

Teaching languages

English, Dutch

Keywords

Decision making, management and cost accounting, time value of money, investment decisions, uncertainty, private and public sector investments, business models

Position of the course

This course fits in the master's programme in engineering. The aim of the course is to provide students with basic terminology, methodology and practical skills in the domain of engineering economy. Eventually, students should be able complement technological projects with an economic analysis in order to assess the techno-economic feasibility of these projects.

Contents

Theory part

Module 1 - cost models and cost accounting

Cost concepts

- Fixed versus variable costs
- Direct and indirect costs
- Marginal costs

Cost estimation techniques

- Work breakdown structure
- Cost and revenue classification
- Cost estimation techniques: indexes, unit and factor techniques
- Parametric cost estimating: power-sizing (economies of scale), learning curve

Cost accounting versus financial accounting

- Management and cost accounting
- Standard costing (costs of goods sold, COGS)
- Activity-based costing
- Marginal costing (cost-volume-profit relationships)
- Break even and profitability analysis

Cost allocation techniques

- Purposes of cost allocation
- Incremental, stand-alone and fully allocated costs
- Shapley value
- Cost allocation of joint costs: volume-based versus sales-based

Module 2 – investment analysis

Time value of money

- Simple Interest and Compound Interest
- Nominal and Effective Interest Rates
- Equivalence for repeated cash flows

Investment evaluation methods for a single project

- Minimum Attractive Rate of Return (MARR)
- Present Worth, Future Worth, Annual Worth Method
- The Internal Rate of Return Method
- Payback Period

Investment evaluation methods for multiple alternatives

- Study period and useful life
- Comparison and Selection among Alternatives
- Comparing mutually exclusive alternatives

Module 3 – Advanced replacement analysis

Depreciation

- Depreciation versus discounting
- Income taxes
- After-tax investment analysis

Replacement Analysis

- Repeatability versus co-termination
- After-tax replacement analysis

Investment Analysis under uncertainty

- Breakeven and Sensitivity analysis
- Decision reversal

- Scenario analysis
- Monte-Carlo analysis
- Real options

Module 4 – Public projects and societal impact

Investment analysis for public projects

- Public projects
- The Benefit–Cost Ratio Method

Business models for engineering products and services

- Value proposition design
- Identification of customer segments
- Osterwalder Business model canvas
- Unbundled business models
- Multi-sided platforms

Societal impacts

- United Nations Societal Development Goals (UN SDGs)
- Societal benefits
- Social Return on Investment
- Extending the business model canvas to included societal costs and benefits

Practical part

- Discussion of realistic cases in interactive case sessions
- Online exercises in order to practice application of main concepts
- Use of spreadsheet support (Excel) throughout the entire course

Initial competences

No formal requirements.

Final competences

- 1 Classify cost and benefits linked to engineering projects
- 2 Explain the purposes and main principles of management and cost accounting
- 3 Substantiate an investment decision for an engineering project, in the private as well as the public sector
- 4 Evaluate the impact of risk and uncertainty of economic parameters on a decision-making process for technological projects
- 5 Reason about suitable business models for technical products and services
- 6 Develop a spreadsheet model in order to compare different engineering alternatives from an economic perspective
- 7 Have the attitude to reason about real-life engineering economic projects

Conditions for credit contract

Access to this course unit via a credit contract is determined after successful competences assessment

Conditions for exam contract

This course unit cannot be taken via an exam contract

Teaching methods

Seminar, Lecture, Independent work

Extra information on the teaching methods

Course offered using blended learning principles. The course consists of 4 modules, taken up 3 weeks each. Slides, knowledge clips and learning exercises are offered via electronic learning platform Ufora and studied by the students independently in the first week of every module. In the second week of the module the concepts are applied in realistic case in an interactive case session in class. In the last week of each module there is a booster session pointing to the major concepts and encountered difficulties in this module.

Study material

Type: Handbook

Name: Engineering Economy, global edition

Indicative price: € 60

Optional: yes

Language : English

Author : Sullivan, Wicks and Koelling

ISBN : 129226490X

Number of Pages : 750

Oldest Usable Edition : 6th edition

Online Available : No

Available in the Library : Yes
Available through Student Association : No
Usability and Lifetime within the Course Unit : regularly
Usability and Lifetime within the Study Programme : one-time
Usability and Lifetime after the Study Programme : occasionally

Type: Handouts

Name: Engineering Economy course material
Indicative price: Free or paid by faculty
Optional: no
Language : English
Number of Pages : 300
Available on Ufora : Yes
Online Available : No
Available in the Library : No
Available through Student Association : No
Usability and Lifetime within the Course Unit : intensive
Usability and Lifetime within the Study Programme : one-time
Usability and Lifetime after the Study Programme : occasionally
Additional information: students can print the material but may also decide to keep it purely digital

References

- Alnoor Bhimani, Charles T. Horngren, Srikant Datar, Madhav Rajan, Management and Cost Accounting, Pearson, 6th edition, 2015, ISBN: 978-1292063461.
- Colin Drury, Management and Cost Accounting, Cengage Learning EMEA, 9th edition, 2015, ISBN: 978-1408093931.
- Donald G Newman, Jerome P. Lavelle, Ted G. Eschenbach, Engineering Economic Analysis, Oxford University Press, International 12th edition, 2016, ISBN: 978-0199339280.
- Ronald A. Chadderton, Purposeful Engineering Economics, Springer, 2015, ISBN: 978-3319188478
- Alex Osterwalder, Yves Pigneur, Greg Bernarda, Alan Smith, Value Proposition Design, Wiley, 2014, ISBN: 978-1-118-96805-5
- Alex Osterwalder and Yves Pigneur, Business Model Generation, Wiley, 2010, ISBN: 978-0470-87641-1

Course content-related study coaching

Assessment moments

end-of-term and continuous assessment

Examination methods in case of periodic assessment during the first examination period

Written assessment with multiple-choice questions, Written assessment

Examination methods in case of periodic assessment during the second examination period

Written assessment with multiple-choice questions, Written assessment

Examination methods in case of permanent assessment

Written assessment with multiple-choice questions, Participation

Possibilities of retake in case of permanent assessment

examination during the second examination period is not possible

Extra information on the examination methods

Examination methods in case of continuous evaluation: online quizzes and participation in case sessions.

Calculation of the examination mark

Combination of continuous evaluation (online quizzes and participation in case sessions.) and periodic evaluation (exam).

Continuous evaluation amounts to 25% of the final examination mark. The exam for the remaining 75%. Participation in all course parts is required in order to be able to pass the course.

When calculating the final score after the retake exam, attendance to case sessions is no longer taken into account.

Facilities for Working Students

Case sessions can be replaced by an individual project

