

# **EXHIBIT 13**

TENTH EDITION

# Managerial Economics

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## HOW IS MANAGERIAL ECONOMICS USEFUL?

### managerial economics

Applies economic tools and techniques to business and administrative decision making

**Managerial economics** applies economic theory and methods to business and administrative decision making. Managerial economics prescribes rules for improving managerial decisions. Managerial economics also helps managers recognize how economic forces affect organizations and describes the economic consequences of managerial behavior. It links economic concepts with quantitative methods to develop vital tools for managerial decision making. This process is illustrated in Figure 1.1.

### Evaluating Choice Alternatives

Managerial economics identifies ways to efficiently achieve goals. For example, suppose a small business seeks rapid growth to reach a size that permits efficient use of national media advertising. Managerial economics can be used to identify pricing and production strategies to help meet this short-run objective quickly and effectively. Similarly, managerial economics provides production and marketing rules that permit the company to maximize net profits once it has achieved growth or market share objectives.

**FIGURE 1.1**

#### Managerial Economics Is a Tool for Improving Management Decision Making

Managerial economics uses economic concepts and quantitative methods to solve managerial problems.

