



Course syllabus

Industriell ekonomi, fortsättningskurs Managerial Economics, Advanced Course

MIOF25, 6 credits, G2 (First Cycle)

Valid for: 2023/24

Faculty: Faculty of Engineering, LTH

Decided by: PLED I

Date of Decision: 2023-04-14

General Information

Main field: Technology.

Compulsory for: I2

Elective Compulsory for: M3

Elective for: B4, C4, D4, E4, F4, K4, MD3

Language of instruction: The course will be given in Swedish

Aim

Inside companies there are control systems for planning and follow-up of goals on different levels and in different dimensions. The management accounting and control system, which is the central part of this course, consists of internal accounts, systems for product cost estimates, budgeting systems, performance measurement systems and incentive system. The basic course of Managerial Economics gives foremost a frame of references and certain basic principles how to handle economic problems. The advanced course shall, based on the basic course, be a problem orientated deepening leading to deeper knowledge about the economic system in complicated and real company situations especially aiming at the work field of the technician.

Learning outcomes

Knowledge and understanding

For a passing grade the student must

- be able to describe, set up problems, and interpret the economic planning systems of the company which is made up of internal accounts, systems for product cost estimates, budgeting systems, performance measurement systems and incentives system, to be able to analyse economical decision problems.

For the internal accounts section of the course this means:

- be able to describe and explain different principles for building internal accounts models in business systems.
- be able to describe how internal transactions are documented in a business system.
- be able to compute and analyse differences in the costs of the company.
- be able to analyse and interpret results and outcomes in the internal accounts and put forward correct proposals about activity causes worth considering.

For the systems for product cost estimates section of the course this means:

- be able to understand the problems and demands that are valid in cost distribution in different industrial situations through studying tangible and real business problems.
- be able to set up problems and analyse alternative calculus models and their solutions and understand their influence on the business decisions of the company

For the budgeting systems section of the course this means:

- be able to describe and explain the purpose of the budgeting work in a company.
- be able to describe different budgeting processes and models in different company settings.
- be able to compute the all year budget containing cash flow forecast, budget of profit and loss and budget of balance for the small company.
- be able to compute part, month and annual budget (cash flow forecast, budget of profit and loss and budget of balance) for the big company.
- be able to describe and value alternatives to budgetary control.

For the performance measurement and incentive system this means:

- be able to describe different types of performance measures and measurements systems.
- to analyse and to problematise the consequences of different performances measures and system in different context.
- to describe and analyse different motivations' theories implication on the design on incentives systems.

Competences and skills

For a passing grade the student must

For the internal accounts section of the course this means:

- be able to estimate and apply the different principles for building internal accounts models in business systems.
- be able to enter in the books internal transactions in a business system.
- be able to evaluate the outcomes of product profitability calculations.
- be able to choose proposals of improvement based on economic information.

For the systems for product cost estimates section of the course this means:

- be able to apply and value alternative calculus models and their solutions and understand their influence on the business decisions of the company.

For the budgeting systems section of the course this means:

- be able to create different budgeting processes, control processes and models in different company environments.
- be able to draw up an annual budget with cash flow forecast, budget of profit and loss and budget of balance for the small company.
- be able to draw up part, month and annual budget (cash flow forecast, budget of profit and loss and budget of balance) for the big company.

For the performance measurement and incentives system this means:

- be able to improve, develop and design system for performance and incentive in different context. choose.

The student shall be able to orally and in writing analyse and evaluate different business problems and argue for her/his suggestions to solution. The supposed target group is the executive managers.

Contents

A company can have various overall goals. Some are quantitatively measurable like profitability and solidity goals. Then we use the external reports of the company (budget of profit and loss and budget of balance) to measure if the company has reached the overall economic goals and possible divergences can be analysed. Other goals are more qualitative and difficult to measure in a clear-cut way. Inside a company there are systems for planning and follow-up of goals on different levels and in different dimensions. The economic system, which is central in this course, consists of the accounts system, system for product cost estimates, budgeting system and system for investment planning.

By way of introduction we refer to the basic course. The basic principles are of course central. In the introduction we repeat the basic principles as well as the structure of the base-plane through exercises in accounting and annual accounts.

Then we go deeper into internal accounts. Internal accounts and financial accounts are normally integrated parts in the whole accounts system of the company. Cost estimates and budgets need data which to a greater extent rest on earlier outcomes. A well developed accounts system for registration of economic data about actual events are therefore important. Apart from this, an accounts system is needed to follow-up and control planned activities specified in the budget and calculus work.

What decisions are arrived at depends on how costs are managed from a strategic point of view as well as in product calculi. Calculi create a picture of the economic consequences coming from different kind of decisions. At the same time calculation means allocation which is more or less problematic. In focus are cost standards, cost control, cost drivers, and the cost structure inside the company. This is treated in two work cases.

The budget is a forecast and planning tool in the economic control. The planning of the flow of resources and capacity the coming year is done in a budget. The data of the budget is transferred into the same structure as in the accounting system and become "forecast volumes" in the accounts or groups of accounts. The compiled economic consequences are expressed in budgets for liquidity, profit and balance. In the course not only the technique is treated but also the budget process and the procedure in budgeting.

The performance measurement and incentive systems are essential for establishing and evaluating the company's outcomes and achievements.

In order to reach the goals in a market oriented organisation it is demanded that the company can handle exchange processes and the reactions that cause economical transactions in different markets. A business case will illustrate this and integrate the different moments of the course and create a comprehensive view of the company.

Examination details

Grading scale: TH - (U,3,4,5) - (Fail, Three, Four, Five)

Assessment: Written exam comprising 80 points. A passing exam demands 40 points. For a passing grade it is required, in addition to passing written exam, that mandatory assignments are completed.

The examiner, in consultation with Disability Support Services, may deviate from the regular form of examination in order to provide a permanently disabled student with a form of examination equivalent to that of a student without a disability.

Parts

Code: 0117. **Name:** Examination.

Credits: 6. **Grading scale:** TH.

Code: 0217. **Name:** Case 1.

Credits: 0. **Grading scale:** UG. **Assessment:** Written assignment and active participation in seminar.

Further information: Two of the three G on case studies required for G in the course.

Code: 0317. **Name:** Case 2.

Credits: 0. **Grading scale:** UG. **Assessment:** Written assignment and active participation in seminar.

Further information: Two of the three G on case studies required for G in the course.

Code: 0417. **Name:** Computer Exercise.

Credits: 0. **Grading scale:** UG. **Assessment:** Written assignment and active participation in seminar.

Admission

Assumed prior knowledge: Basic course in Managerial economics

The number of participants is limited to: No

The course overlaps following course/s: MIO040, MIO201

Reading list

- Persson, I. & Nilsson, S.Å.: Investeringsbedömning, Liber, 2001.
- Prektert, T.: Redovisning för intern styrning, senaste version.

Contact and other information

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