



SNS COLLEGE OF TECHNOLOGY
An Autonomous Institution
Coimbatore -35



Department of Mechanical Engineering

19MEE301- Engineering Economics and Cost Analysis

UNIT – I: BASIC ECONOMICS

Basic terms and concepts goods, utility value ,wealth

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Basic terms and concepts



- Utility is the want **satisfying quality of a thing** when we use for economic purpose.
- Utility is the value-in-use of a commodity.
- In economics **value means the power that goods and services have to exchange other goods and services i.e. value-in-exchange**
- **Example** - If one person has a diamond and another person has a piece of iron, then the value of one person's diamond is more than the value of another person's iron.



Basic terms and concepts



money, property, gold

In economics it is used to describe all things that have value

For a commodity to be called wealth it must possess utility, scarcity and transferability

If it lacks even one quality it cannot be termed as wealth

Forms of Wealth

Individual Wealth

International Wealth

Human Wealth



Basic terms and concepts



Individual Wealth

Goods which are owned by an individual are called private or individual wealth. Such as house, car, etc.

Social Wealth

Goods which are owned by the society are called social or collective wealth, such as schools, colleges, roads, canals, mines, forests, etc.

National or Real Wealth

National wealth includes all individual and social wealth. It is also called real wealth.



Basic terms and concepts



International Wealth

International Wealth is the sum of wealth of all countries without agencies like the World Bank, IMF, etc. are international wealth because all countries contribute towards their operations.

Financial Wealth

Financial wealth is the holding of money, stocks, bonds, etc by individuals in the society.

Financial wealth is excluded from national wealth.

This is because money, stocks, bonds, etc. which are individually held as wealth are not counted.



Basic terms and concepts



- Utility does not have value in itself
- A rotten egg has no utility because it cannot be exchanged for any other goods
- It possesses no value-in-exchange

Scarcity

- Utility does not create value unless it is scarce
- Good or service is scarce (limited) in relation to its demand
- If a good or service is abundant, it will not have utility



THANK YOU