



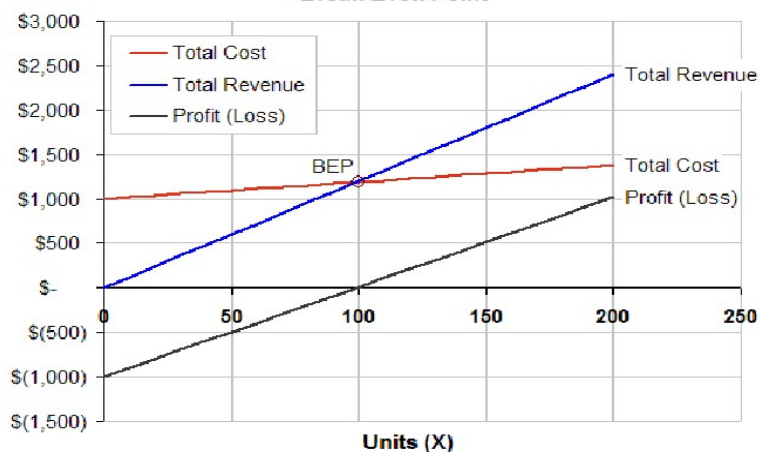
# MERGERS AND ACQUISITIONS



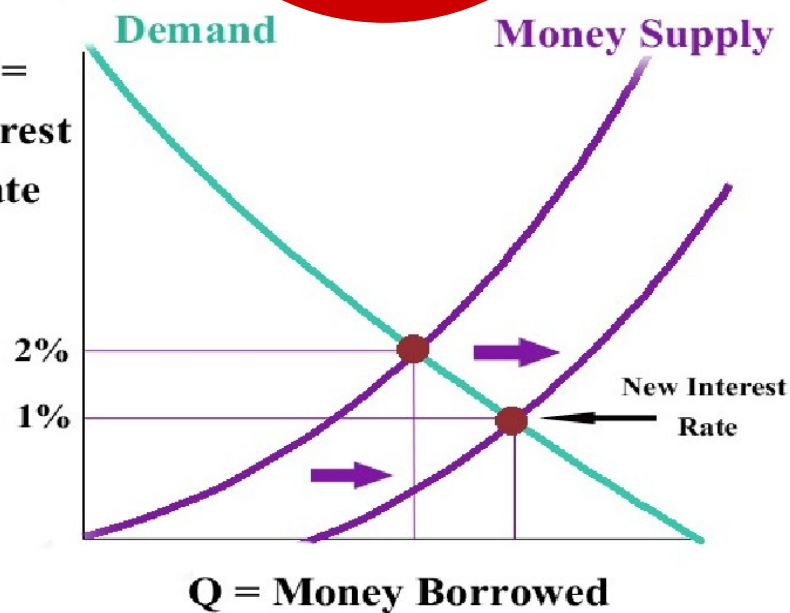
## Lecture #

03

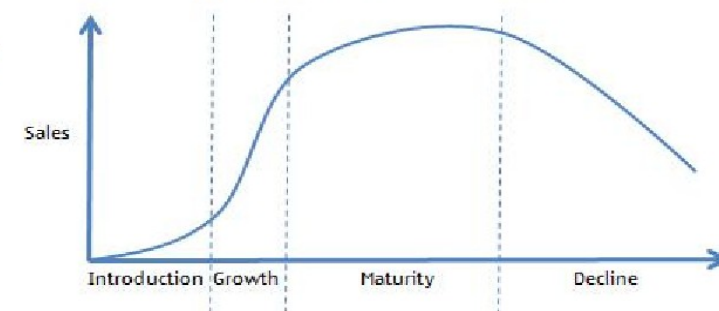
Break-Even Point



P =  
Interest  
Rate

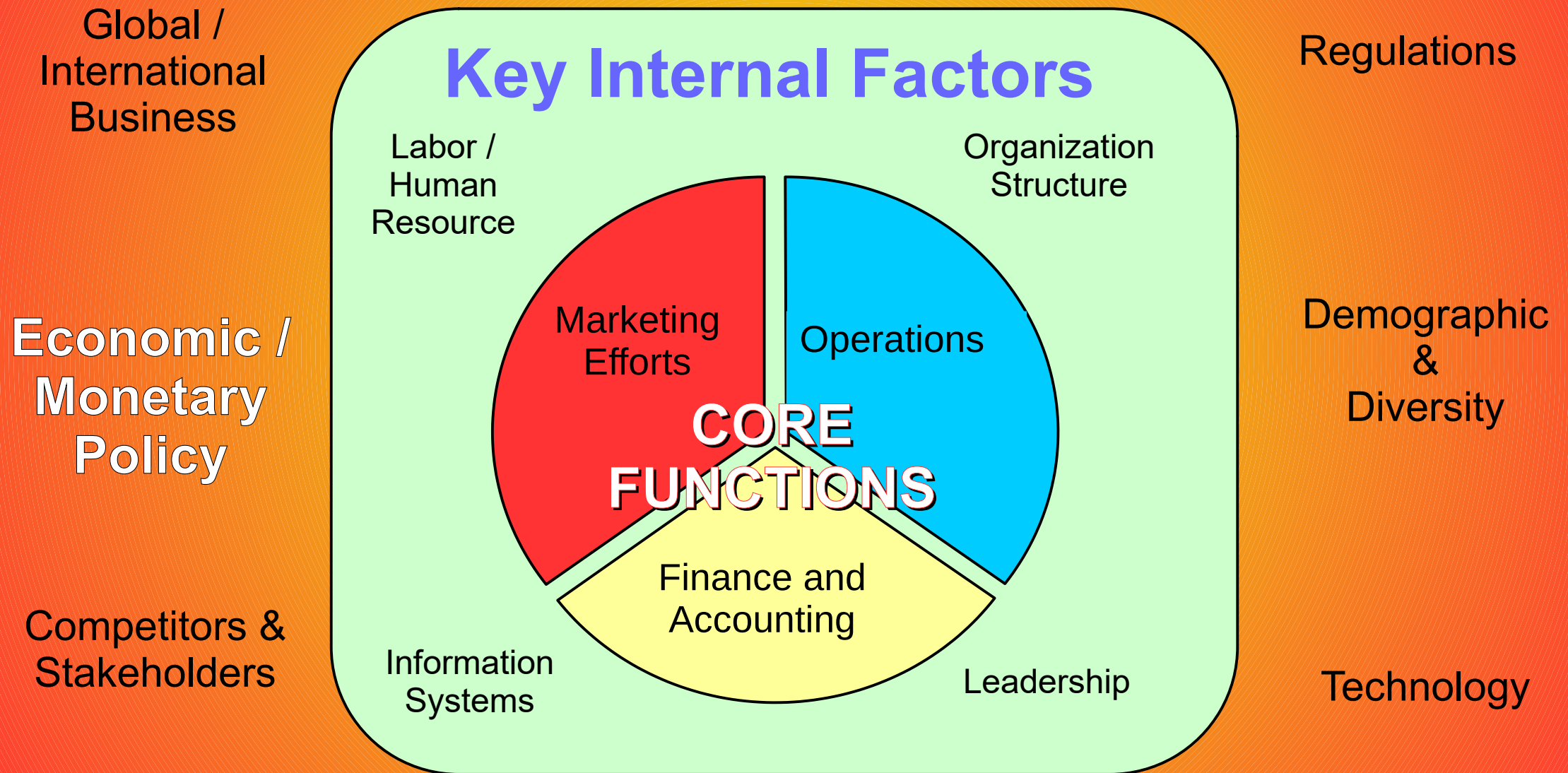


Product Lifecycle Stages



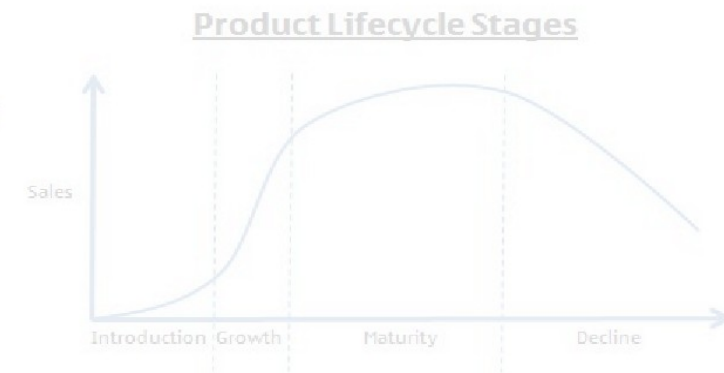
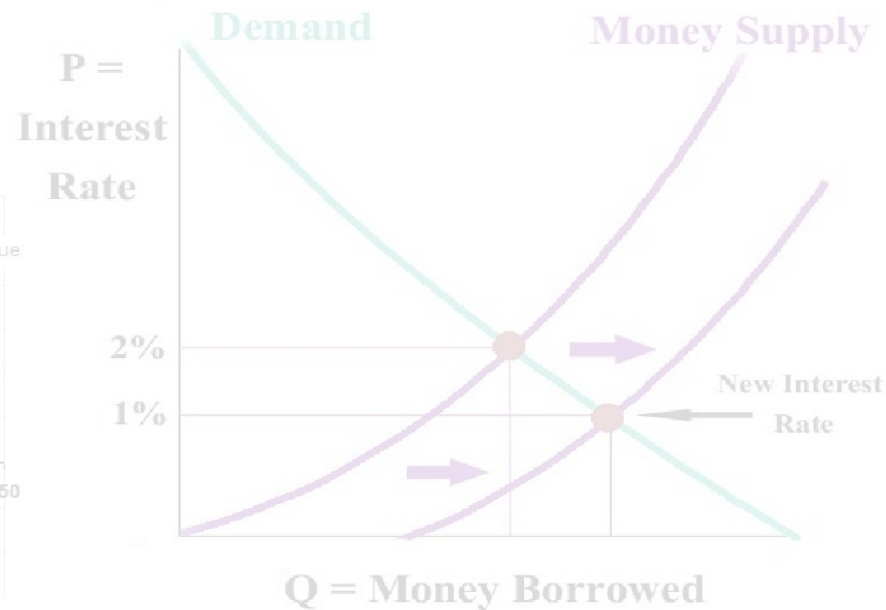
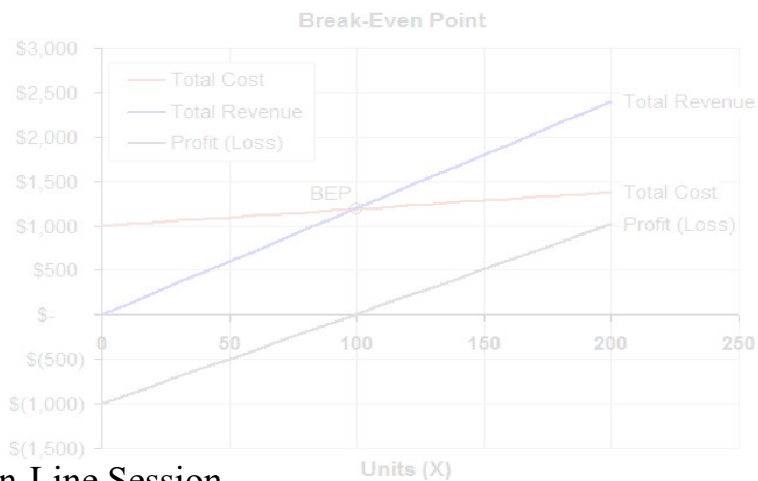


# External / Social Forces



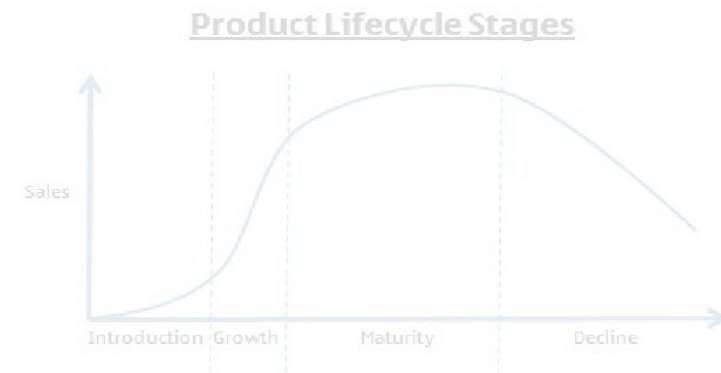
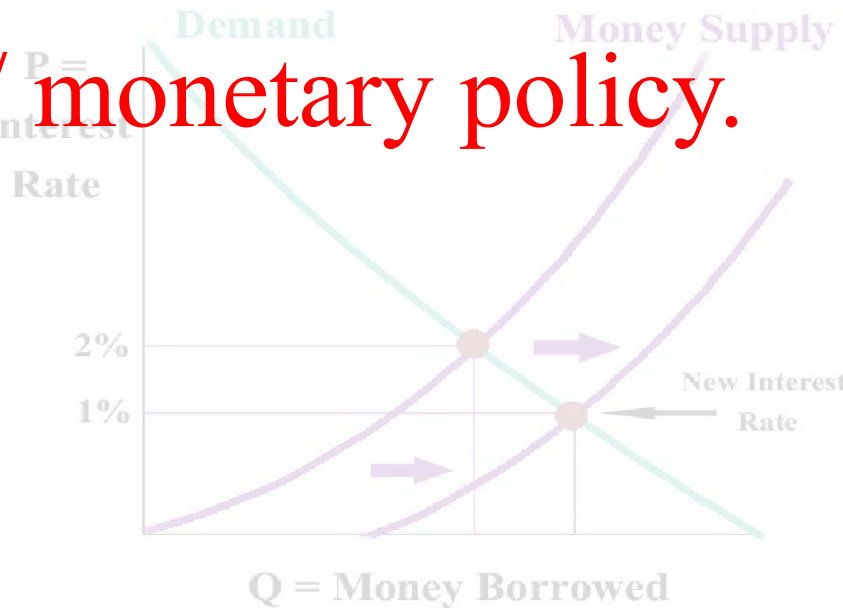
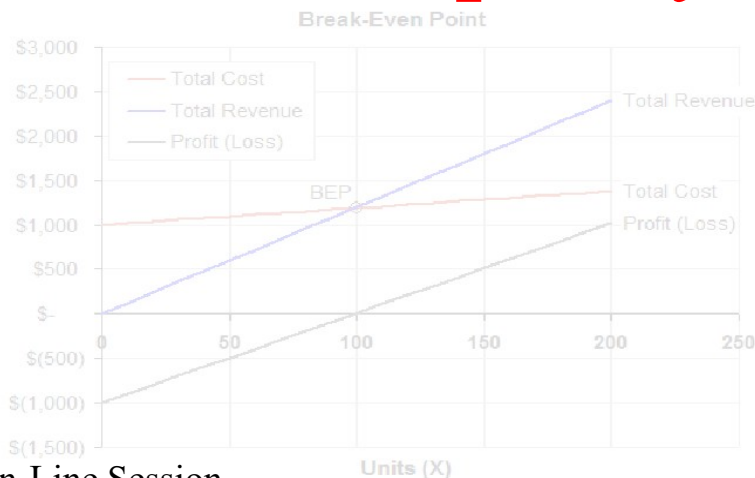
# Introduction to Business

# Economics



# Objectives

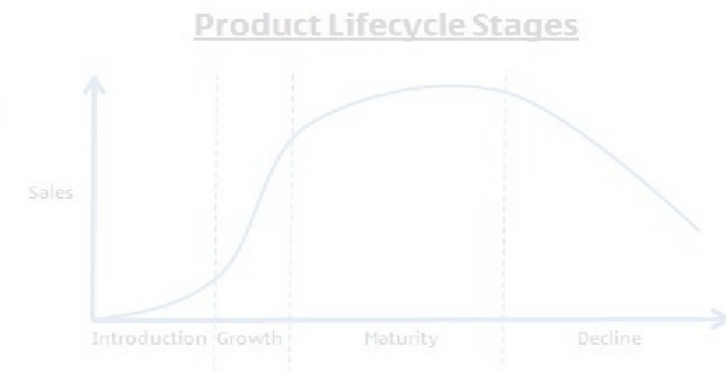
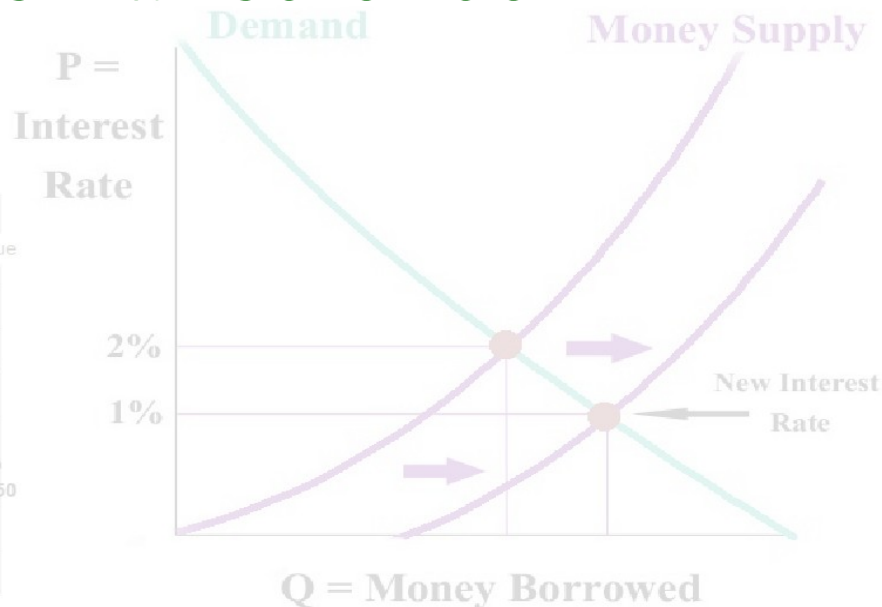
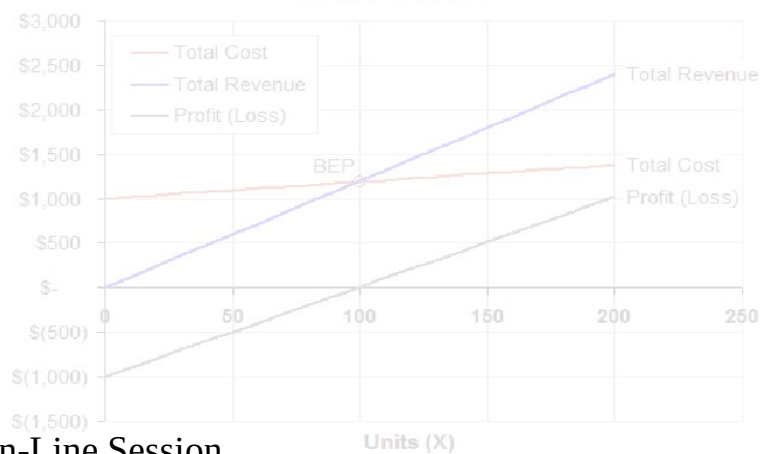
- ❖ Explain basic economics.
- ❖ Forms of economy.
- ❖ Economic indicators.
- ❖ Competitions.
- ❖ Fiscal policy / monetary policy.





# Explain basic economics

- ◆ Short video
- ◆ Definitions
- ◆ Price, supply, & demand
- ◆ Malthus & dismal science
- ◆ Adam Smith



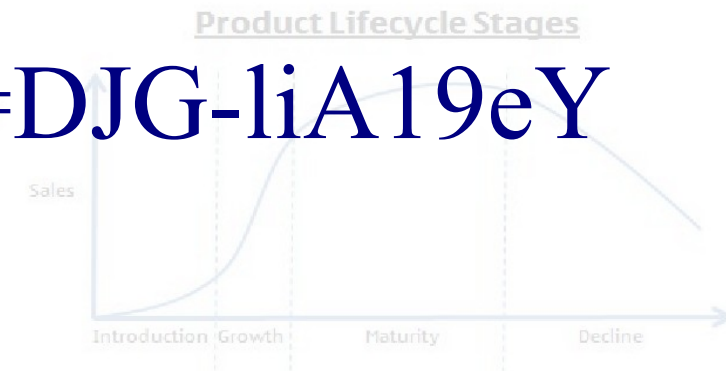
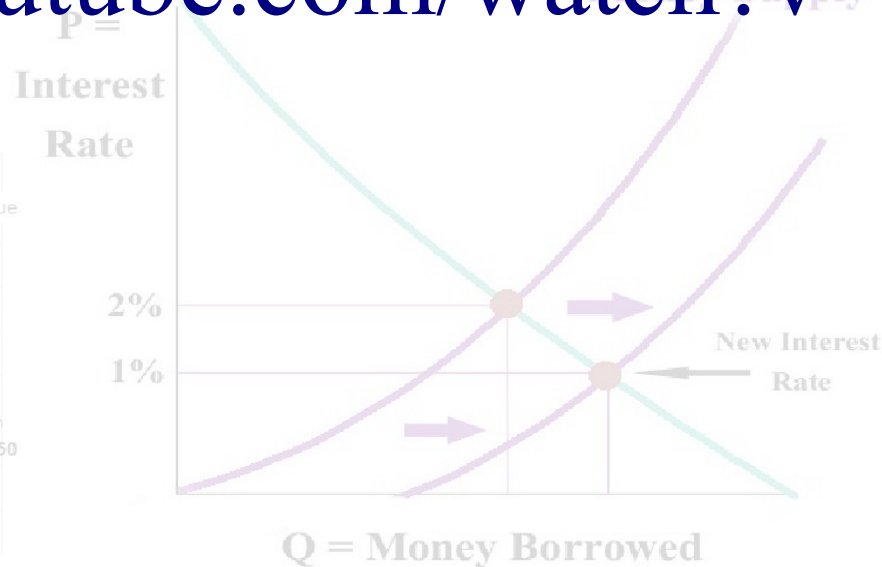
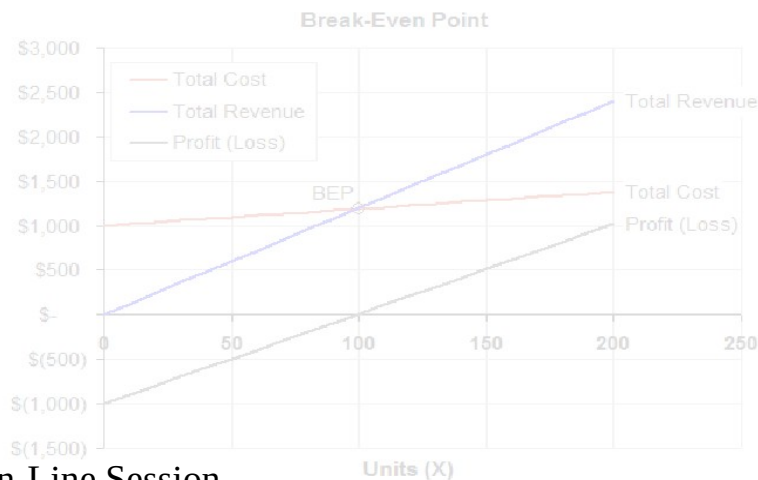
# Short video

- Intro to Economics: Crash Course Econ #1

[https://www.youtube.com/watch?v=3ez10ADR\\_gM](https://www.youtube.com/watch?v=3ez10ADR_gM)  
start 1:50 end 4:40

- Micro Macro Economics

<https://www.youtube.com/watch?v=DJG-liA19eY>



# Some definitions

## ➤ Economics

The study of how society employs resources to produce goods and services for consumption among various groups and individuals.

## ➤ Macroeconomics

Concentrates on the operation of a nation's economy as a whole.

## ➤ Microeconomics

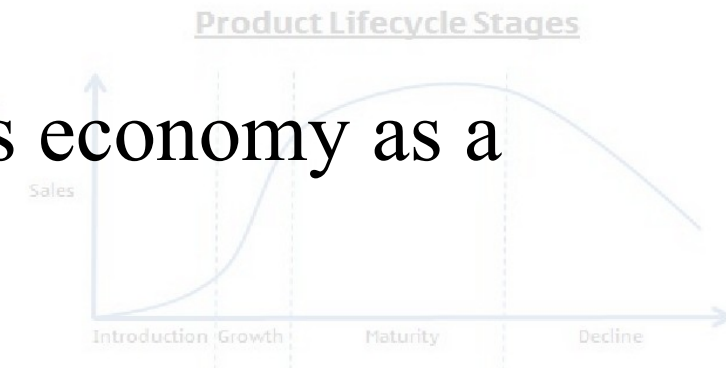
Concentrates on the behavior of people and organizations in markets for particular products or services.



Interest Rate

2%

Q = Money Borrowed





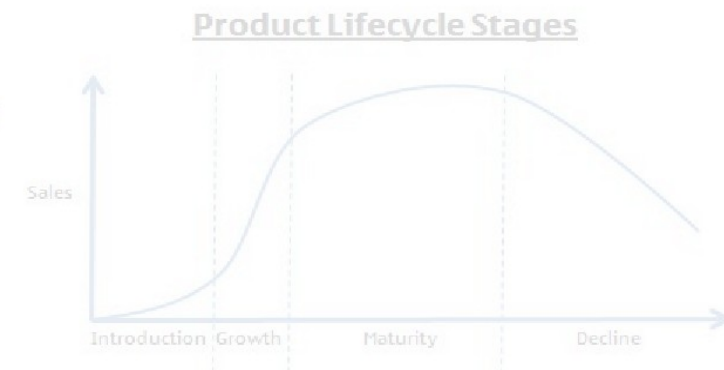
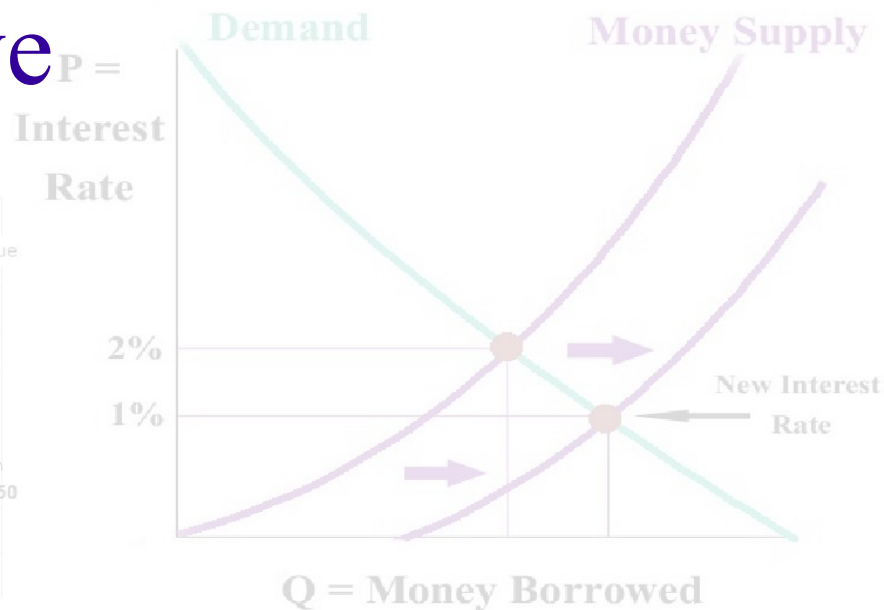
# Price, supply, and demand

➤ Importance of Price

➤ Supply curve

➤ Demand curve

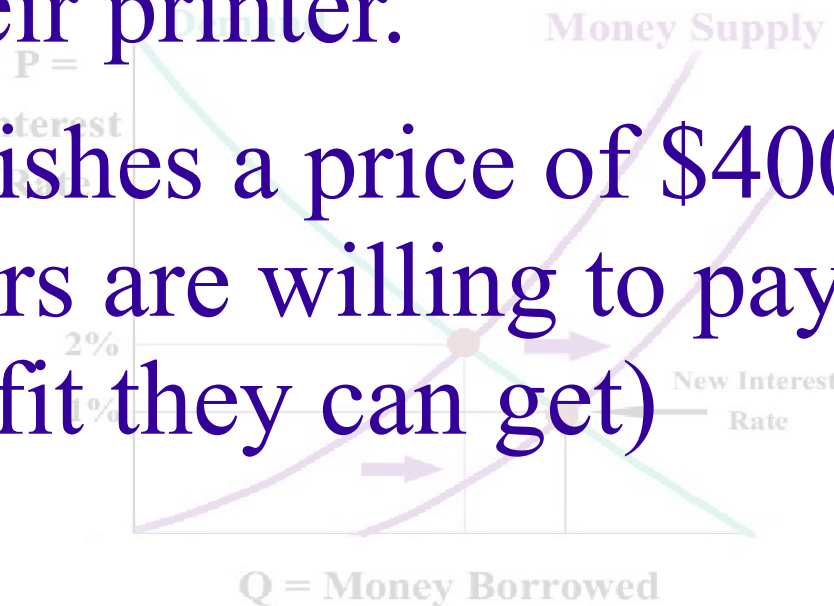
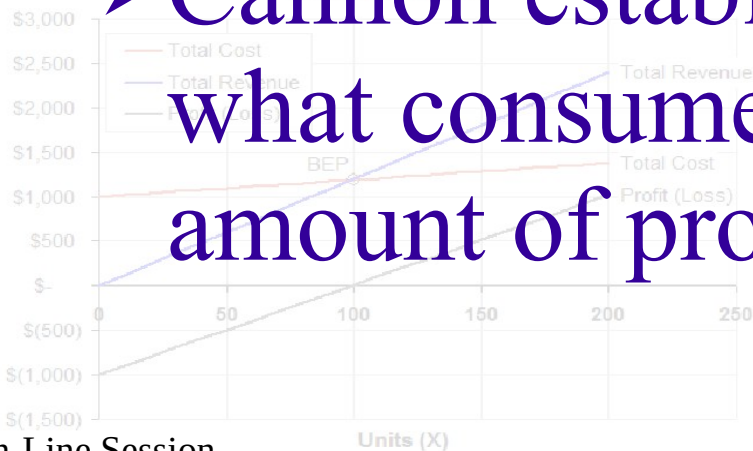
➤ Market price





# Importance of price

- Cannon may want to sell its printer for \$1000, but only a few people will be willing to buy that price.
- If the Cannon lowers their price to \$700, more people buy their printer.
- Cannon establishes a price of \$400 based on what consumers are willing to pay (and the amount of profit they can get)



Product Lifecycle Stages

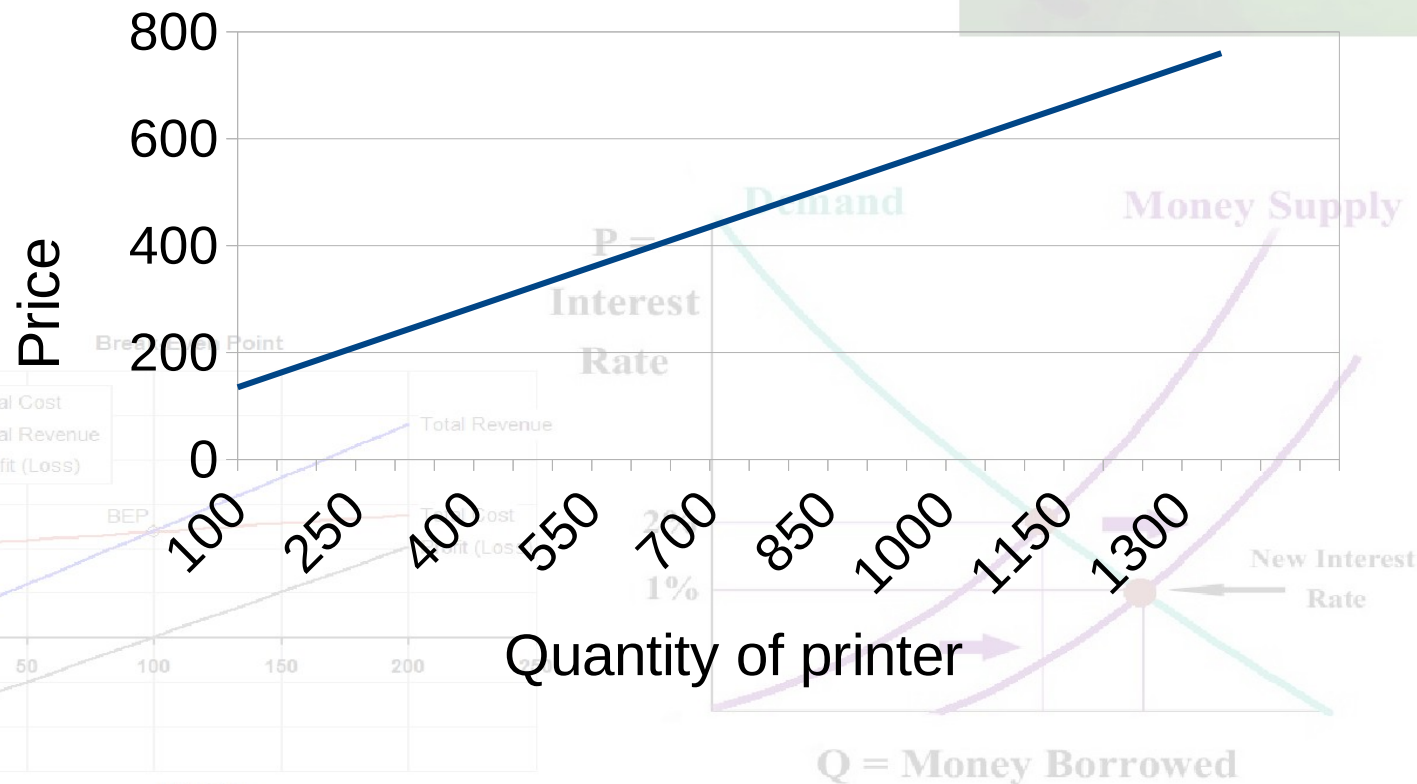
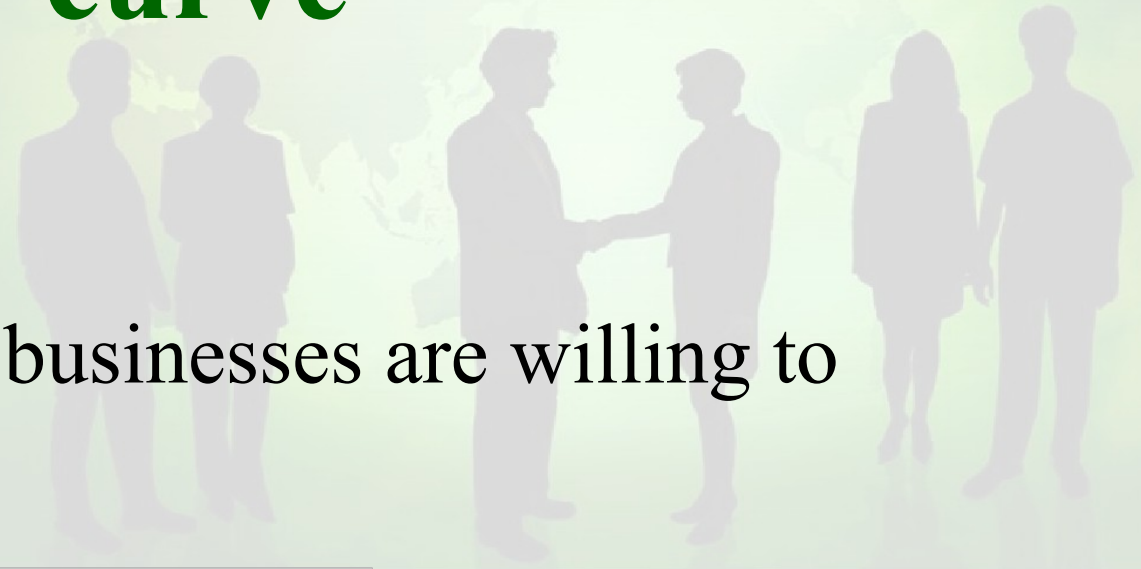


# Supply curve

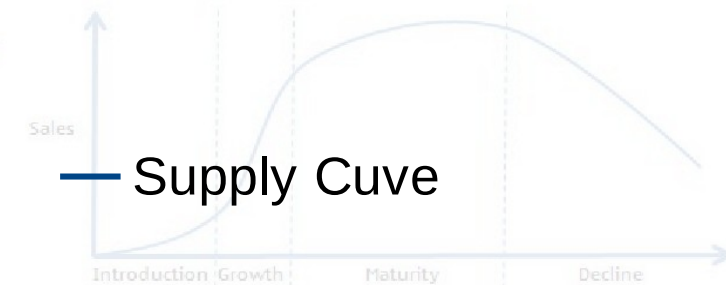
## ➤ Supply

The quantities of products businesses are willing to **SELL** at different prices.

## MERGERS AND ACQUISITIONS



## Product Lifecycle Stages

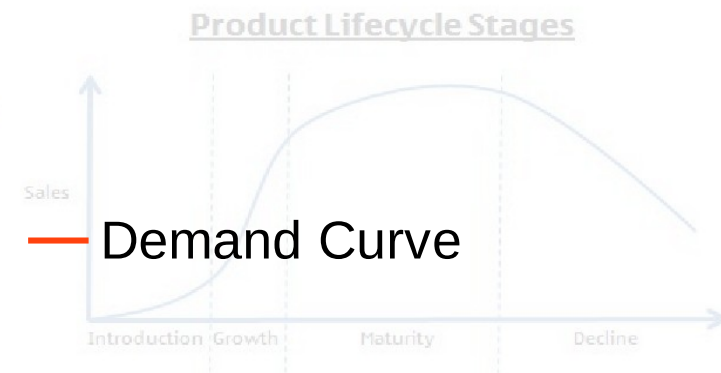
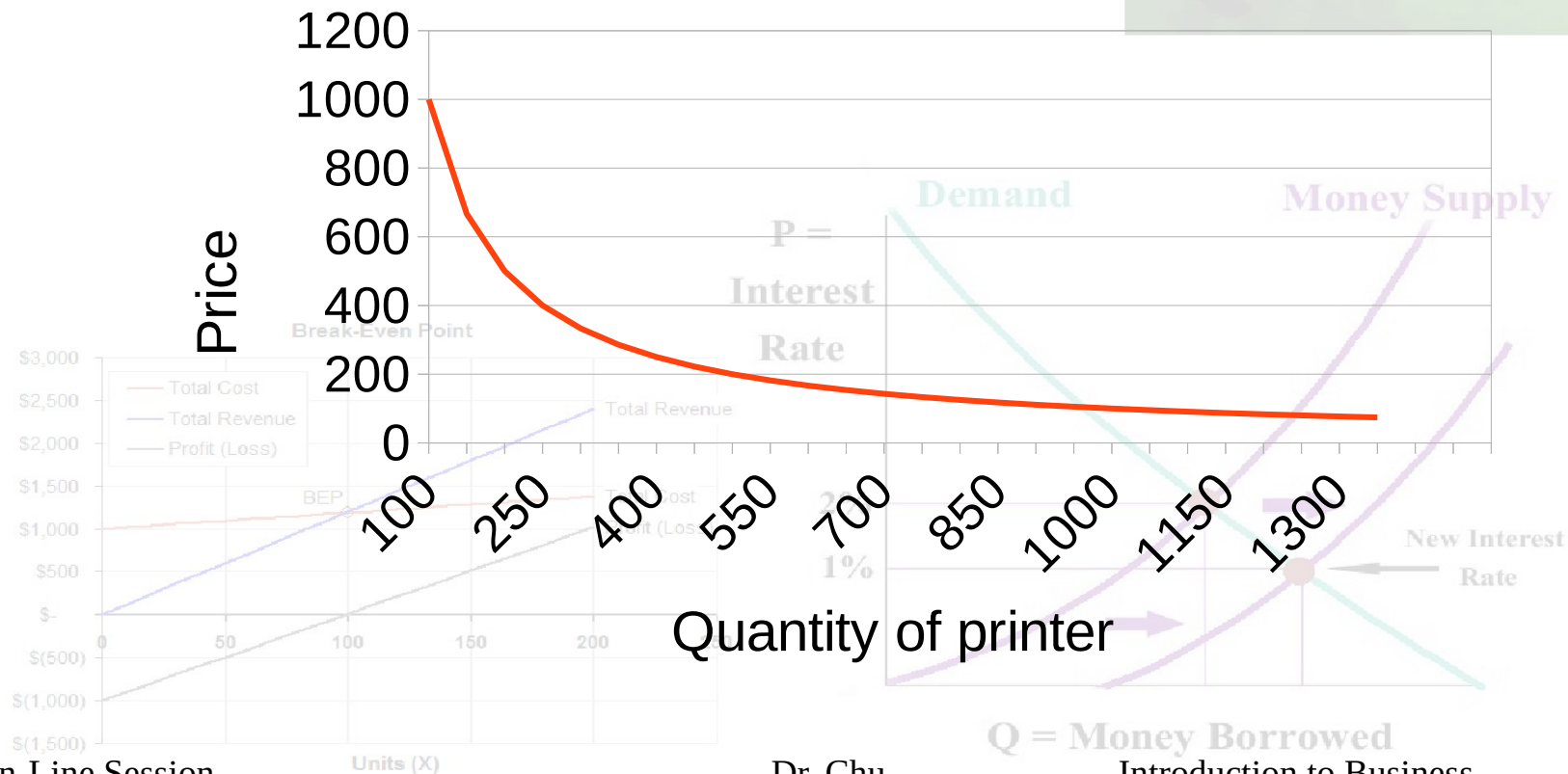




# Demand curves

## ➤ Demand

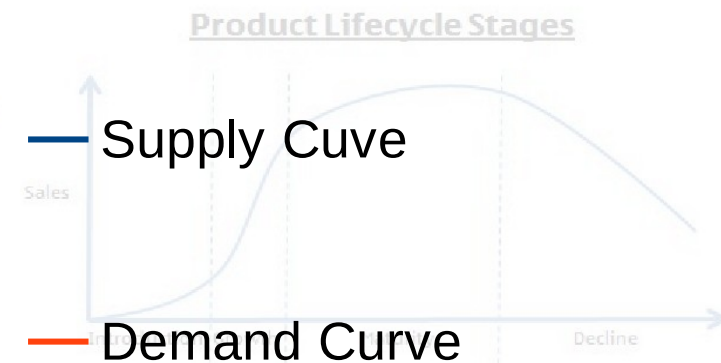
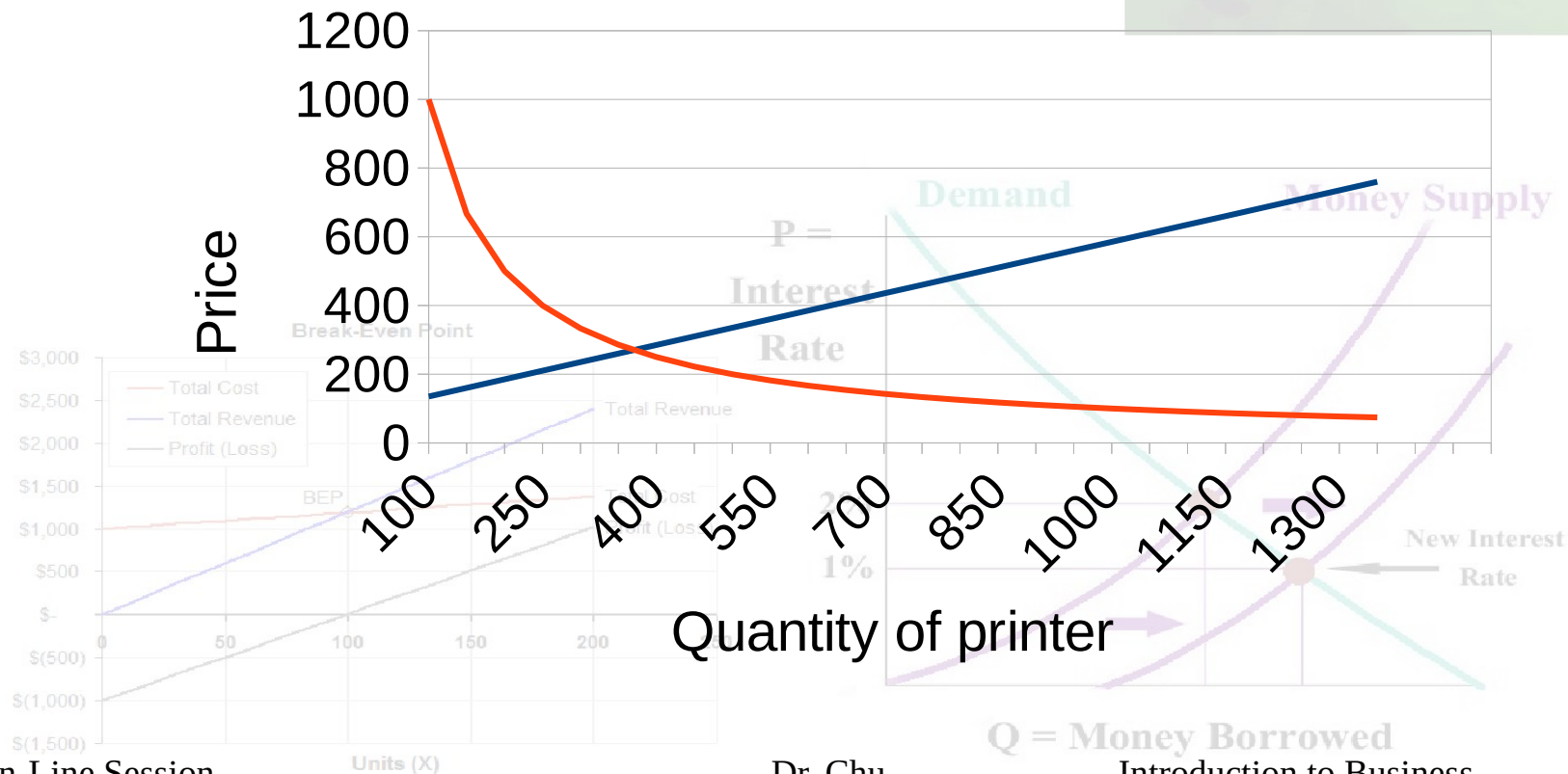
The quantities of products consumers are willing to **BUY** at different prices.



# Market price

## ➤ Market price (a/k/a equilibrium point)

Determined by supply and demand. This is the negotiated price.





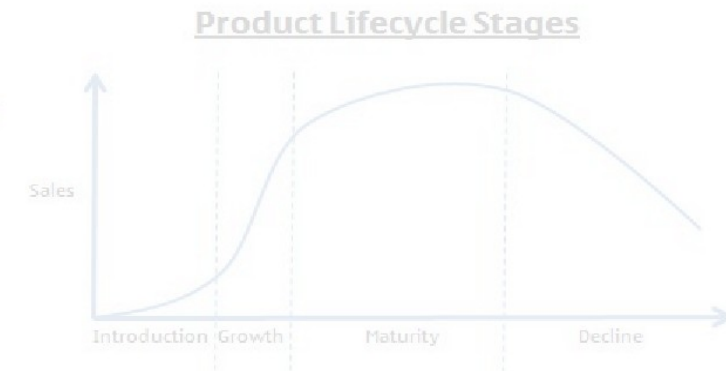
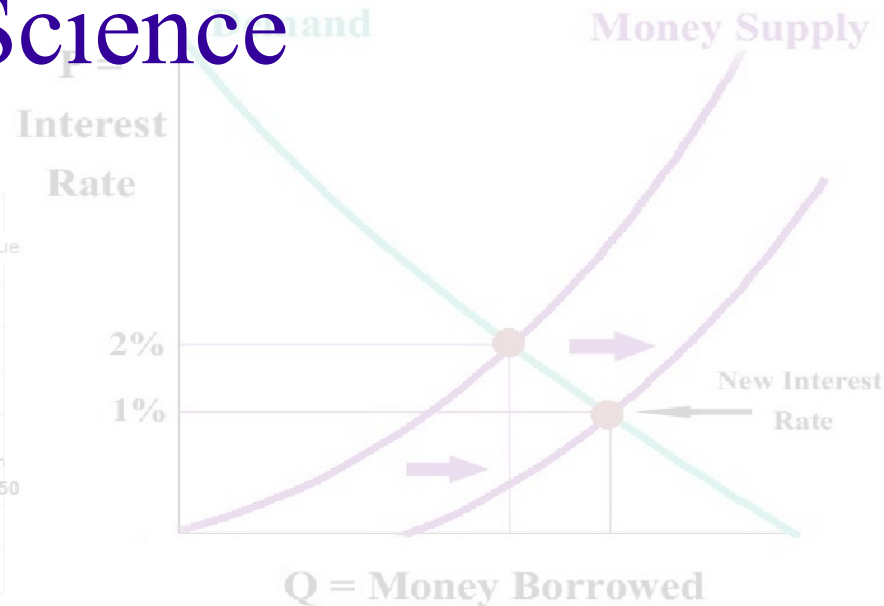
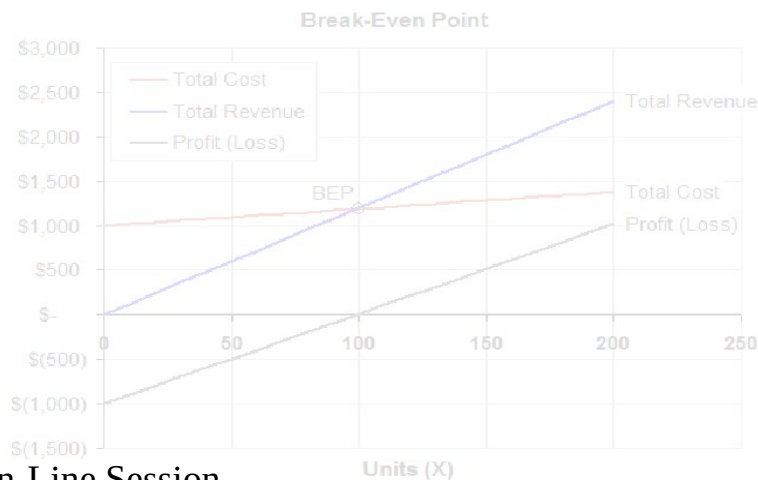
# Malthus & dismal science

## ➤ Malthus believed:

if the rich had most of the wealth and the poor had most of the population, resources would run out.

## ➤ With this argument Carlyle call economic

## The Dismal Science



# Adam Smith

Laissez-faire = “let them do”

**Right to create wealth**

**Right to own private property and resources**

**Right to economic freedom and freedom to compete**

**Right to limited government intervention**

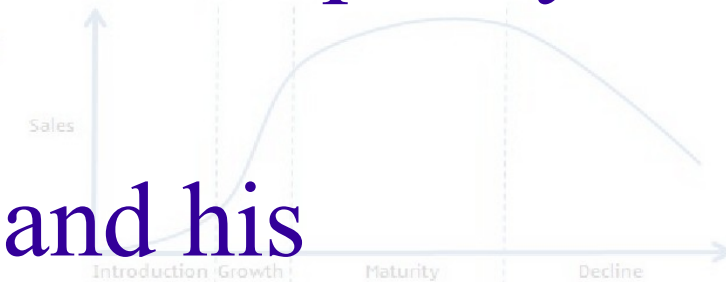
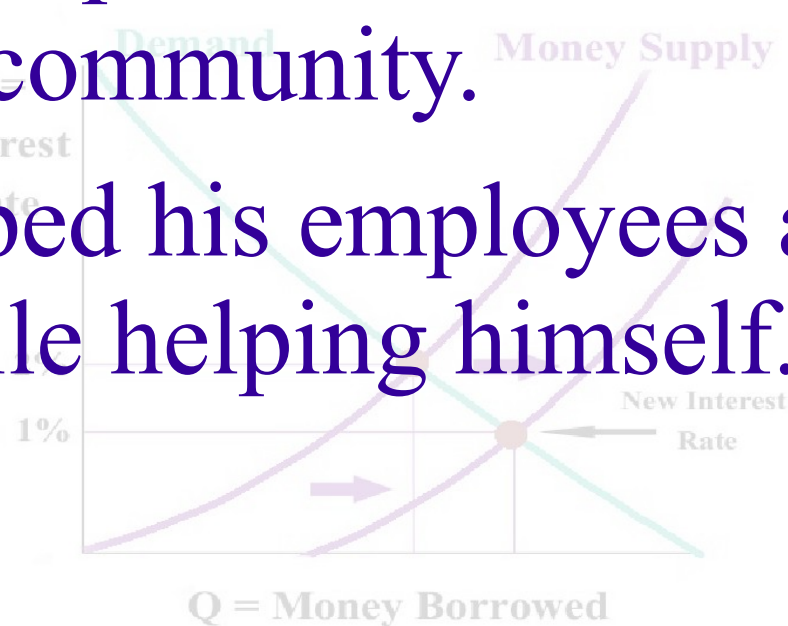


# Laissez-Faire or Invisible Hand

- A farmer earns money by selling his crops.
- To earn more, the farmer hires farmhands to produce more crops.
- When the farmer produces more, there is plenty of food for the community.
- The farmer helped his employees and his community while helping himself.



Interest  
Rate



# Forms of economy

◆ Traditional

◆ Command (Communism)

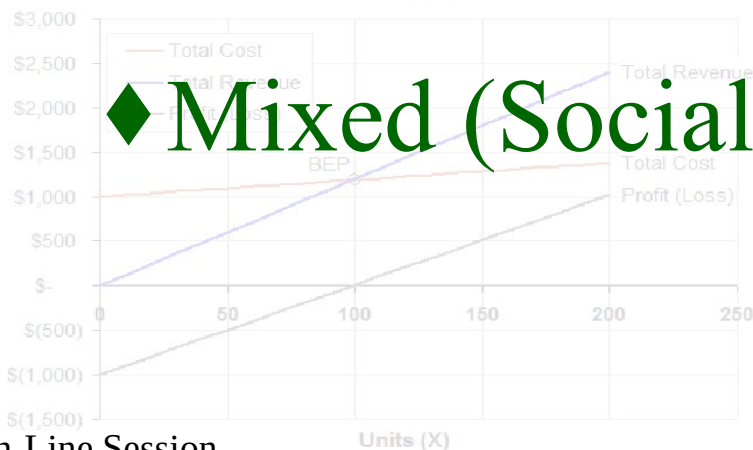
◆ Market (Laissez-faire capitalism)

◆ Mixed (Socialism / U.S. Capitalism)

## MERGERS AND ACQUISITIONS



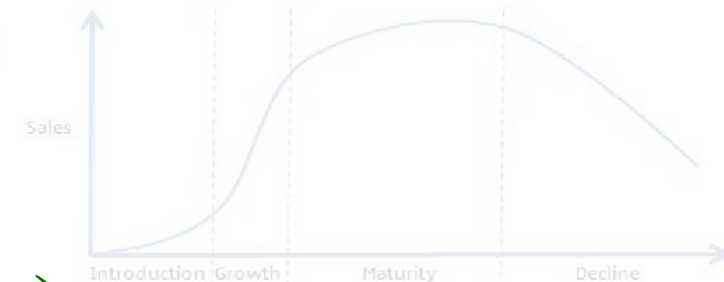
Break-Even Point



Interest Rate



Product Lifecycle Stages





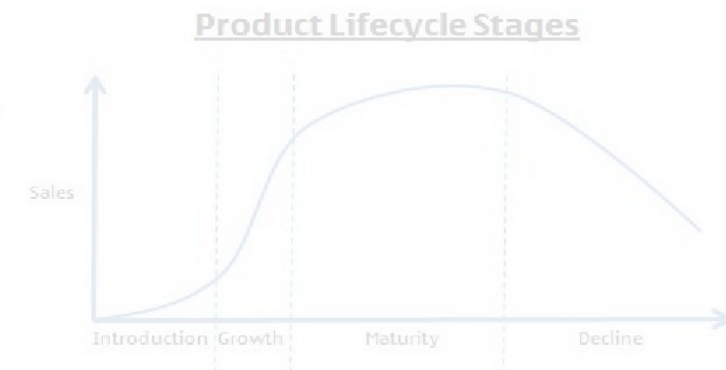
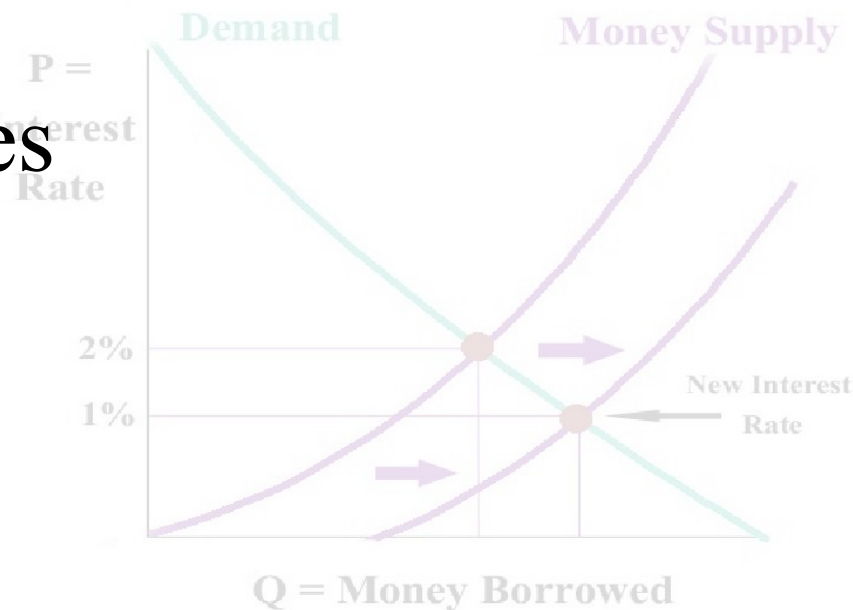
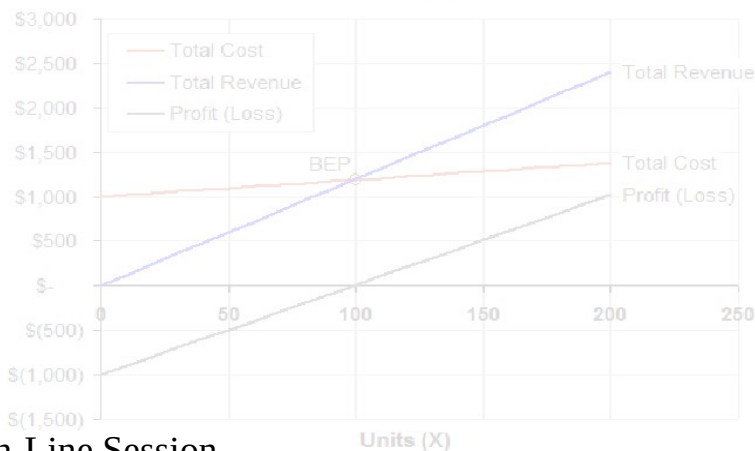
# Traditional economic system

- Tradition matters.
- Standards of living are static, very limited mobility.
- Predictable.

## ➤ Examples:

❑ Aborigines

❑ Amazon tribes



# Command economic system

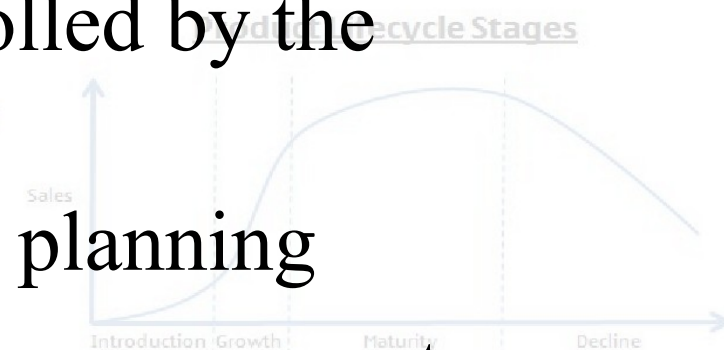
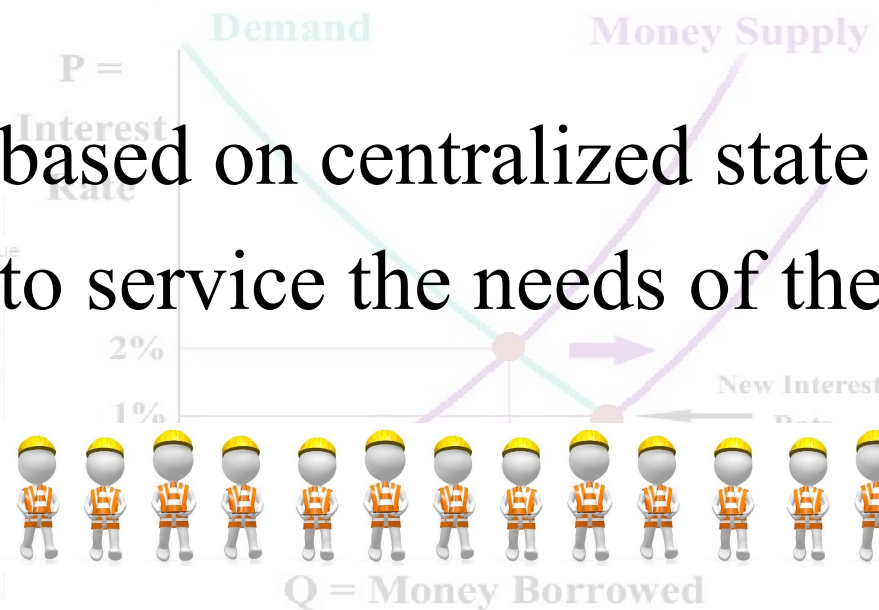
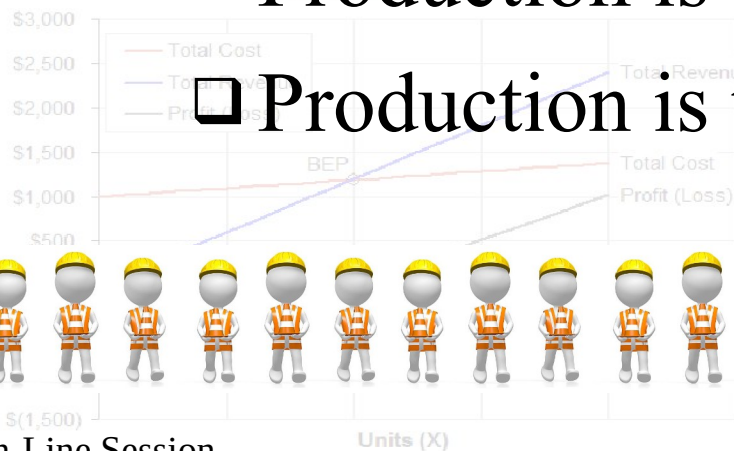
## ➤ A/K/A

- ❑ Planned economy
- ❑ Communism (as described by Karl Marx)

## ➤ Communism

- ❑ Factors of production owned and controlled by the government
- ❑ Production is based on centralized state planning
- ❑ Production is to service the needs of the government

MERGERS AND ACQUISITIONS





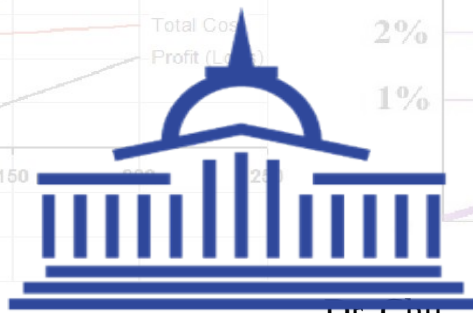
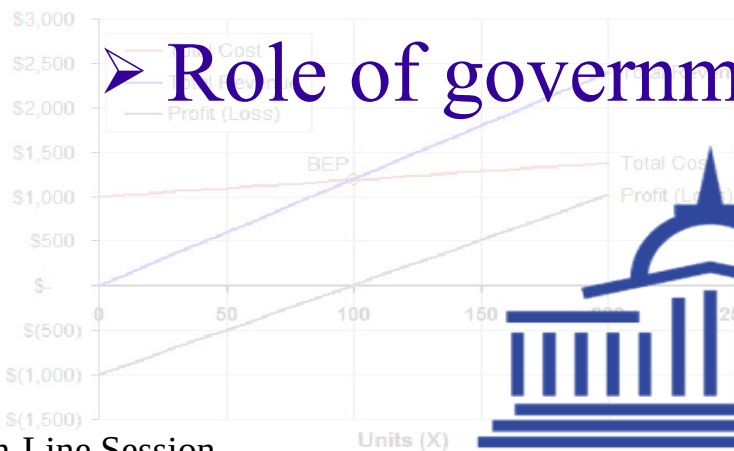
# Market (capitalism) economic system

## ➤ Individuals:

- ❑ Own and operate the majority of businesses that provide goods and services.
- ❑ Privately own resources.
- ❑ Decide what to buy.

## ➤ The market drives supply and price.

## ➤ Role of government is limited.



Dr. Chu



Q = Money Borrowed

Introduction to Business

# Mixed economic system: Socialism

## ➤ Government:

- ❑ Decides what will be produced, how it will be produced, and who owns and controls the factors of production.

- ❑ Owns and controls key industries.

## ➤ Workers may choose their own occupations.

## ➤ Goal is to equally distribute income, eliminate poverty, provide social services, and eliminate economic waste.

## ➤ Small-scale private businesses may be permitted.



Product Lifecycle Stages





# Mixed economic system: U.S. Economy

## ➤ Businesses:

- ❑ Produce goods and services to exchange for revenues (money).
- ❑ Use revenues to purchase factors of production.

## ➤ Households:

- ❑ Consume goods and services.
- ❑ Own resources of some factors of production.

## ➤ Government:

- ❑ Provides public services in exchange for taxes.



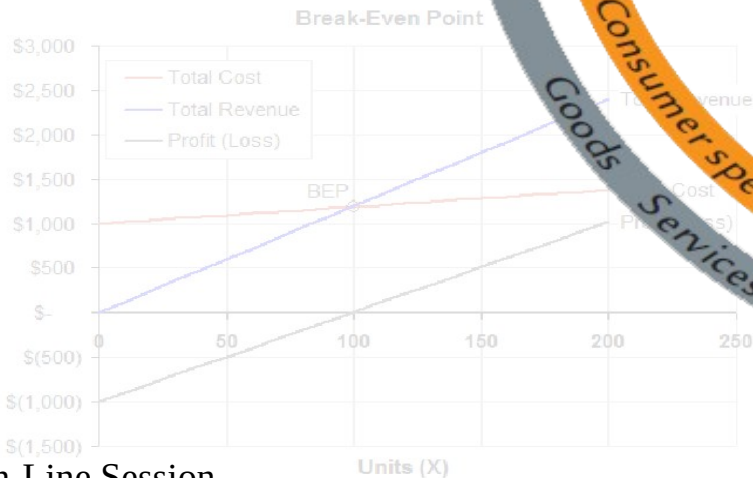
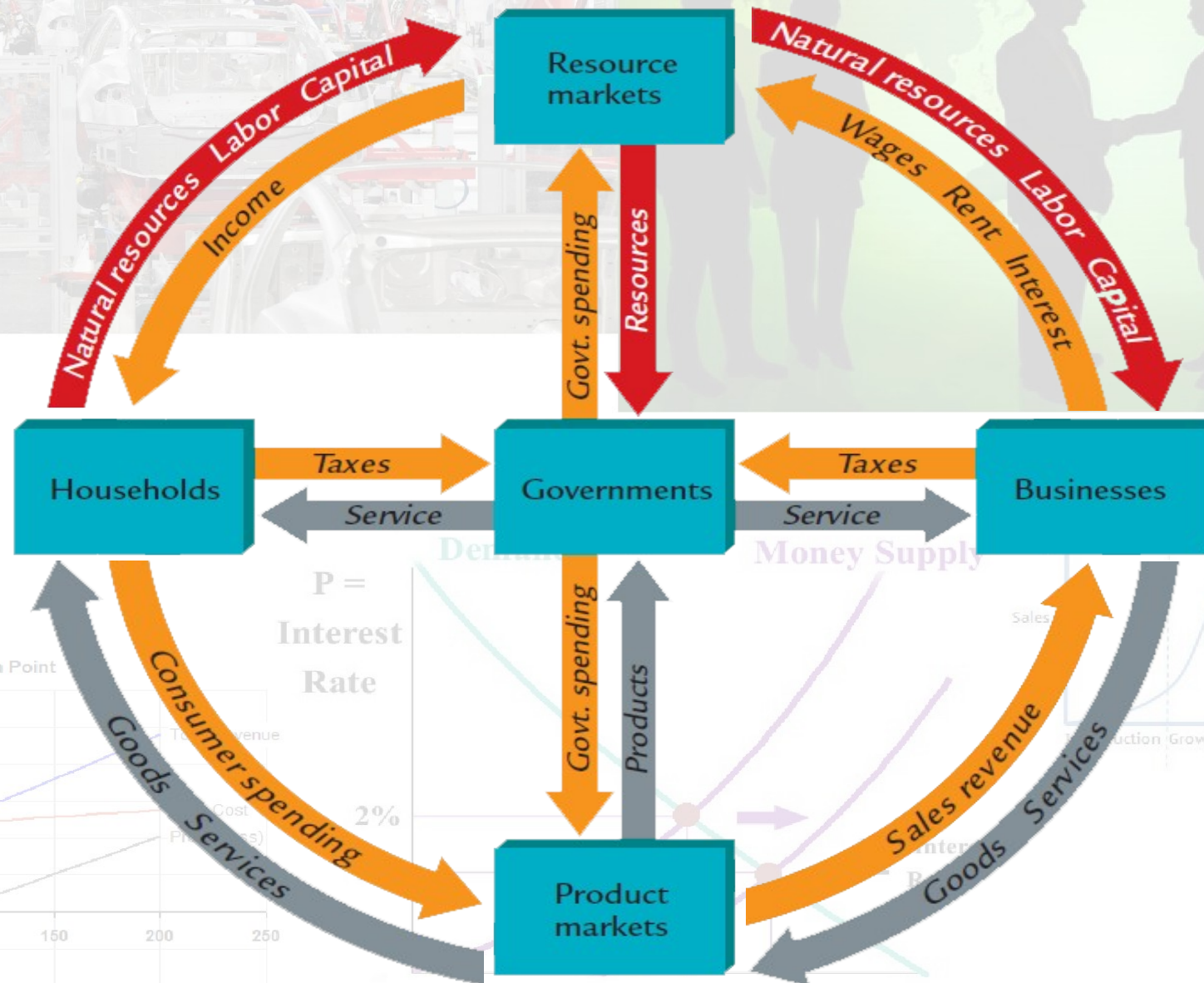
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<http://socialmarketing.org/archives/generations-xy-z-and-the-others/>



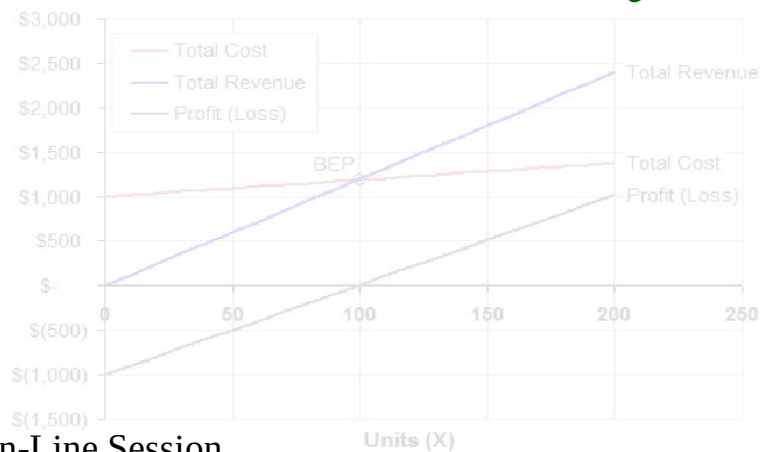
# Circular flow of U.S. mixed economy



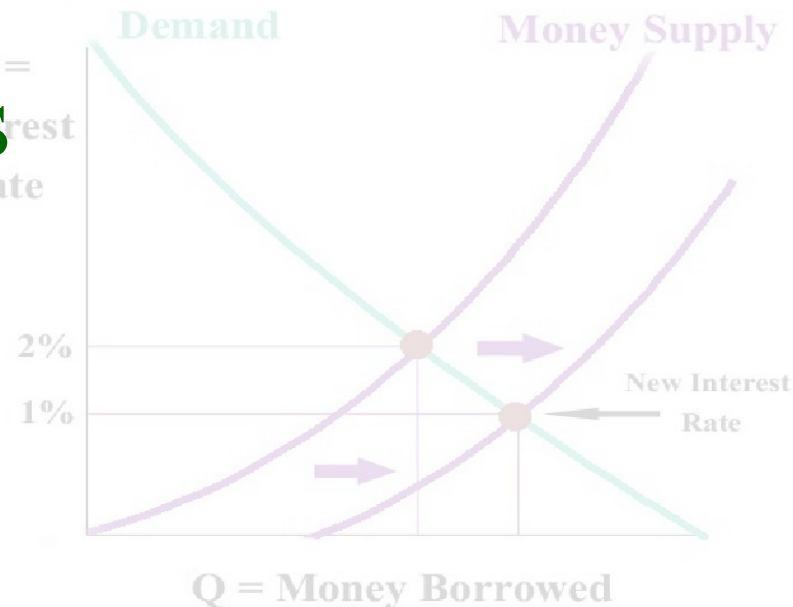


# Economic indicators

- ◆ Productivity
- ◆ Inflation / deflation
- ◆ Employment (unemployment)
- ◆ Interest rates
- ◆ Business cycles



P =  
Interest  
Rate



Q = Money Borrowed

Product Lifecycle Stages



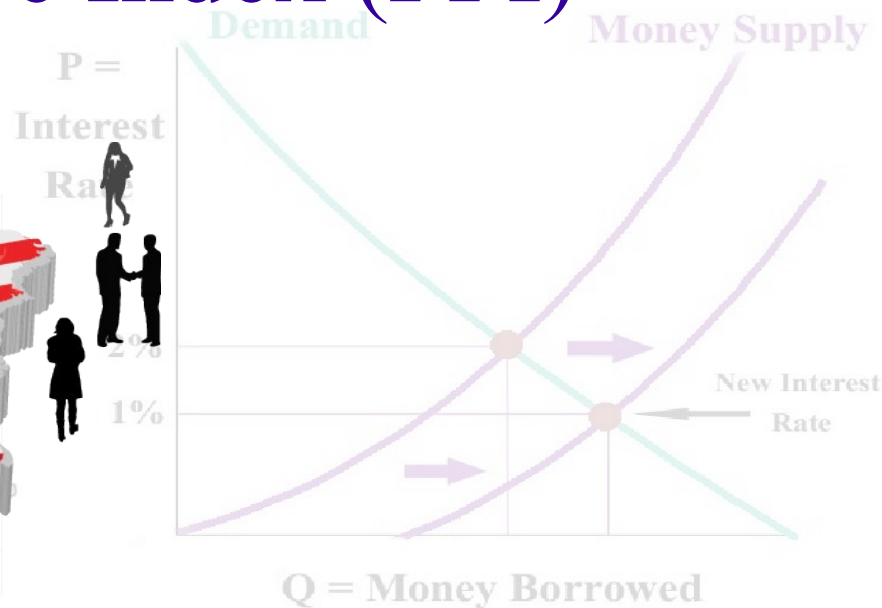
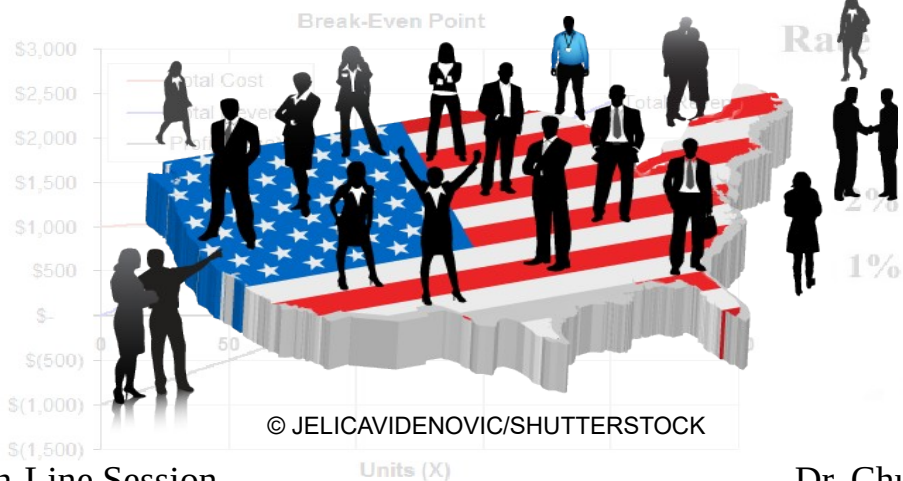
# Productivity

- The average level of output per worker per hour
- Gross Domestic Product (GDP)
- Consumer Price Index (CPI)
- Producer Price Index (PPI)

MERGERS AND ACQUISITIONS



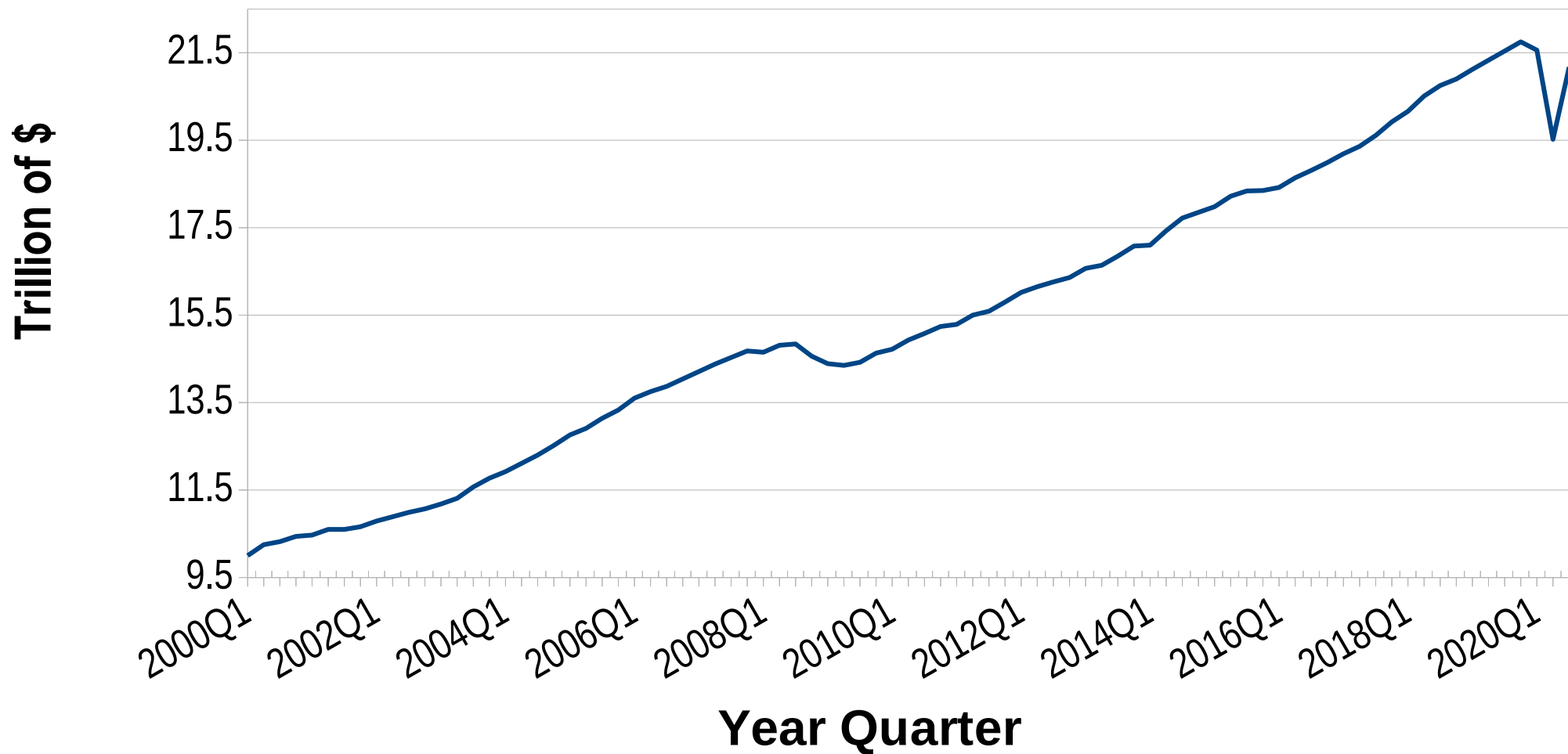
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# Gross domestic product (GDP)

## US GDP between 2000 Q1 to 2020 Q3



Source: [www.multpl.com/us-gdp/table/by-quarter](https://www.multpl.com/us-gdp/table/by-quarter) Access in January 2021

# Inflation / deflation rate

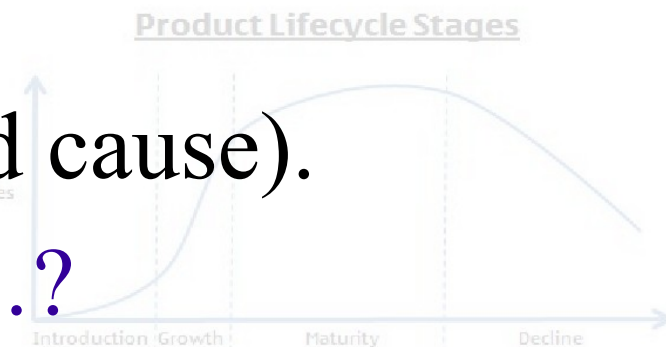
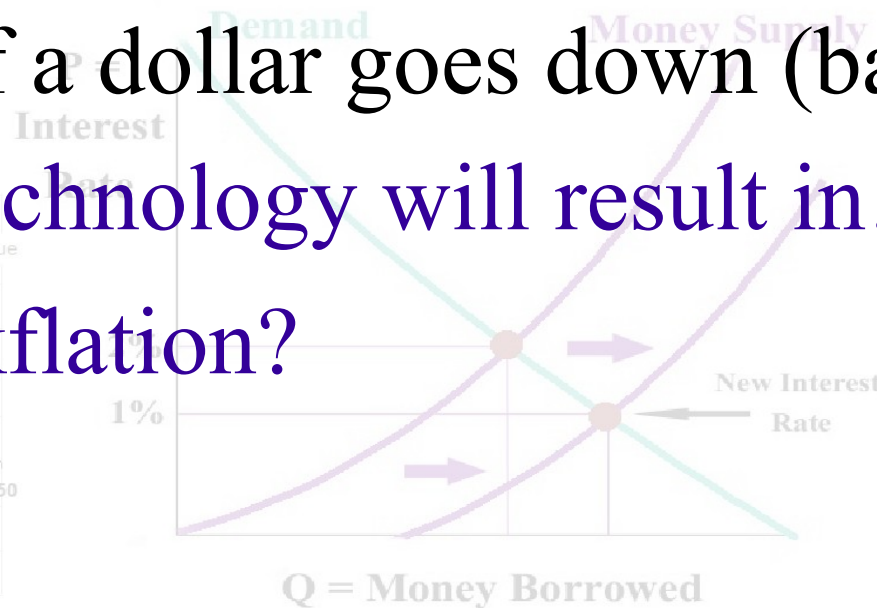
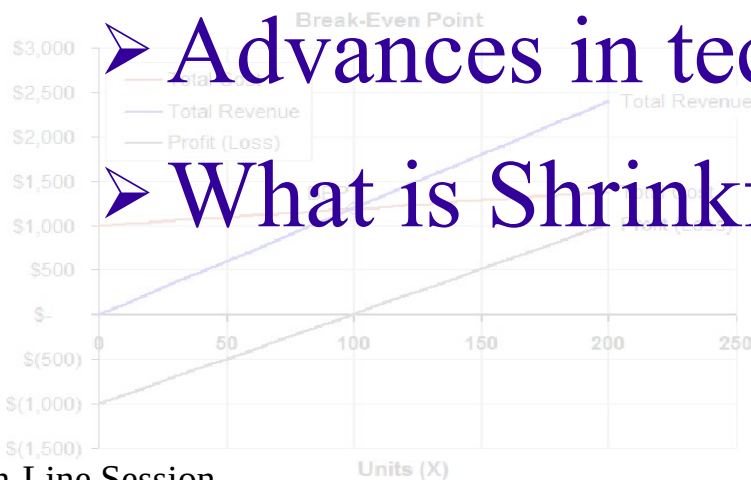
- An economic statistic that tracks the increase in prices of goods and services over a period of time; usually calculated on a monthly or annual basis
- Prices go up when either:

- ❑ Demand rises (good cause).

- ❑ The value of a dollar goes down (bad cause).

- Advances in technology will result in...?

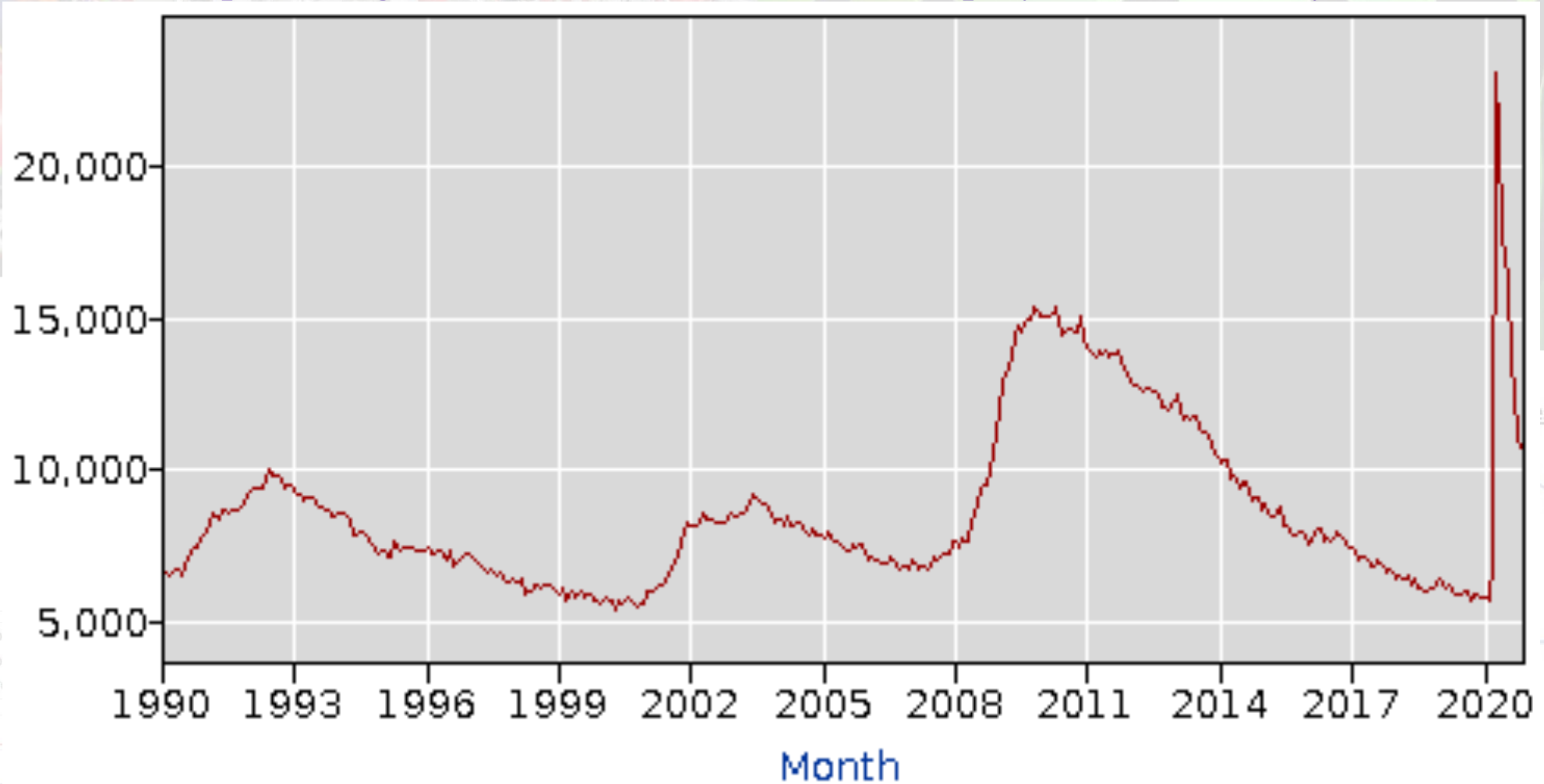
- What is Shrinkflation?





# Employment (Unemployment rate)

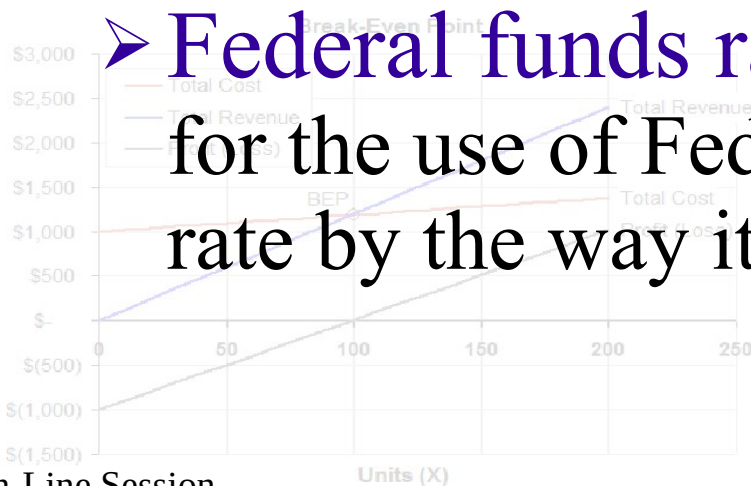
The percentage of a nation's labor force unemployed from January 1990



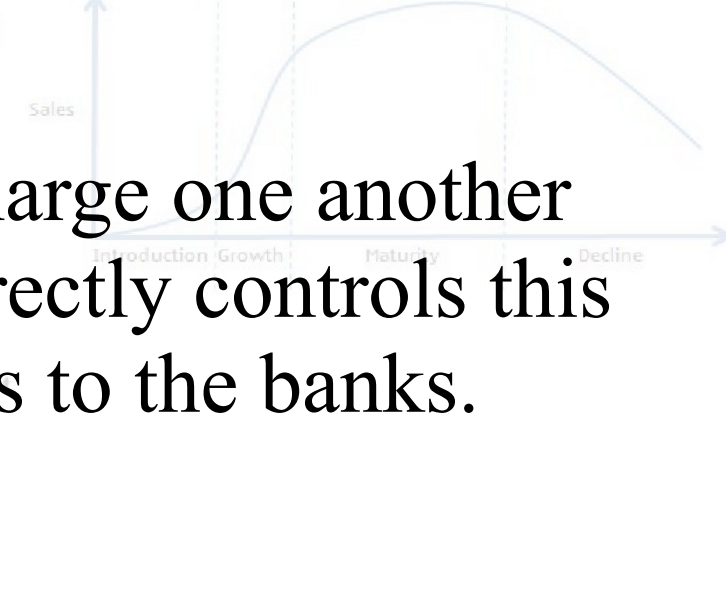
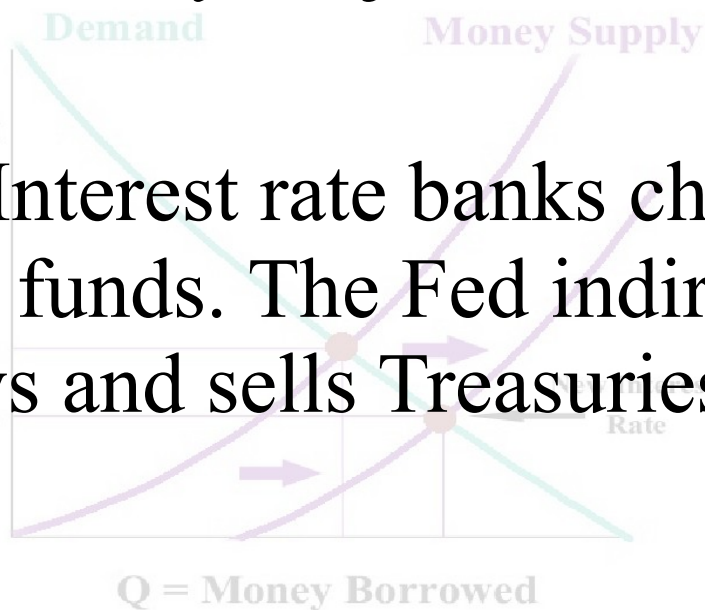
Bureau of Labor Statistics, Data extracted on: January 2021  
<http://data.bls.gov/timeseries/LNS13000000>  
<https://www.dol.gov/newsroom/releases>

# Interest Rate

- **Discount rate** The interest rate the Fed offers to member banks who need to borrow money to keep their reserves at or above the minimum.
- **Prime rate** The lowest interest rate that banks charge their most credit-worthy customers. Also the basis for many home loan programs. Always adjusts based on the discount rate.
- **Federal funds rate** Interest rate banks charge one another for the use of Federal funds. The Fed indirectly controls this rate by the way it buys and sells Treasuries to the banks.



P =  
Interest

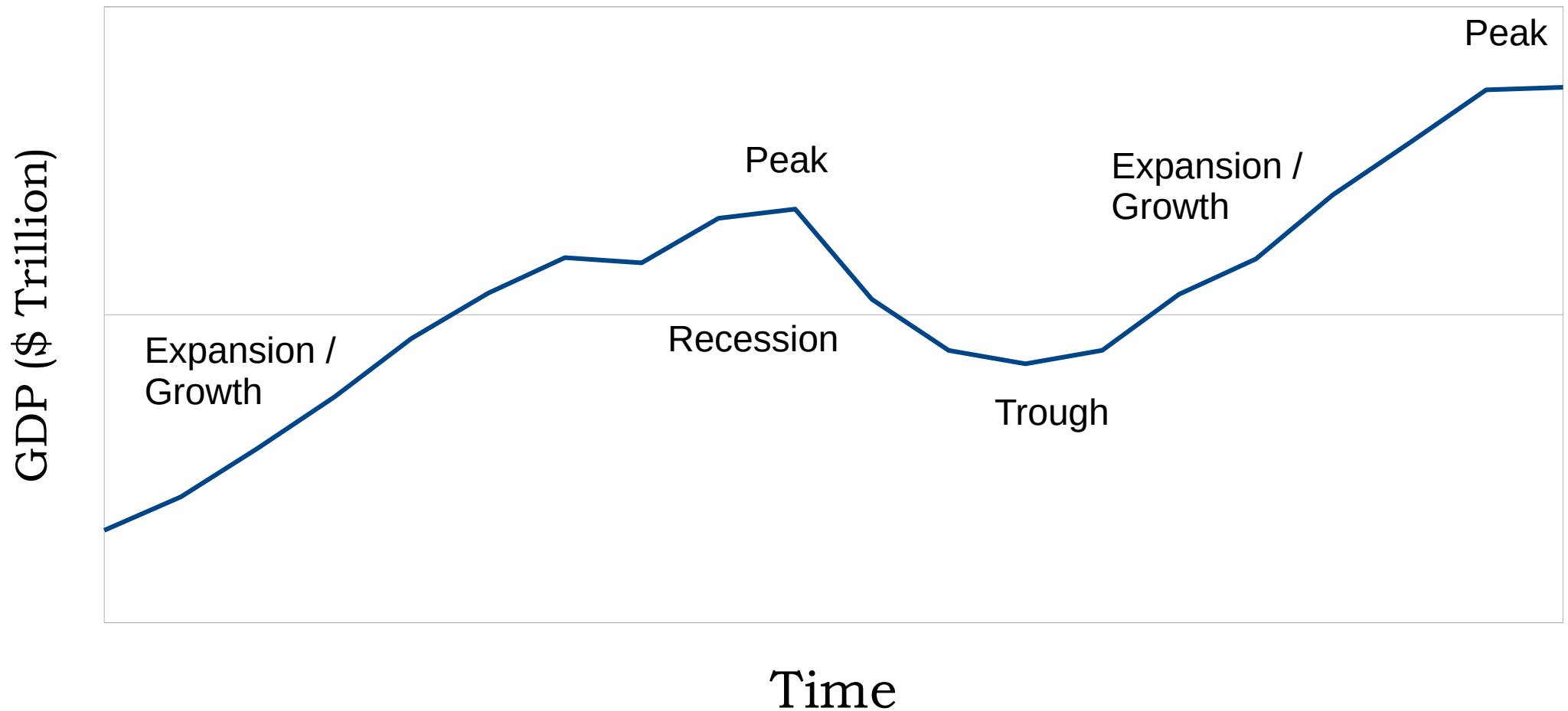




# Business cycle

US. GDP

From 2006 Q4 to 2011 Q1



\$3,00  
\$2,50  
\$2,00  
\$1,50  
\$1,00  
\$50  
\$-  
\$(50  
\$(1,000)  
\$(1,500)

Units (X)

Q = Money Borrowed

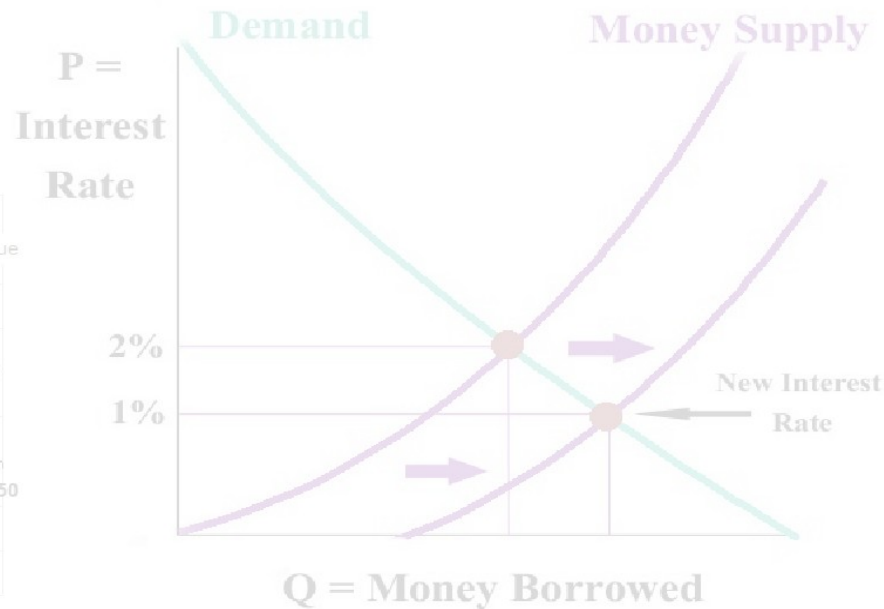
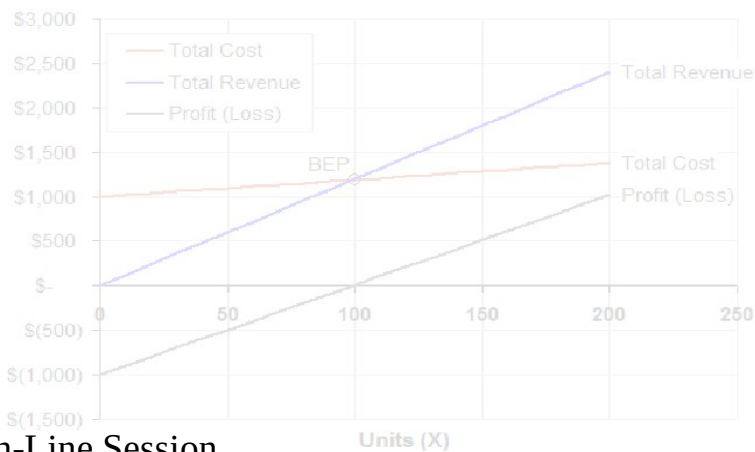
# Competitions

- ◆ Perfect competition
- ◆ Monopolistic competition
- ◆ Oligopoly
- ◆ Monopoly

## MERGERS AND ACQUISITIONS



Break-Even Point



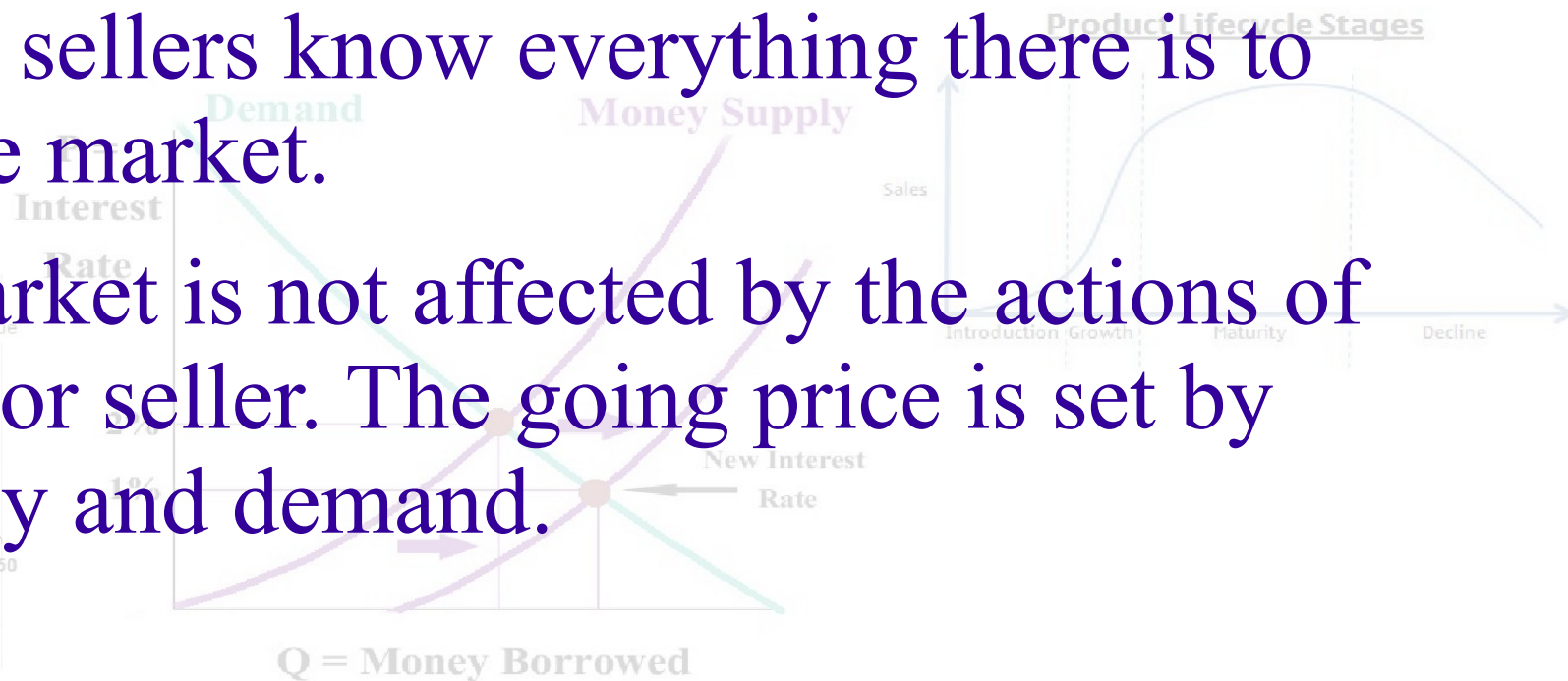
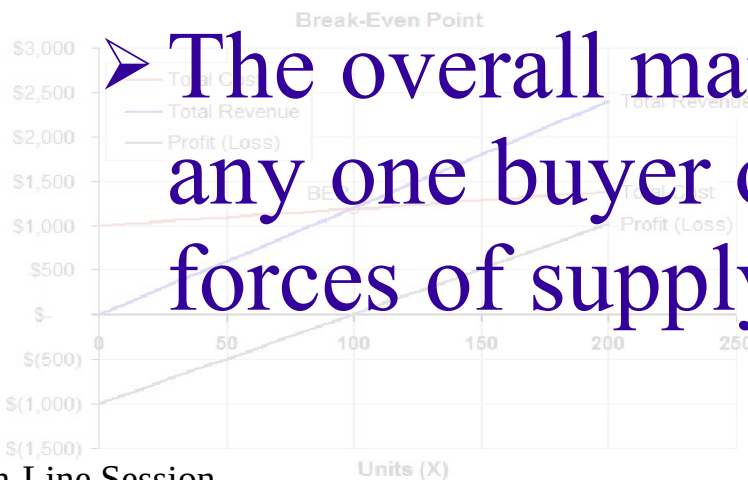
Product Lifecycle Stages





# Perfect competition

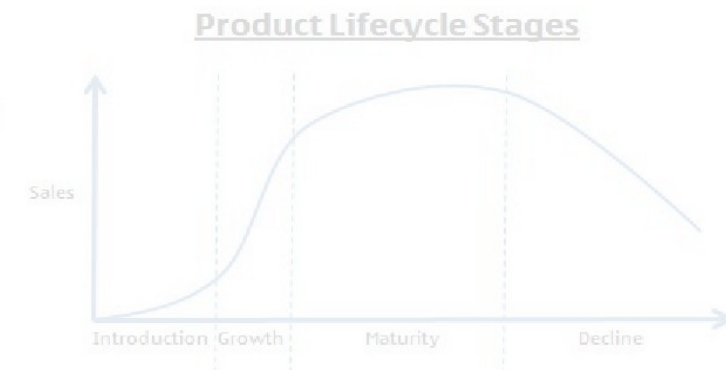
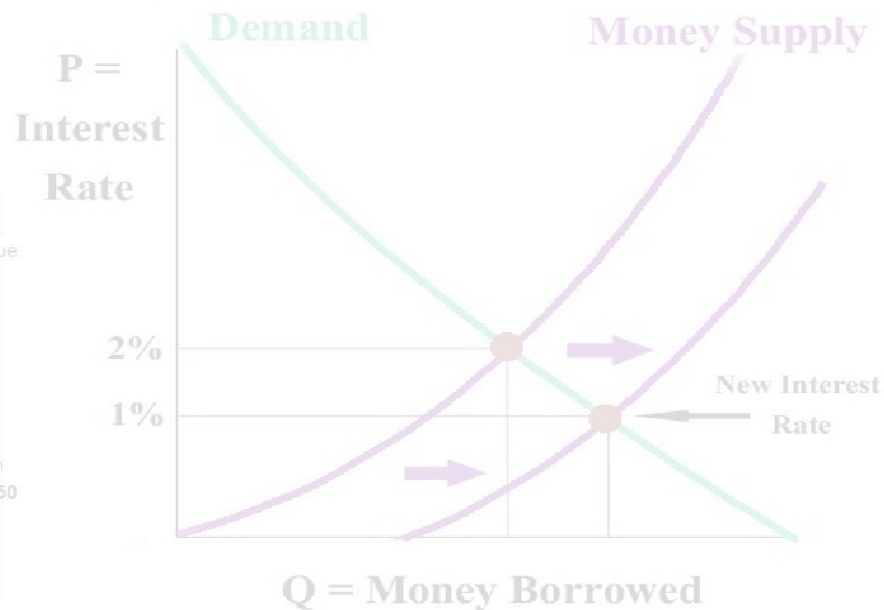
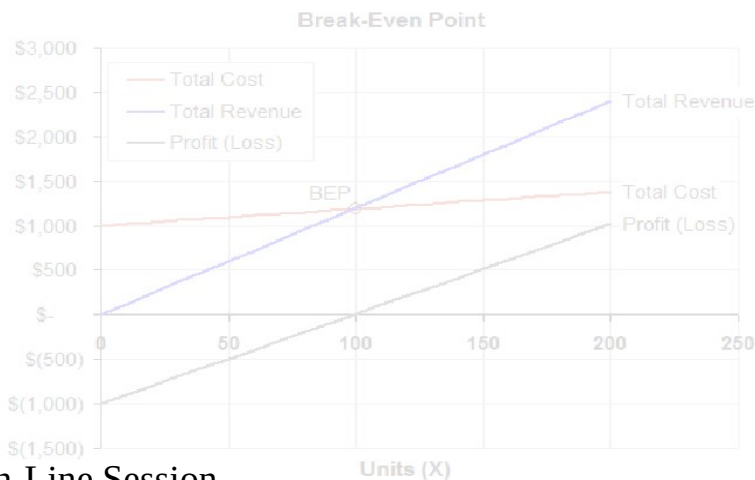
- A single product is involved.
- There are no restrictions on firms entering the industry.
- All sellers offer basically the same product.
- All buyers and sellers know everything there is to know about the market.
- The overall market is not affected by the actions of any one buyer or seller. The going price is set by forces of supply and demand.



Product Lifecycle Stages

# Monopolistic competition

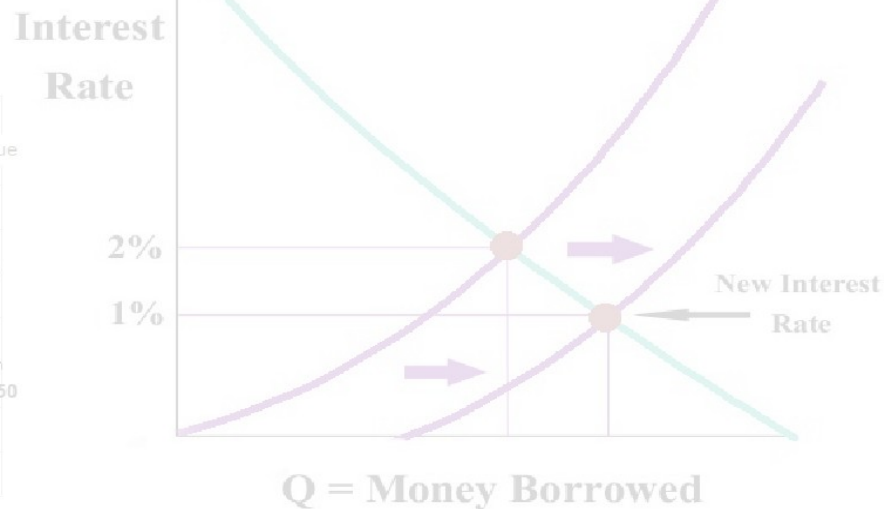
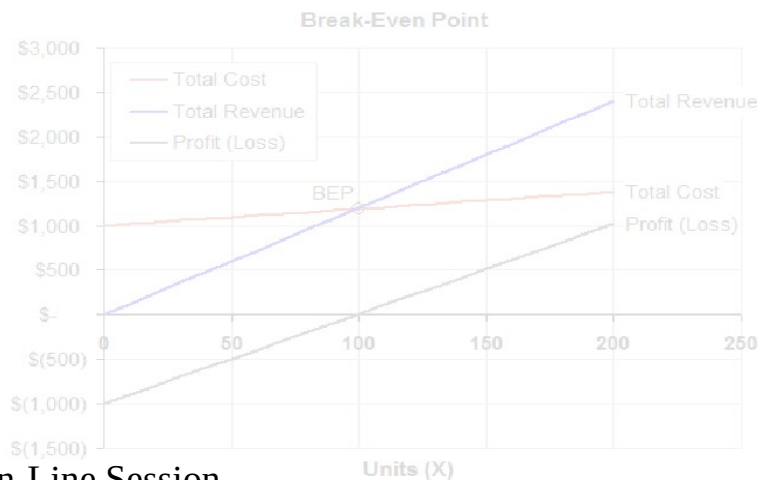
- Many buyers and sellers.
- No barrier to entry.
- Seller has some control over price.
- Sellers can differentiate their product (not identical to other seller).





# Oligopoly

- There are few, large sellers.
- Considerable investment is required to enter market.
- Market actions of each seller have a considerable effect on competitors' sales and prices.

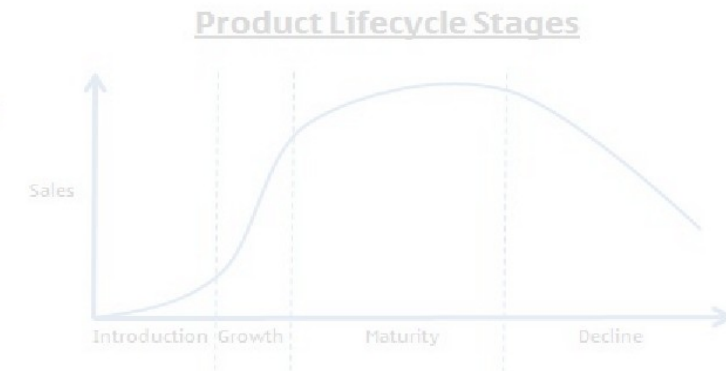
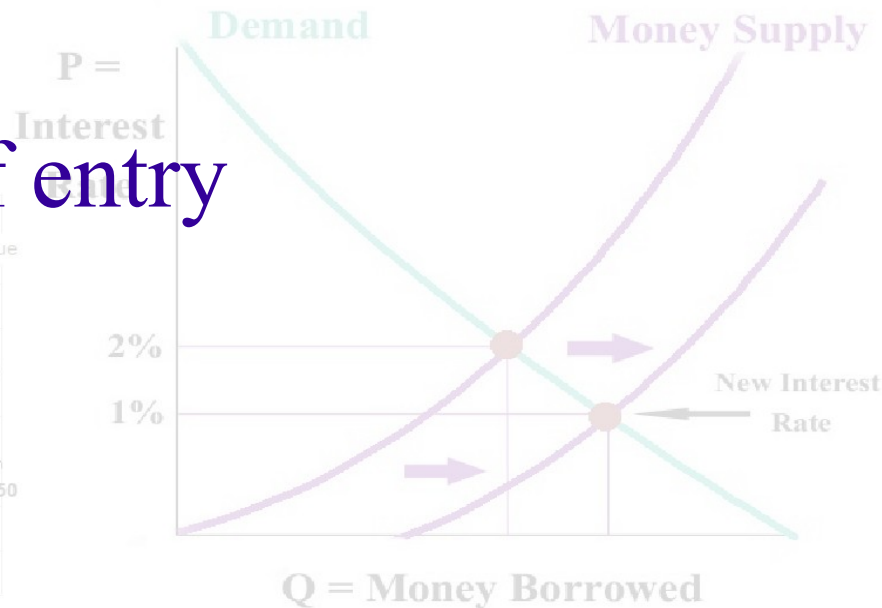
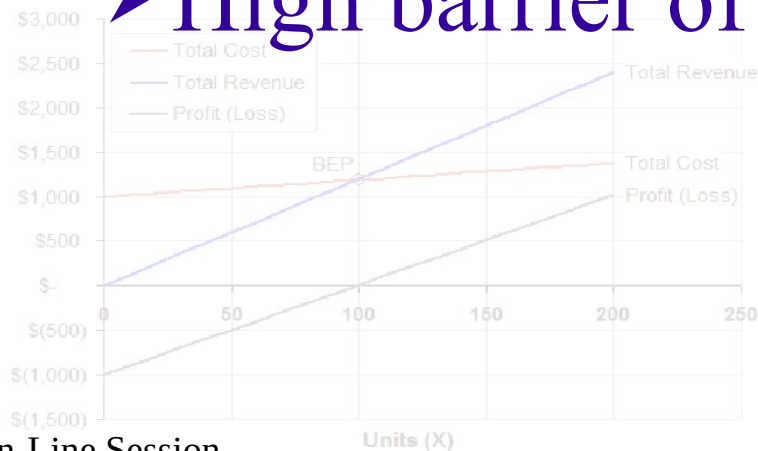


# Monopoly

- One seller
- No close substitute

➤ Price maker

➤ High barrier of entry





# Monopoly

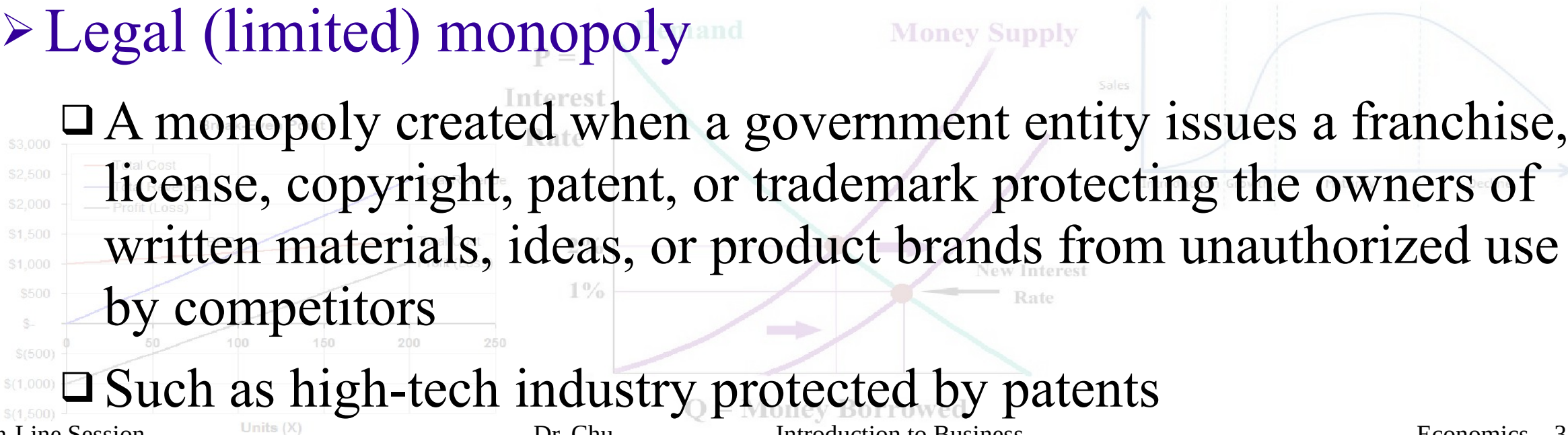
## ➤ Natural monopoly

- ❑ An industry requiring huge investments in capital and within which duplication of facilities would be wasteful and thus not in the public interest
- ❑ Such as public utility industry such as Florida Public Service Commission

## ➤ Legal (limited) monopoly

- ❑ A monopoly created when a government entity issues a franchise, license, copyright, patent, or trademark protecting the owners of written materials, ideas, or product brands from unauthorized use by competitors
- ❑ Such as high-tech industry protected by patents

Product Lifecycle Stages



# Fiscal / Monetary policies

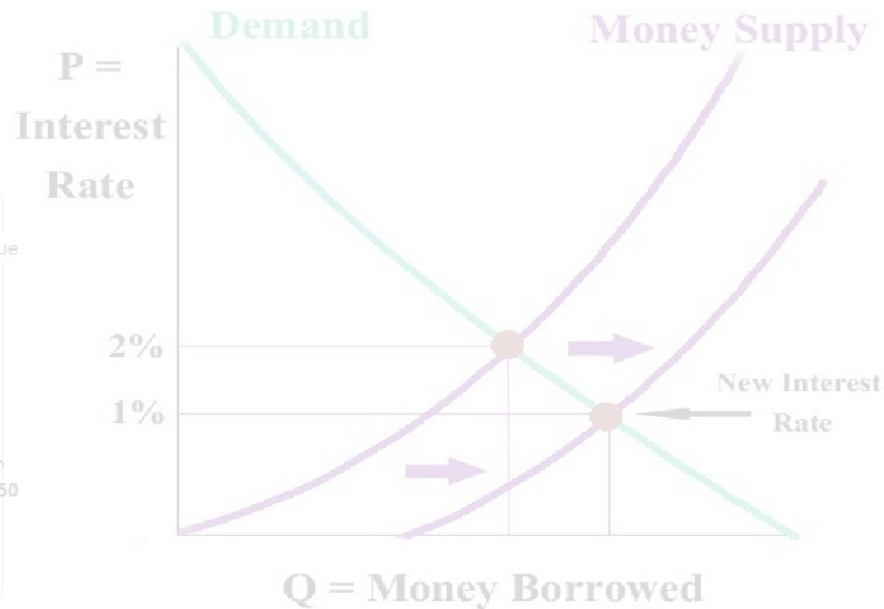
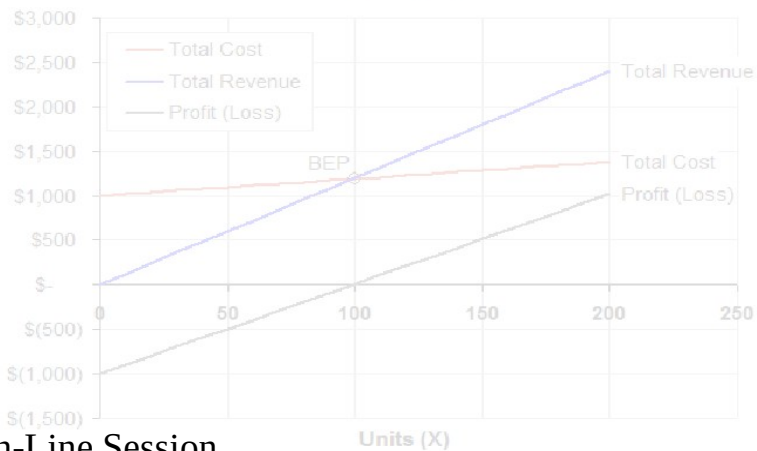
◆ Fiscal policy

◆ Monetary policy

## MERGERS AND ACQUISITIONS



Break-Even Point



Product Lifecycle Stages





# Fiscal policy

## ➤ Fiscal Policy

The federal government's efforts to keep the economy stable by increasing or decreasing taxes or government spending.

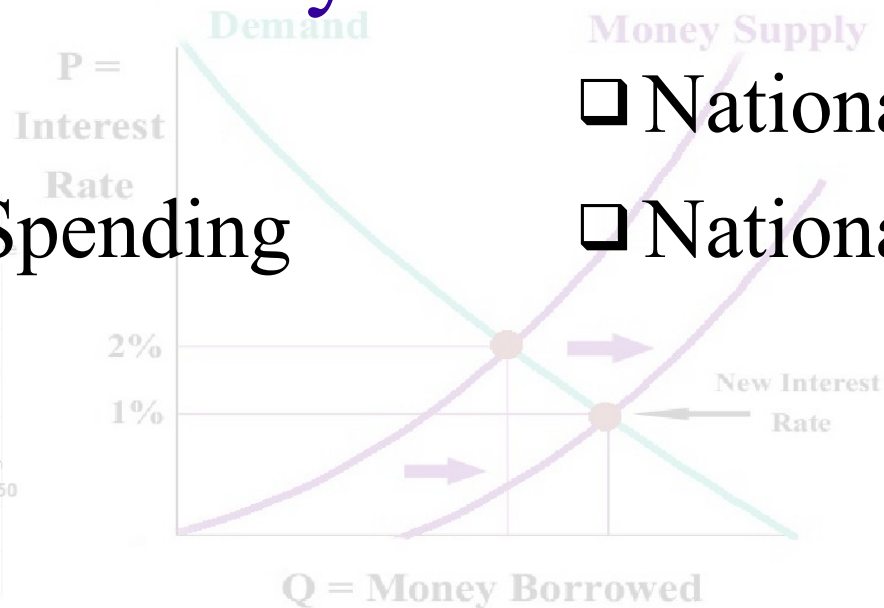
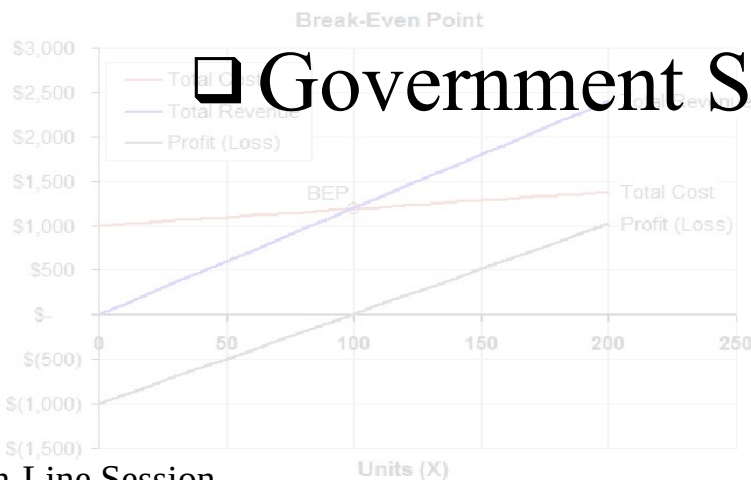
## ➤ Tools of Fiscal Policy:

❑ Taxation

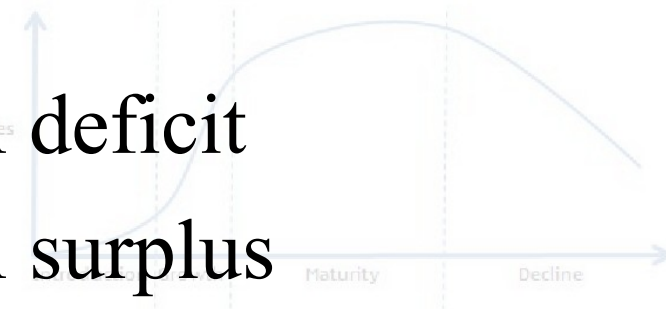
❑ Government Spending

❑ National deficit

❑ National surplus



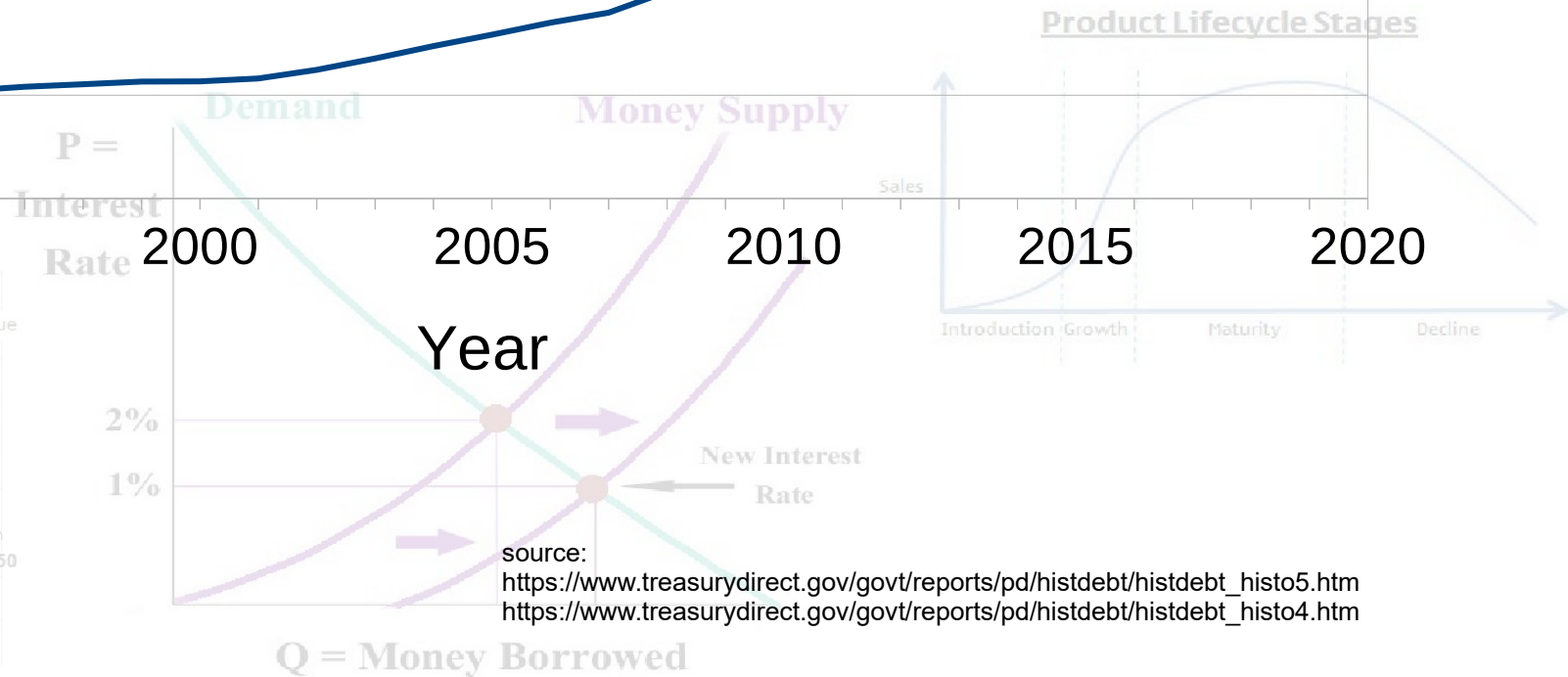
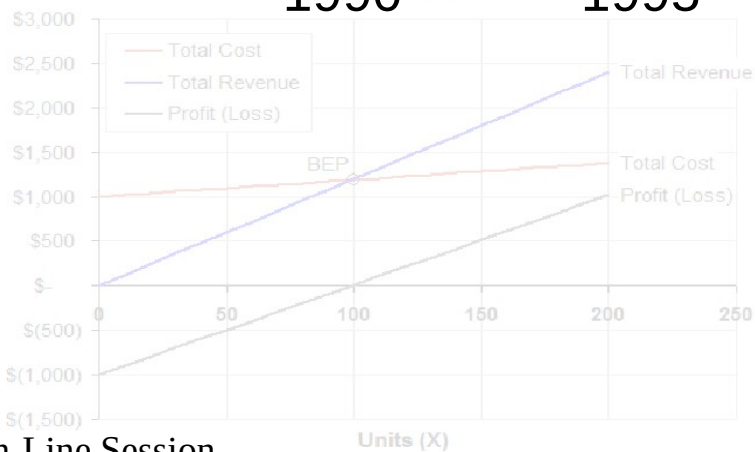
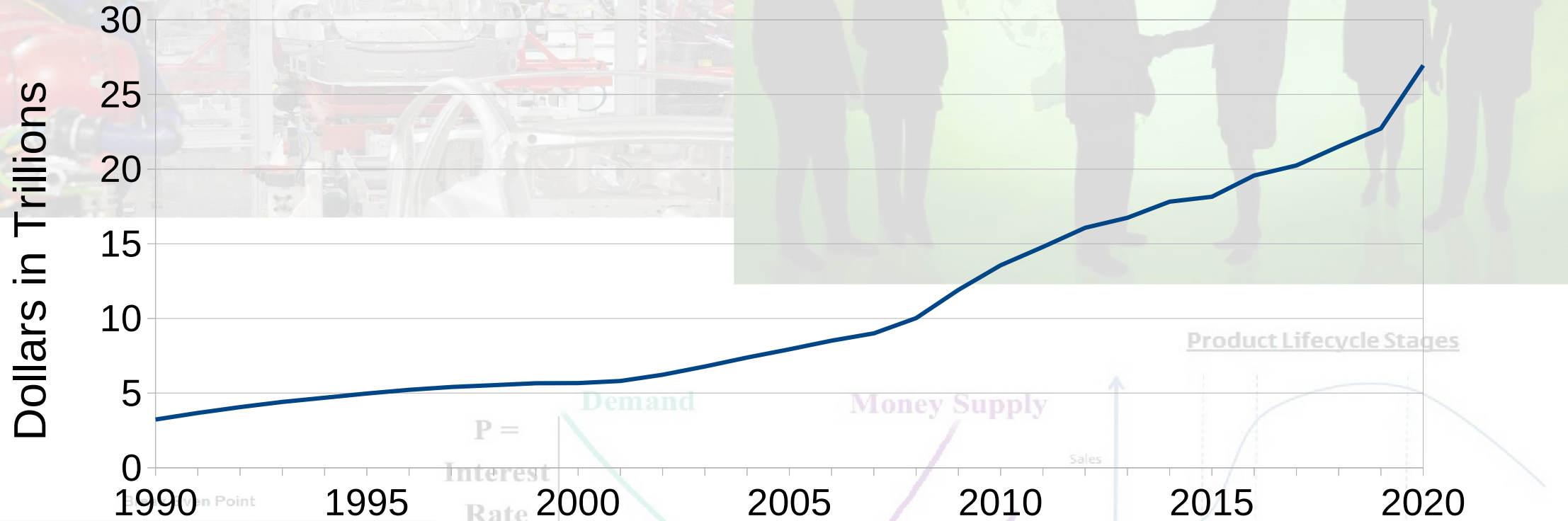
Product Lifecycle Stages





# National Debts

## MERGERS AND ACQUISITIONS



# Monetary policy

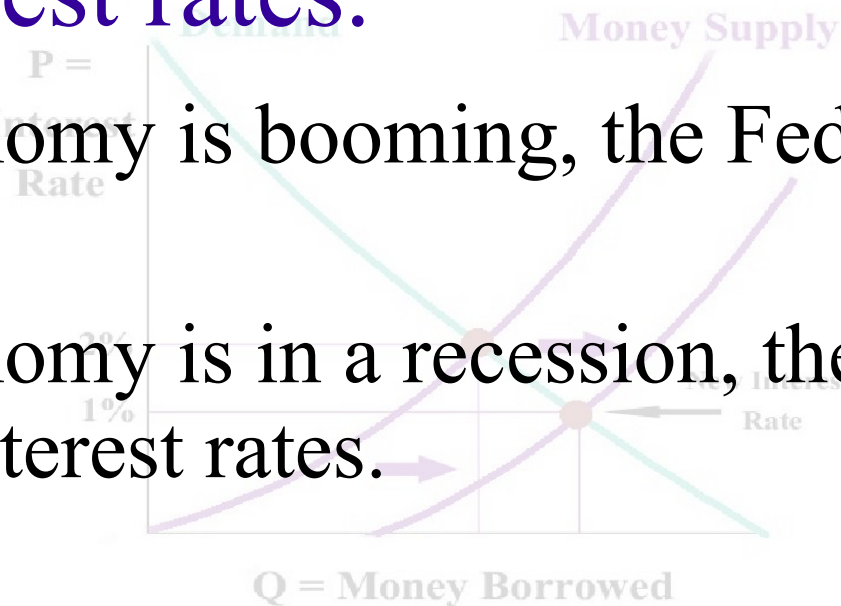
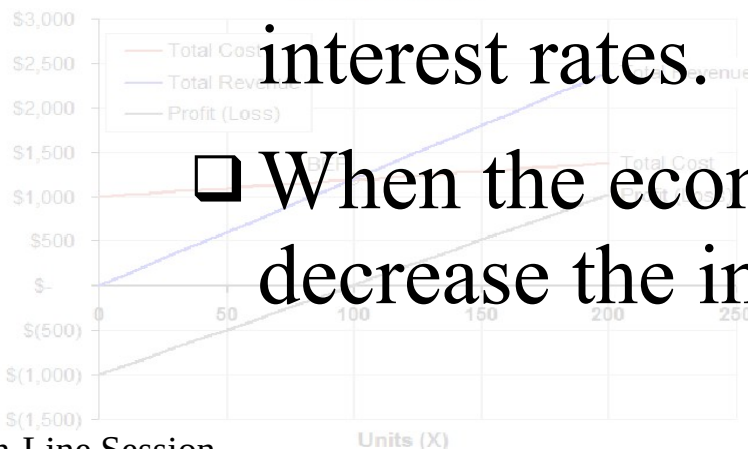
## ➤ Monetary Policy

The management of the money supply and interest rates by the Federal Reserve Bank (the Fed).

## ➤ The Fed's most visible role is increasing and lowering interest rates.

❑ When the economy is booming, the Fed tends to increase interest rates.

❑ When the economy is in a recession, the Fed tends to decrease the interest rates.



Product Lifecycle Stages

