 2007	797
Case Study-3: Demand for XYZ Products	799
Case Study-4: Employment of Factors of Production	801
Case Study-5: Market Structure in Country DEF.....	803
Case Study-6: China Overtakes Japan as the Second Largest Economy of the World	805
Case Study-7: Finding Economies of Scale in Organic Vegetable Production	807
Case Study-8: Disability, Economic Globalization, and Privatization: A Case Study of India	812
Case Study-9: Economic Growth: India versus United States.....	820
Case Study-10: Ford Foundation: Aims for Foreign Funding	822
Appendix A	825
Appendix B	827
Appendix C	831
Appendix D	833
Appendix E	835
Additional Questions	837
Glossary	843
Index	849
What's on the CD-ROM	852