Syllabus for

Academic year 2011/2012 >

IEK415 - Managerial economics

Syllabus adopted 2010-02-25 by Head of Programme (or corresponding)
Owner: TKELT
7,5 Credits
Grading: TH - Five, Four, Three, Not passed
Education cycle: First-cycle
Major subject: Industrial Engineering and Management
Department: 45 - TECHNOLOGY MANAGEMENT AND ECONOMICS

Teaching language: Swedish

Credit distribution

Course module				Sp1	Sp2	Sp3	Sp4	Summer course	No Sp
0198	Examination	4,5 c	Grading: TH			4,5 c			
0298	Project	3,0 c	Grading: TH			3,0 c			

Examination dates		
Contact examiner,	Fri 13/01-2012 am V,	Tue 28/08-2012 pm V

In programs

TKDES INDUSTRIAL DESIGN ENGINEERING, Year 3 (compulsory elective)
TKELT ELECTRICAL ENGINEERING - General specialisation, Year 3 (elective)
TKITE SOFTWARE ENGINEERING, Year 2 (elective)
TKITE SOFTWARE ENGINEERING, Year 3 (elective)
TKTEM ENGINEERING MATHEMATICS, Year 2 (compulsory)

Examiner:

Professor Hans Löfsten

Course evaluation:

https://document.chalmers.se/doc/1944589546

Eligibility:

For single subject courses within Chalmers programmes the same eligibility requirements apply, as to the programme(s) that the course is part of.

Aim

In today's dynamic economic environment, effective managerial decision making requires timely and efficient use of information. The aim of this course is to provide students with a basic understanding of the economic decisions and analytical tools that can be used in decision making problems. A subsidiary aim of the course is to sharpen analytical skills so that students will be better able to recognize and solve decision problems in different contexts and for fortcoming Master courses. In this course, we want to provide an integrated overview of the most important methods in managerial economics and financial statements from the point of view of the manager of the firm. The main theoretical principle of the course is the concept of corporate value. Using this as the central organizing principle, we will cover the following topics:

- Costing and Capital budgeting methods
- Financial statements

Learning outcomes *(after completion of the course the student should be able to)*

Managerial Economics is concerned with the application of economic principles and methodologies to business decision problems. In this course students will increase their understanding of economics and learn a variety of techniques that will allow them to solve business problems relating to costs, prices, revenues, profits, and competitive strategies. The course, accordingly, is concerned with both theory and practice: the theory serves to sharpen analytical skills, and the practice will give experience in the application of the principles and techniques to real-world business problems.

Students who successfully complete the course will have a good understanding of economic concepts and tools that have

direct managerial applications. Students will learn to use economic models to isolate the relevant elements of a managerial problem, identify their relationships, and formulate them into a managerial model to which decision making tools can be applied.

Another part of the course is financial statements. All financial statements are simplified abstractions of the reality they are supposed to represent, since accountants condense the many transactions undertaken by an enterprise during an accounting period and summarize them in a form determined by convention, accounting standards and law.

At the end of this course, students should be able to:

* Cost analysis - cost behaviour and cost estimation

* Decision making with relevance costs and a strategic emphasis

* Different approaches to costing

* Use cost and management accounting information for planning, decision–making and control, given the appropriate context.

* Understanding of cost behavior patterns

* How we can make financial accounting information more useful for decision making in organizations

* To describe and explain the field of financial statements as well as the common methods in financial reporting. How can we make financial accounting information useful for decision making in organizations?

* Learn the concepts and techniques related to the provision and analysis of financial information. Discover how this information is applied to the strategic direction of an organization's products and services.

* Demonstrate analytical thinking and communication skills.

Content

The first part of the course is to examine the case for financial statements. All financial statements are simplified abstractions of the reality they are supposed to represent, since accountants condense the many transactions undertaken by an enterprise during an accounting period and summarize them in a form determined by convention, accounting standards and law. This part introduces the financial reporting system used by business organizations to convey information about their economic affairs. Develops an understanding of the financial reports and what they tell about a business enterprise. Focuses on how alternative accounting measurement rules represent different economic events in financial reports. How can we make financial accounting information useful for decision making in organizations?

The second part of the course is about costing methods and capital budgeting techniques and theories explaining a firm´s capital structure. The basic costing methods of conventional costing were designed around the turn of the century. Recently years doubts have been proposed about the suitability of these costing methods and cost management may, in certain situations, be hindered by difficulties of identifying cost relationships and cost structures. Accurate and relevant cost information is critical to any organization that hopes to maintain, or improve, its competitive position.

Cost management information is a broad concept and includes information that the manager needs to effectively manage the firm or not-for-profit organization and included both financial information about costs and revenues as well as relevant non financial information about productivity, quality, and other key success factors for the firm. Applying these tools should lead to the continuous reduction of resources used while simultaneously holding or even increasing value.

Longer term corporate finance decisions - generally relating to fixed and capital structure - are referred to as capital investment decisions, i. e. capital budgeting. The decision here will be based on several inter-related criteria. In general, management must "maximize the value of the firm" by investing in projects which are Net Present Value (NPV) positive, when valued using an appropriate discount rate; these projects must also be financed appropriately.

Organisation

The course comprises a series of lectures on costing methods, investment methods and financial statements as well as a project work, written report. As a major part, the course comprises a project work in which students work in groups of 4-6 persons.

Literature

Textbooks: J Olsson & P-H Skärvad: Företagsekonomi 100, 13:e upplagan, Liber 2007. J Möller: Övningar i industriell ekonomi, sjätte upplagan, Liber 2007.
Course compendium

Examination

Written examination in two parts: (1) a written exam (4.5 credits) and (2) group case work (3.0 credits)