

## Internal Decision-Making & Corporate Performance (Cost Management)

### *Course Descriptions and Syllabus*

#### *Your instructor*

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### COURSE DESCRIPTIONS

This course explores the use of accounting information for *internal* planning, analysis, and decision-making. The *course's main objective* is to equip you with the knowledge to prepare, understand, evaluate, and act upon the many financial and non-financial reports used in managing firms. These reports include but are not limited to contribution margin statements, direct costing, normal absorption costing, Activity-Based Costing, Time-Based Activity-Based Costing, Customer Profitability Analysis, budgets, variance reports, CVP analysis, and balanced scorecards. This course focuses on information generated by the internal accounting system.

Managing and evaluating companies requires financial and non-financial information about the firm's products, processes, assets, and customers. This information is a crucial input into a wide range of analytical tools to support decisions: analyzing the profitability of various products, managing product-line portfolios, setting prices, measuring and managing customers' profitability, making operational and strategic decisions, evaluating investments, investigating efficiency, and so on. We will discover that many companies have not provided their managers with helpful information along the way. These managers have to rely on simplistic and outdated information systems for very different business processes and with very different technologies. We will look at many pitfalls these systems can induce and the dangers of using these systems to make business decisions. We will also investigate how to design an organization's information system so that an integrated set of processes and tools are in place to develop the company's strategy, translate it into operational actions, and monitor and improve its strategy and operations.

To attain the right level of understanding, you must be familiar with the mechanics of the many techniques used to prepare internal management reports. But the emphasis in this course is very much on interpreting and evaluating these internal management reports in the context of decision-making. Please refer to the tentative schedule at the end of this document for topics we will cover.

## COURSE MATERIALS

There is no prescribed textbook for this course. You may access all course materials, including class exercises and solutions to class exercises, on LMS Brightspace.

You may access a detailed listing of the sequence of topics, related materials, and related spreadsheets via LMS Brightspace. Do not forward or share materials with others.

There are two copyrighted cases we will use. These are available for purchase in an electronic course pack from the bookstore.

## ASSESSMENTS

We calculate your final grade based on:

On-Line Mini Tests	30%
Final Exam	70%

## ACADEMIC INTEGRITY

Academic integrity and honesty is central to our mission as an educational institution. [The MBA & Graduate Courses Code of Conduct](#), which all students sign, therefore places particular emphasis on academic integrity. Notably this includes refraining from any method or means that provides an unfair advantage in exams or papers, and clearly acknowledging the work of others in your own work. As a reminder, the [entire Code of Conduct is available here](#).

To help ensure the integrity of our learning community, prose assignments you submit to LMS Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

## STUDENT ACCESSIBILITY

New York University is committed to providing equal educational opportunity and participation for students with disabilities. Students who are interested in applying for academic accommodations are advised to reach out to the Moses Center for Student Accessibility (CSA) as early as possible in the semester. If you already receive accommodations through CSA, you are encouraged to request your accommodation letters through the Moses portal as soon as possible.

Moses Center for Student Accessibility (CSA), 212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu), [www.nyu.edu/csa](http://www.nyu.edu/csa)

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-andgroups/student-accessibility.html>

## **STUDENT WELLNESS**

Classes can get stressful. I encourage you to reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at 212 443 9999, or via the "NYU Wellness Exchange" app. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

## **DIVERSITY & INCLUSION**

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives with a goal of understanding how others might see situations differently. To support this approach, this syllabus has been reviewed by NYU Stern's Office for Diversity and Inclusion to ensure inclusivity and a representative pedagogical approach to learning. By participating in this course, it is the expectation that everyone commits to making this an inclusive learning environment for all.

## TENTATIVE SCHEDULE

Session	Topic
<b>1</b>	1. Introduction <ul style="list-style-type: none"> <li>- Managerial Information System</li> <li>- Key Cost Concepts               <ul style="list-style-type: none"> <li>o Direct vs. Indirect, Fixed vs. Variable, Product vs. Period</li> </ul> </li> <li>- Job Costing vs. Process Costing</li> <li>- Manufacturing vs. Service Costing</li> <li>- Overhead allocation and Normal Absorption Costing</li> <li>- Internal decision-making vs. external GAAP reporting               <ul style="list-style-type: none"> <li>o Keep or replace a machine</li> </ul> </li> </ul>
<b>2</b>	2a. Challenges with Normal Absorption Costing <ul style="list-style-type: none"> <li>- One cost pool vs. multiple cost-pools</li> <li>- Over/under-applied overhead</li> </ul> 2b. Cost Estimation Complexity <ul style="list-style-type: none"> <li>- Over/under costing</li> <li>- Adding additional cost-pool</li> <li>- New CAPEX and cost-allocation</li> </ul> 2c. Measuring and Managing Cost of Capacity <ul style="list-style-type: none"> <li>- Death Spiral</li> <li>- Maximum/Practical/Actual Capacity</li> </ul>
<b>3</b>	3a. Activity-Based Costing and Activity-Based Management <ul style="list-style-type: none"> <li>- Cost hierarchy</li> <li>- Volume based bias</li> </ul> 3b. Customer Profitability Analysis 3c. Case Study on ABC and CPA
<b>4</b>	4a. Building a profit plan – Budgeting 4b. Variance Analysis 4c. Variance Analysis and Incentive effects
<b>5</b>	Business Decisions: <ul style="list-style-type: none"> <li>5a. More on External reporting vs. Internal Decision Making               <ul style="list-style-type: none"> <li>- Overproduction and COGS</li> </ul> </li> <li>5b. CVP Analysis</li> <li>5c. Relevant Costs/Revenues – Case Study</li> </ul>
<b>6</b>	6a. Evaluating investment-center <ul style="list-style-type: none"> <li>- Evaluating new investment</li> <li>- Working capital (OpEx)</li> </ul> 6b. Balanced Scorecard, Strategy Map, Evaluating Sustainability Investment