



B.T.M. 2nd Semester
Jiwaji University

Business Economics (204)

Topic- Business Economics:
Basic Concepts

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Basic Concept of Business Economics

There are different terms which are used in Business Economics-

- Value
- Utility
- Scarcity
- Transferability
- Price
- Wealth
- Stocks and flows
- Optimization of resources

1) **Value-**

- The concept of value is related to the concept of utility.
- Utility is known as the quality of want satisfying characteristics in a thing or a person, when we consume or use it.
- Utility is the value-in-use of a commodity.

For Example- Water satisfies the want of thirst.

- When we use water to quench our thirst, it is the value-in-use of water.
- In economics, value means the “value in exchange”

For Example- If a pen can be exchanged with 2 pencils, then the value of one pen is equal to two pencils.

- For a commodity to have value, it must have the following characteristics-
- Utility- It must have the utility. A rotten egg has no utility because it possesses no value-in-exchange.
- Scarcity-Only utility does not create value unless it is scarce (limited).
- Transferability-Apart from above two characteristics, a commodity must be transferable from one place to another or from one person to another.

2) Price-

- Price is the value of a commodity expressed in terms of money.

For Example- One pen is of 10 Rs.

- Value is a relative concept in comparison with price.
- There cannot be general rise or fall in values, but there can be general rise or fall in prices.
- The price of the products generally do not rise or fall frequently.

3) Wealth-

- In general we understand wealth as money, property, expensive commodities etc but in economics wealth means ‘all the things that have value’
- A commodity is called wealth when it has utility, scarcity and transferability.
- There are various types of wealth-
 - Individual Wealth
 - Social Wealth
 - National Wealth
 - International Wealth
 - Financial Wealth

4) Stocks and Flows-

- Stocks and flows are two variables. Stock variable has no time dimension, whereas flows variables are related to a specified period of time.

For example- national income is a flow and national wealth is a stock

Government debt is stock and wages, salaries tax payments are the flows

5) Optimisation-

- Optimisation refers to the maximum efficient use of resources in spite for several constraints.
- Optimisation is the technique used by producer as well as consumer as decision-maker.
- Optimisation is the determination of the maximisation or minimisation of an objective function.



Thank You