

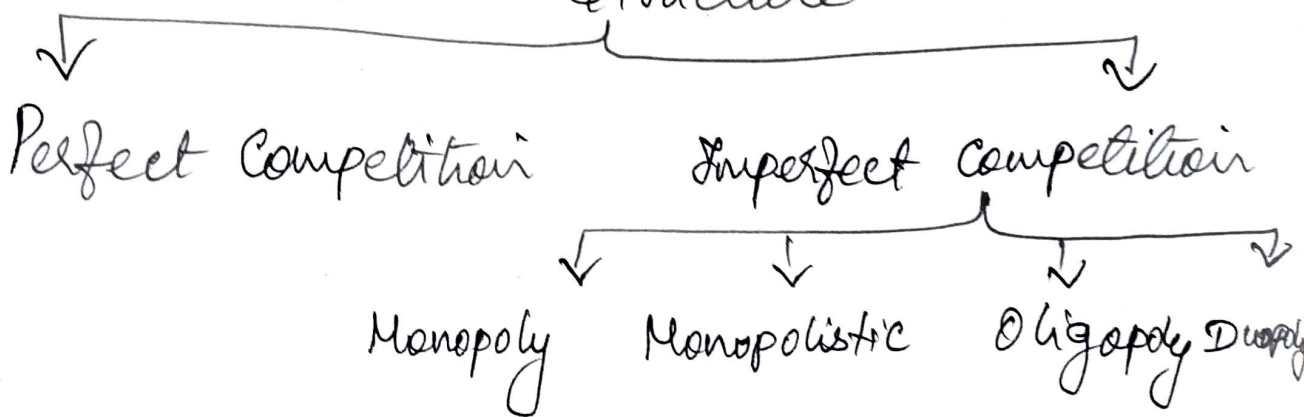
2 M. com @ Economics For Decision Making - 18Mec110  
2 Semester

Unit - IV

Ref. Book: Managerial Economics - Sawhney

Price and output decisions under market condition: Perfect and Imperfect competition - Pricing methods - Profit Policies and social responsibilities of business

### Market Structure:



### Meaning of Perfect Competition:

It considers the freedom of entry and exit of firms as the important criterion in perfect competition.

### Features:

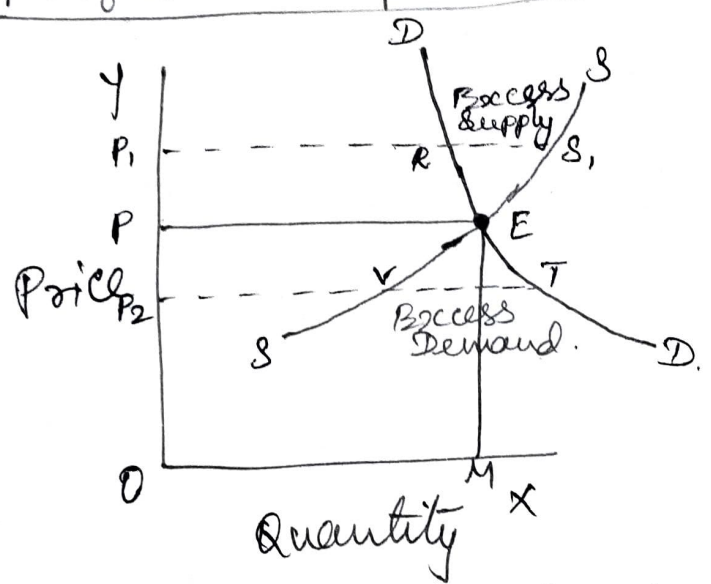
1. Large No. of buyer and sellers
2. Homogeneous Product.
3. Free entry and exit conditions
4. Perfect knowledge on the part of buyers & sellers.
5. Perfect mobility of factors of production
6. Absence of transport cost.
7. Absence of Govt. restrictions.

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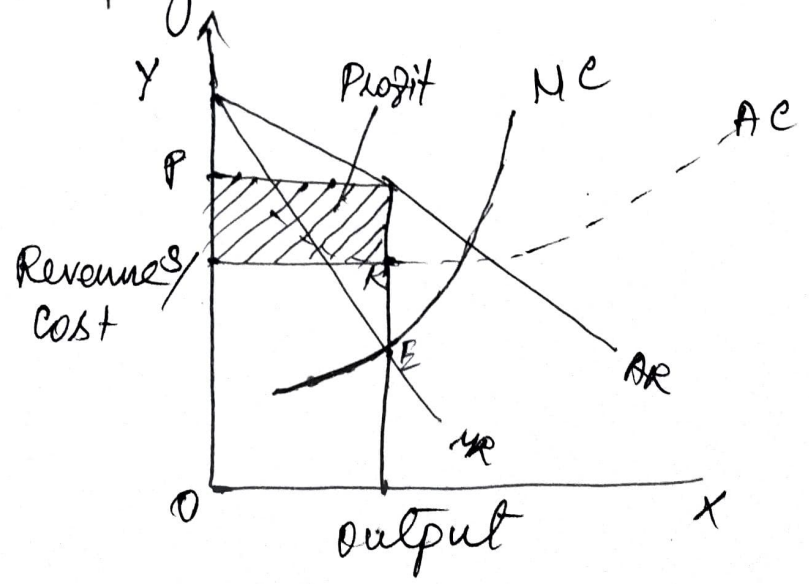
## Characteristics of Imperfect Competition

1. Group competition between very few firms.
2. Many firms.
3. Different products
4. Selling cost.
5. Freedom of entry & exit.

## Price & output Determination under Perfect competition



## Price and output Determination under Monopoly.



## Pricing Methods :-

1. cost-plus pricing method
2. Target " "
3. Marginal cost " "
4. Going-rate " "
5. customary " "
6. Differential " "
7. Legal constraints " "

## Pricing policies :-

1. Marginal cost pricing
2. Average cost pricing
3. Fair Return principle.
4. Actual pricing principle.

## Profit policies :-

- I Alternative Profit Policy.
  - II Profit Maximization "
  - III Maximise consumer welfare
  - IV Avoid probable competition from new firms.
- ### Social responsibilities of Business

- |                                     |                                |
|-------------------------------------|--------------------------------|
| 1. Social Benefit                   | 5. value of the Firm           |
| 2. Customer Relationship Management | 6. Economic stability          |
| 3. Protection to the shareholders   | 7. Good quality of products    |
| 4. Innovation concept.              | 8. workers welfare Activities. |