



UNIVERSITI TEKNOLOGI MARA

BCM523: CONSTRUCTION ECONOMICS II

Course Name (English)	CONSTRUCTION ECONOMICS II APPROVED
Course Code	BCM523
MQF Credit	3
Course Description	The course is designed to provide students with in-depth knowledge of economics for the built environment. It enables students to understand the roles and impacts made by the construction sector in the national economy; government policies aimed at tackling the macro and micro economic problems at both national and local levels. The variety of economic forces that shape the behaviour of firms in the built environment; key financial statements; liquidity and profitability management for firms' survival; the importance of ratio measures and cost analysis for decision-making will also be covered.
Transferable Skills	Accounting Skill
Teaching Methodologies	Lectures, Blended Learning, Tutorial
CLO	CLO1 Evaluate economic conditions, theories, and policy through investment appraisal, cost and financial analysis in determining project viability CLO2 Demonstrate the understanding of the National and Local Government Economic Policy in the Built Environment. CLO3 Identify project viability through evaluation of investment appraisal cost and financial analysis.
Pre-Requisite Courses	No course recommendations
Topics	
1. The Function and behavior of the Construction Industry 1.1) The construction industry and the economy 1.2) Overview of the Malaysian Construction Industry (i.e. issues of GDP and construction; common economic goals/macro economic objectives: price stability, full employment, economic growth, balance of trade, protection of environment) 1.3) Productivity in the construction industry 1.4) Innovation in the construction industry 1.5) Overseas construction opportunities for domestic firm	
2. National and Local Government Economic Policy and the Built Environment 2.1) The economy's cyclical growth path and construction cycles 2.2) Demand management in the economy by means of fiscal, monetary and direct policies; and the limitations of these policies to property markets 2.3) The multiplier process 2.4) Important issues facing the Construction Industry (productivity, quality, environment and sustainability, health and safety, information technology in construction, knowledge management, globalization issues and etc)	
3. Economic Assessments / Investment Appraisal 3.1) Interest-time relationships (compound amounts, present worth, compound amount of a uniform series, sinking fund deposit, present worth of uniform series and capital recovery) 3.2) Conventional techniques of investment appraisal (the pay-back method and the average rate of return methods) 3.3) Discounting techniques of investment appraisal (the net present value technique, the internal rate of return /DCF Yield, earning rate and incremental rate of return) 3.4) The effect of inflation 3.5) Sensitivity and risk analysis	
4. Cost Analysis for Decision-making 4.1) Fixed, variable and mixed cost 4.2) Break-even cost analysis	

5. Financial Analysis

5.1) Source of finance (short, medium and long term finance)

5.2) Hedging principles

5.3) Evaluation of company's performance

5.4) Liquidity assessment (tests of liquidity)

5.5) Analysis of profitability (i.e., Gross Profit Ratio, Net Profit ratios, Return on Total Investment Ratio (ROI) and Test of Value added

5.6) Ratio measures (Debt-equity ratio and debt ratio)

5.7) Four principle of financial statements (balance sheet, profit and loss account, value added statement and the funds flow statements)

Assessment Breakdown	%
Continuous Assessment	40.00%
Final Assessment	60.00%

Details of Continuous Assessment	Assessment Type	Assessment Description	% of Total Mark	CLO
	Assignment	Assignment based on construction economics	20%	CLO2
	Test	1 Test on Economic Assessments on week 8 and financial analysis on week 12	20%	CLO3

Reading List	Recommended Text
	<ul style="list-style-type: none"> • Hariss, F. and McCaffer, R. 1989, <i>Modern Construction Management</i>, 3rd Ed., BSP Professional Books Oxford • Wilson, R. M.S. and McHugh, G. 1993, <i>Financial Analysis- A Managerial Introduction.</i>, Cassell Education Limited London • Warren, M 1994, <i>Economics for the Built Environment</i>, Butterworth-Heinemann London • Ofori, G 1994, <i>The Construction Industry</i>, University Press Singapore • Construction Industry Development Board Malaysia (CIDB) 2000, <i>Technology Foresight Report</i>, CIDB Publications Kuala Lumpur • Hillebrandt, P.M 2000, <i>Economic Theory and the Construction Industry</i>, 3rd Ed., Macmillan Press Ltd London • Eschenbach, T. G 2003, <i>Engineering Economy-Appling Theory to Practice</i>, 2nd Ed., Oxford University Press New York • Park, C. S 2004, <i>Fundamentals of Engineering Economics</i>, Prentice-hall New Jersey • Construction Industry Development Board Malaysia (CIDB) 2005, <i>Construction Industry Master Plan for Malaysia (2005-2015)</i>, CIDB Publications Kuala Lumpur

Article/Paper List	This Course does not have any article/paper resources
Other References	This Course does not have any other resources