

Investment Economics and Innovation
BMAN 31212
Credit rating 10
Unit coordinator: Matt McCaffrey

Alliance Manchester Business School
Undergraduate

Level 3

Course unit overview

This course introduces students with no previous experience of project investment appraisal to the ways in which such investments are analysed by business and other organizations in the real world. Students who wish to enter the business world, either by working for companies or for themselves, will be required to conduct formal assessments of a proposed project (or business) and present their results to decision-makers (investment banks, Boards of Directors, etc.). Students conduct investment analysis by describing a case study (chosen by the student), modelling it using formal techniques and indicators, and presenting the results in a well-structured document. In the past a variety of projects have been examined, including sports centres, restaurants, new products, renewable energy schemes, an escort agency, theme park, retail businesses, driving school, hotels and hostels, a company take-over, and many others.

The course is taught through three elements: formal lectures, discussions in seminar groups, and a practical case study chosen and carried out by each student.

The lectures include:

1. Introduction to the course
2. The concept of investment and appraisal
3. Modelling investment projects: traditional/simple indicators
4. Investment Indicators (2 lectures): inter-temporal choice & discounting; discounted indicators
5. Detailed consideration of sensitivity analysis
6. Broader aspects of investment and application of the concepts

If required for some individual projects, additional lectures will cover:

Cost-benefit analysis for public sector projects & Project management tools

Other topics will be included as necessary, particularly if they are useful for particular students' case studies, for example, ethical issues concerning the use of discounting in long-run and public-sector projects.

Aims

To introduce the essential concepts, methods and practical skills necessary to understand investment appraisal, with particular reference to investments in innovative projects.

Learning outcomes

- Understanding of the concept of investment in projects, and the factors which determine the success of such investments
- Understanding the technical indicators used to appraise investments
Ability to construct a simple investment model
- How to use (and mis-use) modelling in decision making
- Understanding of the main elements of uncertainty in investment appraisal, and how to deal with them
- Understanding the differences between private sector and public sector investment appraisal
- Understanding the factors which determine the success of projects

The course does not include detailed consideration of the financing of projects, nor is it concerned with purely financial investment instruments (hedge funds, derivatives, etc.). It

focuses on real project analysis, as encountered in corporate finance and business planning.

Teaching and learning methods

Methods of delivery: lectures and seminars

Lecture hours: 10 (Average 1 hour per week over 10 weeks, however early lectures may be longer due to the need to prepare early for assignments)

Seminar hours: 10 (1 hour each week for 10 weeks)

Private study: 75

Total study hours: 100

Total study hours: 100 hours split between lectures, classes, self-study, and preparation for classes, coursework, and examinations.

Informal Contact Methods

Office Hours: to be scheduled in advance with the lecturer

Assessment methods

Coursework: 2500-word project report worth 100%, including accompanying Excel spreadsheet

Feedback methods

- Informal advice and discussion before, during, and after seminars
- Written and/or verbal comments on assessed or non-assessed coursework
- Written and/or verbal comments after students have given a group or individual presentation
- Other—please describe:
Each student undertakes a particular project and the seminars allow discussion between students regarding each project as well as advice from the seminar leader

Prerequisites

This course is intended for students with no background in the subject, but who would like to know more about the techniques which are used to make decisions about project investments. However, accounting and finance students have found it useful and interesting, as it includes an extended individual case study. The essential requirement is an interest in the nature of decisions about investment in real projects. It is an advantage to be familiar with simple use of Microsoft Excel spreadsheets, but this skill can be learned sufficiently during the course.

Recommended reading

The required reading for this course is a book which has been published in a number of editions (consecutive numbers), with two authors and two titles! However, the text in each edition is very similar and any edition is acceptable though the exact chapter numbers and their titles may be different. Generally, the first 6 chapters and the 11th chapter are used (the rest of the book addresses financing decisions which are not covered in this course). The advantage of this is that there are numerous copies of the text available in various campus libraries.

Lumby, S. (1991), *Investment Appraisal and Financing Decisions*, Chapman & Hall (1st to 5th edition)

Lumby, S. & Jones, C (1999) *Investment Appraisal and Financing Decisions*, Chapman & Hall (6th edition)

Lumby, S. & Jones, C (2011) *Corporate Finance: Theory and Practice*, Chapman & Hall (8th

edition): Part 2

Supplementary Text: Several additional readings will be recommended in lectures during the course, including, for example, HM Treasury Green Book (on the appraisal of public projects)

Scheduled activity hours

Lectures	14
Seminars	7

Independent study hours 79 hours

Additional notes

Co-Requisite: None

Dependent courses: None

Programme Restrictions:

Available as a free choice option to students who have received prior agreement from their registering school.

Not available to BSc in Management/Management (Specialism), IMABS, IM, IBFEorITMB students.

BMAN31212 is available to visiting and exchange students admitted through the University of Manchester's International Programmes Office

Timetable<https://ughandbook.portals.mbs.ac.uk/Non-AllianceMBSstudents/Teachingtimetables.aspx>

For Academic Year: 2020-2021

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Approved by: