

ACCT-GB.3303.20 — Financial Planning and Analysis

Spring 2015 (Fulltime Program)

As of 2/2/15

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
- Activity-based costing (ABC) and 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, Balanced Scorecard, etc.

Course materials and organization: In addition to the course reader that will be available in the first class for you to pick up, I will hand out 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 12 & 13.

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 of at most 4 students*.

I will hand out (and post online) the assignments 1-2 classes before they are due and collect your solutions 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, the write-up can also be submitted electronically to me prior to class.

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.

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.

The code of conduct applies.

Teaching assistant: Anton Parfenov, aap547@stern.nyu.edu
Daniel Polikoff, daniel.polikoff@stern.nyu.edu

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

NYU Full-Time MBA, Acct-GB.3305.20 – Financial Planning & Analysis, Spring 2015

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

- Class 1: Mon, Feb 2, 2015** **A. Intro**
Additional reading: Textbook (HDR), Chapters 1 (skim) and 4
- Class 2: Wed, Feb 4, 2015** **A. Basics of Product Costing (1)**
- Class 3: Mon, Feb 9, 2015** **A. Basics of Product Costing (2)**
 B. Activity-Based Costing / ABC (1)
Assignment #1 due
Case: *“Ethical Drugs”*
Additional reading: HDR, Ch. 5
- Class 4: Wed, Feb 11, 2015** **B. Activity-Based Costing / ABC (2)**
Assignment #2 due
Case: *“Wilkerson”*
- NO CLASS ON MON, FEB 16 (PRESIDENTS’ DAY)**
- Class 5: Wed, Feb 18, 2015** **B. Time-Driven ABC**
Assignment #3 due
Case: *“Compton Financial”*
- Class 6: Mon, Feb 23, 2015** **B. Customer Profitability Analysis**
Case: *“Bankinter”*
Additional reading: HDR, Ch. 14
- Class 7: Wed, Feb 25, 2015** **C. Variance Analysis (1)**
Assignment #4 due
Case: *“Dummy”*
Additional reading: HDR, Ch. 7
- Class 8: Mon, Mar 2, 2015** **C. Variance Analysis (2) and COPVA**
Case: *“Beanie Kids”*
- Class 9: Wed, Mar 4, 2015** **D. Decision Making (1)**
Assignment #5 due
Case: *“Denim Finishing”*
Additional reading: HDR, Ch. 11 (skip the Appendix on linear programming)
- Class 10: Mon, Mar 9, 2015** **D. Decision Making (2)**
Case: *“Dummy (redux): The Threat of Market Entry” (handout)*

Class 11: Wed, Mar 11, 2015 Midterm Review

SPRING BREAK: MAR 16-22

Class 12: Mon, Mar 23, 2015 Midterm Exam, Part 1

Class 13: Wed, Mar 25, 2015 Midterm Exam, Part 2

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

Class 14: Mon, Mar 30, 2015 Guest Speaker: Junko Yamato,
Principal - Transfer Pricing, PwC

Class 15: Wed, Apr 1, 2015 E. Profit Centers (1)
Additional reading: HDR, Ch. 22

Class 16: Mon, Apr 6, 2015 E. Profit Centers (2)
Assignment #6 due
Case: "Sub Micron"

Class 17: Wed, Apr 8, 2015 E. Profit Centers (3)

Class 18: Mon, Apr 13, 2015 Guest Speaker: Phil Ryan
Chairman of the board of Swiss Re for the Americas
Former CFO: Credit Suisse and Power Corp of Canada

Class 19: Wed, Apr 15, 2015 F. Investment Centers (1)
Additional reading: HDR, Ch. 23

Class 20: Mon, Apr 20, 2015 F. Investment Centers (2)
Assignment #7 due
Case: "Vyaderm"

Class 21: Wed, Apr 22, 2015 F. Investment Centers (3)

Class 22: Mon, Apr 27, 2015 G. Balanced Scorecard (1)
Additional reading: HDR, Ch. 19

- Class 23: Wed, Apr 29, 2015** **G. Balanced Scorecard (2)**
Assignment #8 due
Case: "Citibank"
- Class 24: Mon, May 4, 2015** **Guest Speaker: Dan Ryterband,**
President at Frederic W. Cook & Co., Inc
- Class 25: Wed, May 6, 2015** **Incentives and Control**
Case: "Kidder, Peabody"
- Class 26: Mon, May 11, 2015** **Wrap-up and Final Review**
- Final Exam Period: May 13-19**