

Economics 453(01) Cost-Benefit Analysis

Instructor: Douglas McClintock

Lecture Location: EDC 280

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Lecture Days/Time: Tues. Thurs.: 12:30 to 1:45

Office Hours: Tues. /Thurs: 11:00 a.m. to 11:45 a.m.

(Fall 2021)

Course Description:

This course looks at project evaluation from both a private (financial) and economic (public) perspective. In this course, we investigate the similarities and differences in evaluating private and public projects. For private projects, net present value and internal rates of return are derived from revenues, direct costs, depreciation and taxes. For public projects, we investigate the welfare gains (or losses) when a public project is proposed.

Course Outcomes/Learning Objectives:

This course will focus on two aspects of cost benefit analysis. The first part of the course will look at the framework for constructing a financial cost benefit analysis. A review of basic finance and discounting will be examined. In particular, this part of the course focuses on how a firm selects a project based on mutually exclusive and independent alternatives. The second (and most comprehensive part of the course) examines the theoretical basis for economic (social) cost benefit analysis and the appropriate appraisal techniques. This part of the course examines the benefit/costs from a social welfare perspective and evaluates different proposals by using a social discount rate. The students will learn the necessary tools and knowledge to evaluate projects based on different methodologies, such as a person's willingness to pay when there is no market signal to determine benefits.

Prerequisites:

Econ 357 and Econ 359

Textbook(s):

There are no textbooks for this course. I will be providing the notes and any supplementary notes. Current topics and relevant research papers will be distributed throughout the term on D2L.

Supplementary reading :

Shaffer, Martin, Multiple Account Benefit-Cost Analysis: A Practical Guide for the Systematic Evaluation of Project and Policy Alternatives, University of Toronto Press, Toronto, 2010.

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> using or through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Lectures:

Lectures will be delivered in the classroom unless otherwise noted. Lecture material and overheads will be posted to D2L.

Tutorials:

There are no scheduled tutorials for this course. However, I will be providing worksheet questions and answer keys throughout the term.

Grade Determination and Final Examination Details:

Two Assignments (15% each) (due dates will be announced during the term)	30%
Midterm Exam (Thurs. Oct. 28, 2021)	30%
Final Exam	<u>40%</u>
	100%

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

A passing grade on any particular component on the course is not required for a student to pass the course as a whole.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam at the discretion of the instructor. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Assignments:

Course material dealing with a particular assignment will typically be covered in class at least 5 days before the assignment is due; thus, assignments can be completed at any time up to and including the due date. The assignment will be submitted at the beginning of the class on the due date.

Given these factors, only situations where someone can document illness or domestic affliction for an extended period (i.e., the entire 5 days prior to the due date) would possibly warrant shifting the assignment weight to the final exam. Furthermore, technical problems can be expected to occur with computer systems (and internet availability) so it may be a good idea to not wait until the last minute to submit your assignment.

Answers to assignments will be discussed in class shortly after each assignment falls due. For this reason, late assignments will be given a score of zero, although you may still wish to have the work corrected and returned without a score being recorded. I will hand out the assignment approximately 7 to 10 days before the due date.

Students are encouraged to work on their assignments with other classmates. But each student must write up his or her own answers in his/her own words. Copying or misrepresenting someone else's work as your own is a serious offence that will not be tolerated. Your attention is to be directed to the 'Statement of Intellectual Honesty' in the 2021-22 Calendar.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

Tests and exams Will Not involve multiple choice questions and / or fill-in-blank questions. This course will involve theory based and /or problem solving questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Academic Misconduct:

Academic Misconduct refers to student behavior that compromises proper assessment of students' academic activities and includes: cheating; fabrication; falsification; plagiarism; unauthorized assistance; failure to comply with an instructor's expectations regarding conduct required of students completing academic assessments in their courses; and failure to comply with exam regulations applied by the Registrar.

Student committing academic misconduct during the final exam will not receive a passing grade for the course.

For information on the Student Academic Misconduct Policy, Procedure and Academic Integrity, please visit: <https://www.ucalgary.ca/pubs/calendar/current/k-3.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their instructor. The full policy on Student Accommodations is available at

<https://www.ucalgary.ca/legal-services/university-policies-procedures/accommodation-students-disabilities-procedure>

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see

<https://www.ucalgary.ca/legal-services/access-information-privacy>

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at

<https://www.ucalgary.ca/legal-services/university-policies-procedures/acceptable-use-material-protected-copyright-policy> Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Course materials created by instructors (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the instructor. These materials may NOT be reproduced, redistributed or copied without the explicit consent of the instructor. The posting of course materials to third party websites such as note-sharing sites without permission is prohibited. Sharing of extracts of these course materials with other students enrolled in the course at the same time may be allowed under fair dealing.

Recording of Lectures:

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

E-mail: econrep@fasaucalgary.ca

Website: www.fasaucalgary.ca.

Society of Undergraduates in Economics: <https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Tower.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.
2. The midterm examination will be held during the lecture time. **The exam must be completed during the specified time. Extra time will not be given for any reason.**
3. Please note that the following types of emails will receive no response: emails not addressed to anyone in particular; emails where the recipient's name is not spelled correctly; anonymous emails; emails which do not specify the course and section in which you are registered; and, emails involving questions that are specifically addressed on the course outline.
4. I check my emails twice per day, once in the morning and once in the afternoon. (Excluding weekends) Since I teach hundreds of students, please send me an email only if it is absolutely necessary and/or in the case of an emergency.

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2021-08-10