

Content

1.	The Theory and Estimation of Production	5
1.1.	Production in the Short Run	8
1.1.1.	Law of Diminishing Returns.....	8
1.1.2.	The Three Stages of Production	11
1.2.	Production in the Long Run.....	13
2.	The Theory of Cost	16
2.1.	Costs in the short-run	17
2.1.1.	Incremental and marginal costs	20
2.2.	Economic versus accounting cost concepts	23
2.3.	Production in the long-run	25
2.4.	Management of costs.....	31
3.	Contribution margin	33
4.	Profit and the interdependence between economic variables.....	37
4.1.	Economic vs. accounting profit	40
5.	The Break – Even Analysis	42
5.1.	Critical Capacity utilization	49
6.	Leverage Analysis	57
6.1.	Types of risks	57
6.2.	Operating Leverage	60
6.3.	Financial Leverage	64
6.4	Total Leverage.....	66
7.	Capital structure	70
7.2.	Cost of Capital	73
7.3.	Optimal capital structure	76
7.4.	Types of financial added values.....	77
7.4.1	Economic value added.....	77
7.4.2.	MVA – Market Value Added.....	79
7.4.3.	Shareholder value added.....	80
7.4.4.	Cash value added.....	81
8.	Financial and economic performance of firm	85
8.1.	Profitability ratios or margins.....	88

ECONOMICS OF ENTERPRISES

8.2.	Activity ratios.....	89
8.3.	Liquidity ratios	90
8.4.	Debt utilization ratios	92
8.5.	Investment valuation ratios	93
9.	Business Valuation.....	98
9.1.	Asset-Based Approaches	99
9.2.	Market Approach.....	102
9.3.	Income approach.....	106
9.4.	Combined methods	109
	References:.....	114