Professor Tim Baldenius

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 212-998-0022

# ACCT-GB.3303.20 — Financial Planning and Analysis

**Spring 2016 (Fulltime Program)**

**Tentative – as of**

# Course Description and Syllabus

**Course description:** This is an introductory course in financial planning & analysis, in short: FPA (a.k.a. managerial accounting). No prior knowledge of the material is required or even expected. The first half of the course develops a set of tools for measuring profitability by product, customer, etc. The second half applies these tools to determine the performance of business units in decentralized firms—and of the managers running the units. For instance, what would be a good performance measure for a manager who makes long-term investment decision on behalf of her shareholders, but who may have a short planning horizon (the “myopic manager” problem)?

The following specific topics will be covered:

* Product costing for decision-making
* Profitability analysis
* Budgeting and variances
* Decentralization and transfer pricing
* Performance evaluation for managers of profit centers
* Performance evaluation for managers of investment centers
* The “War of Metrics”: Cash Flow, EVA, Customer Lifetime Value, Balanced Scorecard, etc.

**Course materials and organization:** In addition to the course reader that will be available in class for you to pick up, I will hand out (and post online) detailed lecture notes in advance. Please always read them before class to ensure we have a lively discussion.The recommended (not required) textbook is Horngren, Datar and Rajan (**HDR**), “*Cost Accounting−A Managerial Emphasis,” 15th ed.* For general updated information once the course has started, please check the online system. I will make liberal use of email.

## Course organization: Class time will consist of lectures, case discussions and guest speakers.

**Grading scheme:**

Class participation 10%

Midterm exam 25%
Final exam 33%

Homework (8 assignments) 32%

### **The midterm exam will be split into two parts, to take place in Classes 10 & 11.**

**Homework assignments and case studies:** Every assignment will be clearly marked as either group or individual assignment. If it is marked as individual assignment, then you have to work on it by yourself and may not compare your solution with that of your classmates. For group assignments you are strongly encouraged to collaborate in groups. The group size is capped at 4 students.

I will hand out (and post online) the assignments 1-2 classes before they are due. I encourage online submissions but can also collect paper submission in class. All submissions are due at the beginning of class on the due day. Please always retain a copy of your homework solution to facilitate class discussion. If you cannot make it to class, you have to submit electronically prior to class. I cannot accept late submissions because the solutions will be posted online by the end of the due date. If you can’t meet an assignment deadline for some important reason, you need to let me know prior to the class, and I’ll assign a make-up problem set.

All assignments will be graded based on effort. The reason is that some assignments, in particular case study-based ones, are forward-looking in that you’ll have to work on topics that we won’t have covered yet in class. With the help of the lecture notes, you are asked to make your best attempt at solving the case so that we have a good basis for developing the solution together in class.

**The code of conduct applies.**

**Teaching assistant:** Jianchuan Luo, jluo@stern.nyu.edu

Darryl Birtwistle, djb449@stern.nyu.edu

**My office hours:** Wednesdays, 4:45-5:45, and by appointment, 10-75 KMC

 **NYU Full-Time MBA, Acct-GB.3305.20 – Financial Planning & Analysis, Spring 2016**

**Part A: Fundamentals of Financial Planning and Analysis (FPA)**

**Class 1: Mon, Feb 1, 2016 A. Intro**

 Additional reading: Textbook (HDR), Chapters 1 (skim) and 4

**Class 2: Wed, Feb 3, 2016 A. Basics of Product Costing (1)**

**Class 3: Mon, Feb 8, 2016 A. Basics of Product Costing (2)**

 **B. Activity-Based Costing / ABC (1)**

 Case: *“Ethical Drugs”*

 Additional reading: HDR, Ch. 5

**Class 4: Wed, Feb 10, 2016 B. Activity-Based Costing / ABC (2)**

 Assignment #1 due

 Case: *“Wilkerson”*

**NO CLASS ON MON, FEB 15 (PRESIDENTS’ DAY)**

**Class 5: Wed, Feb 17, 2016 B. Time-Driven ABC**

 Assignment #2 due

 Case: *“Compton Financial”*

**Class 6: Mon, Feb 22, 2016 C. Variance Analysis (1)**

 Case: *“Dummy”*

 Additional reading: HDR, Ch. 7

**Class 7: Wed, Feb 24, 2016 C. Variance Analysis (2)**

 Assignment #3 due

 Case: *“Dummy (Redux)”, “Beanie Kids”*

**Class 8: Mon, Feb 29, 2016 D. Decision Making (1)**

 Additional reading: HDR, Ch. 11 (skip the Appendix on linear programming)

**Class 9: Wed, Mar 2, 2016 D. Decision Making (2) & Midterm Review**

 Assignment #4 due

 Case: *“Denim Finishing”*

**Class 10: Mon, Mar 7, 2016 Midterm Exam, Part 1**

**Class 11: Wed, Mar 9, 2016 Midterm Exam, Part 2**

**Spring Break: March 14-20**

**Class 12: Mon, Mar 21, 2016 E. Customer Profitability Analysis (1)**

 Additional reading: HDR, Ch. 14

**Part B: Use of FPA in Divisionalized Firms: Performance Measurement and Incentives**

**Class 13: Wed, Mar 23, 2016 Guest Speaker: Phil Ryan**

Chairman of the board of Swiss Re for the Americas

**Class 14: Mon, Mar 28, 2016** **E. Customer Profitability Analysis (2)**

 Assignment #5 due

 Case: *“Bankinter”*

**Class 15: Wed, Mar 30, 2016 F. Profit Centers (1)**

 Additional reading: HDR, Ch. 22

**Class 16: Mon, Apr 4, 2016 F. Profit Centers (2)**

 Assignment #6 due

 Case: “Sub Micron”

**Class 17: Wed, Apr 6, 2016 F. Profit Centers (3)**

**Class 18: Mon, Apr 11, 2016 Guest Speaker: Junko Yamato**

Principal - Transfer Pricing, PwC

**Class 19: Wed, Apr 13, 2016 G. Investment Centers (1)**

 HDR, Ch. 23

**Class 20: Mon, Apr 18, 2016** **G. Investment Centers (2)**

 Assignment #7 due

 Case:“Vyaderm”

**Class 21: Wed, Apr 20, 2016 Guest Speaker: Dan Ryterband,**

 CEO, Frederic W. Cook & Co., Inc

**Class 22: Mon, Apr 25, 2016 G. Investment Centers (3)**

**Class 23: Wed, Apr 27, 2016 H. Balanced Scorecard (1)**

 Additional reading: HDR, Ch. 19

 Case: “Store24”

**Class 24: Mon, May 2, 2016 H. Balanced Scorecard (2)**

 Assignment #8 due

 Case: “Citibank”

**Class 25: Wed, May 4, 2016 Incentives and Control**

 Case: “Kidder, Peabody”

**Class 26: Mon, May 9, 2016 Wrap-up and Final Review**

**Final Exam: Monday, May 16**