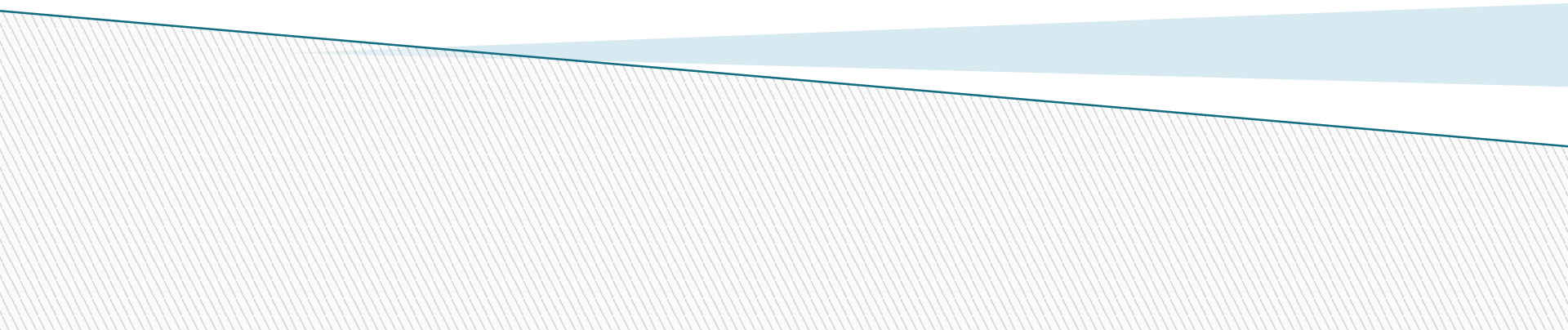


MGT 388 Finance and Law for Engineers

Introduction



Module Aim

Module aim to introduce engineering students to key aspects of management which they are likely to experience in their future careers.

Aspects considered relevant by the Engineering Faculty and accreditation bodies.



Module Assessment



Module Assessment – Finance

The Finance component of the module is 50% of the module assessment and is assessed by:

1 hour 30 minute end of module exam

Answer 2 questions from 3

Questions will assess more than one area of the syllabus

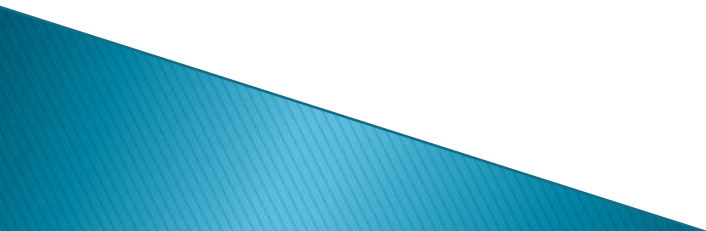
You must attend, prepare and revise everything

Previous exam papers will be available on MOLE.

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Organisation of Module – Finance

The finance component is taught via:

- ❖ Weekly 1 hour lecture (weeks 1–10)
 - ❖ Two tutorials (Either weeks 3&7 or 4&8)
 - ❖ Revision tutorials (weeks 11&12)
- 
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Learning Materials

Mole is organised weekly. Each week you should find:

- ❖ Power point slides
- ❖ Lecture notes with guided reading
- ❖ Questions and answers

There is also a Tutorial Folder for the tutorials to be held in weeks 3/4 and 7/8. These questions **MUST BE** completed before attendance and answers will be added to the folder at the end of weeks 4 and 8.

All files will also be reproduced as a PDF

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Module Content

Week One – Introduction

Weeks 2–4 Financial Accounting

- ❖ Understanding and interpreting a set of annual accounts.



Module Content

Weeks 5–7 Management Accounting

- ❖ How to cost a product or service.
- ❖ Pricing decisions.
- ❖ Short term decisions.



Weeks 8–9 Financial Management

- ❖ Long term decisions
- ❖ Sources of finance

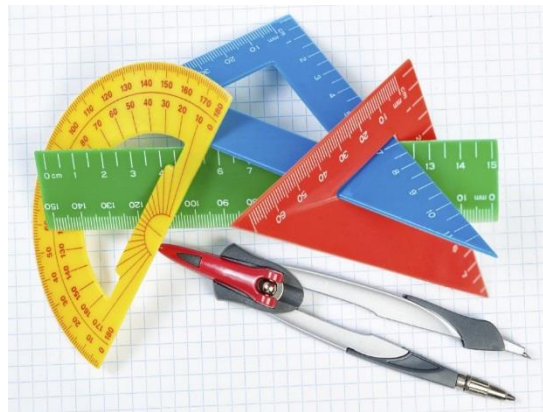
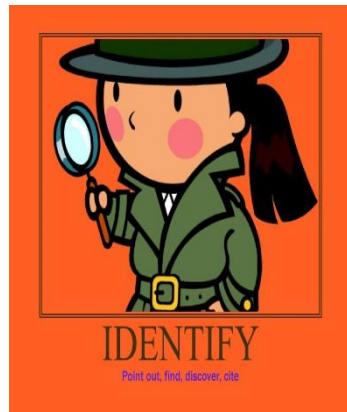


Week 10

- ❖ Review

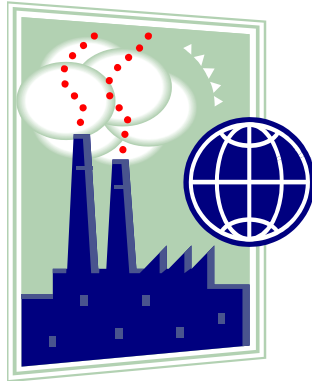
Definition of Accounting

The process of identifying, measuring and communication **economic information** to permit informed judgements and **decisions** by **users** of the information.



Financial Accounting

Provides information to users **outside** the organisation. The information is contained in an **Annual Report** and is published by the organisation.



Assumes users have some business and accounting knowledge

Financial Accounting

Provides information about the **financial position**.

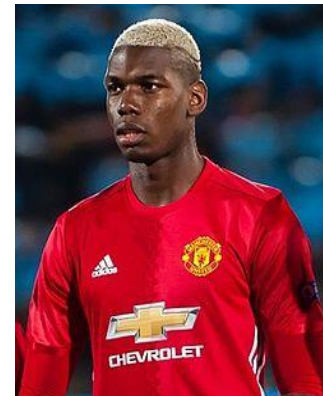
That is things an organisation owns and owes. Manchester United – Stadium and debts



Financial Accounting

Provides information about the **financial performance**.

That is the profit the organisation is making.
Manchester United ticket sales, sponsorship,
shirt sales, TV rights player salaries and
interest payments.



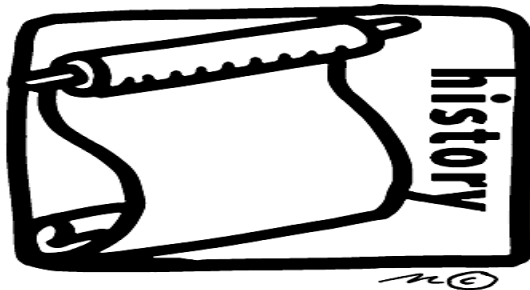
FINANCIAL ACCOUNTING

Love your environment

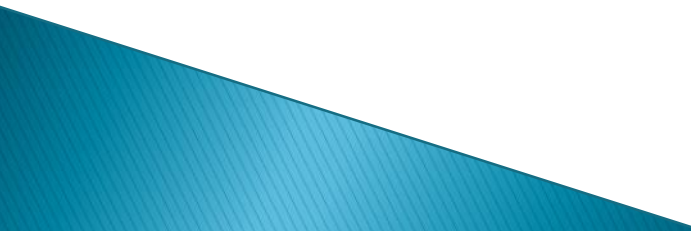


...be proud of it.

unch.com

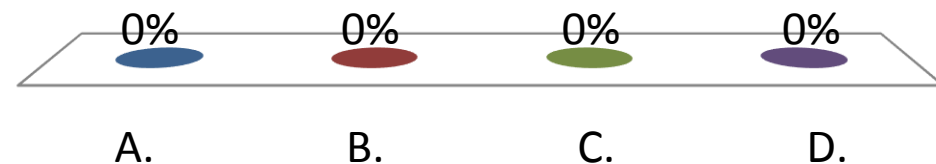


Uses of Financial Accounting

- ❖ Investing in shares – will there be dividends?
will the share price go up?
 - ❖ Buying or selling to another company assess
reliability for payments or delivery, ethical standards
 - ❖ Seeking employment–wages and salaries, staff
retention, directors pay, social responsibility, future
plans.
 - ❖ Governments – tax revenue, executive pay, diversity,
social responsibility.
- 

Which of the following would NOT appear in a set of company accounts

- A. The profit earned in the year.
- B. The cash position at the end of the year.
- C. Sensitive information which is not known by competitors.
- D. The future plans of the company.



MANAGEMENT ACCOUNTING



Management Accounting

The management accountant is responsible for:

- ❖ Determining the **relevant** information.
- ❖ **Collecting** the information
- ❖ **Communicating** the information
- ❖ **Incentives** to achieve objectives
- ❖ **Monitoring** achievement of objectives and highlighting any cause for concern.

The directors are responsible for making decisions based on information provided.

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Management Accounting

BPP – Profit maximisation
Risk assessment technical and geographical.



Ford – Research and development in UK
production elsewhere in the World.

Apple – General economic information, price,
Technology and competition.



Nearly all decisions require non-financial information and
the information will be based on estimates as the decision
relate to future actions.



Relevance of Management Accounting To You

Entrepreneur

What are your relevant costs and what price should you charge?

Employed

Understand the information being supplied to you.
Collect and monitor costs of a project you are responsible for.

Understand how to choose between alternative products or processes.

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The management accountant for a computer retailer is responsible for determining if a store is financially viable

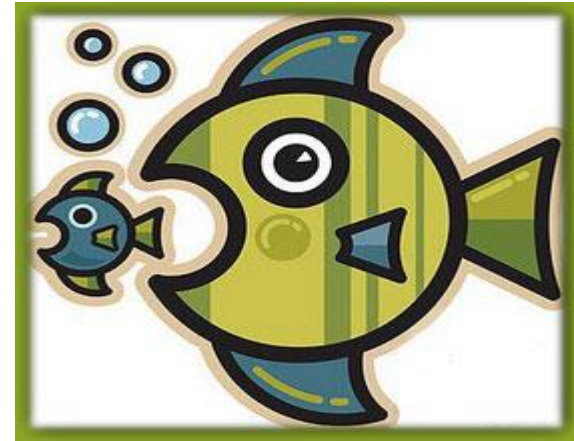
- A. True
- B. False



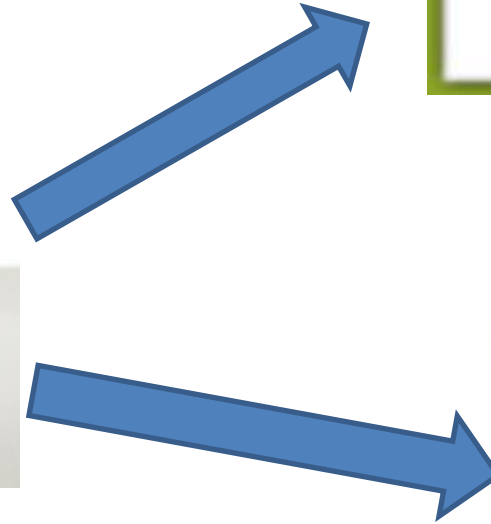
FINANCIAL MANAGEMENT



Funds available
Bank? Shares? Partner?



Takeover



Organic growth

Financial Management

Financial management is concerned with

How a business operates:

- ❖ Sole Trader
- ❖ Partnership
- ❖ Company – Limited/Plc



How funds for a business are raised

- ❖ Overdraft
- ❖ Loan
- ❖ Issue shares



Financial Management

How funds are used.

- ❖ New factory
- ❖ New company
- ❖ New project



Loan V Shares

In a company any profit made at the end of the year belongs to shareholders.

Although all the profit generally does not get distributed to the shareholder it does belong to them.

The larger the profit the more the shareholders may receive.

If a company needs more funding it could take out a loan and pay interest which will reduce profits or ask shareholders for more money.

A loan may be quicker, easier and cheaper BUT:

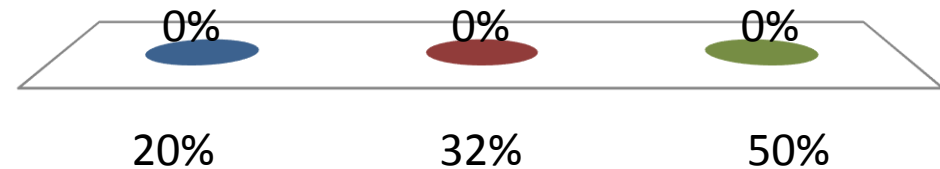
Profits and Interest Payments

A company has been making profits before interest of £8 million and has to make interest payments of £3 million.

If the profits before interest falls by 20% by what percentage will profit after interest fall by?

Profit after interest will fall by

- A. 20%
- B. 32%
- C. 50%



The End

Please review slides and more comprehensive lecture notes.

