

ACCT-GB.3303 — Financial Planning and Analysis

Spring 2014

Revised: As of 3/10/14

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 can have a lively discussion. The recommended (not required) textbook is Horngren, Datar and Rajan (**HDR**), “*Cost Accounting—A Managerial Emphasis*,” 14th 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	8%
Midterm exam	24%
Final exam	40%
Homework (7 assignments)	28%

Exams: The **midterm exam** will take place in **Class 6**, the **final exam** in **Class 12**.

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 encouraged to collaborate in *groups of at most 4 students*.

I will hand out (and post online) the assignments a week 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 for the purpose of 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 cannot meet a deadline for an assignment for some important reason, you need to let me know prior to the class. In that case, I will assign you a make-up problem set.

The code of conduct applies.

Teaching assistant: Colin Brady, cpb298@stern.nyu.edu

My office hour: Tuesday, 2-3pm, and by appointment, 10-75 KMC

NYU LANGONE MBA, ACCT-GB.3305 – FINANCIAL PLANNING & ANALYSIS, SPRING 2014

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

Class 1: Feb 11, 2014 Additional reading:	A. Basics of Product Costing Textbook (HDR), Chapters 1 (skim) and 4
Class 2: Feb 18, 2014 Cases: Additional reading:	B. Activity-Based Costing / ABC Assignment #1 due <i>“Ethical Drugs”, “Bankinter”</i> HDR, Ch. 4
Class 3: Feb 25, 2014 Cases: Additional reading:	B. ABC (cont.) & Intro to Variance Analysis Assignment #2 due <i>“Wilkerson”, “Compton Financial”</i> HDR, Ch. 5
Class 4: Mar 4, 2014 Cases: Additional reading:	C. Variance Analysis and COPVA Assignment #3 due <i>“Dummy”</i> HDR, Ch. 7
Class 5: Mar 11, 2014 Cases: Additional reading:	D. Decision Making & Midterm Review Assignment #4 due <i>“Beanie Kids”, “Denim Finishing”</i> HDR, Ch. 11 (skip the Appendix on linear programming)

SPRING BREAK

Class 6: Mar 25, 2012	Midterm Exam
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Part B: Use of FPA in Divisionalized Firms: Performance Measurement and Incentives

Class 7: Apr 1, 2014 Additional reading:	E. Profit Centers HDR, Ch. 22
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Class 8: Apr 8, 2014

Cases:
Additional reading:

E. Profit Centers (cont.)
Assignment #5 due
"Sub-Micron Devices"
(see Class #7)

Class 9: Apr 15, 2014

Additional reading:

F. Investment Centers: EVA, etc.,
Assignment #6 due
HDR, Ch. 23

Class 10: Apr 22, 2014

Cases:
Additional reading:

F. Investment Centers (cont.)
Guest Speaker: Dan Ryterband,
President at Frederic W. Cook & Co., Inc
Assignment #7 due
"Vyaderm"
(see Class #9)

Class 11: April 29, 2014

Cases:
Additional reading:

G. Balanced Scorecard
Guest Speaker: Phil Ryan
Chairman of the board of Swiss Re for the Americas
Former CFO Credit Suisse and Power Corp of Canada
Final Review
"Citibank"
HDR, Ch. 13

Class 12: May 6, 2014

Final Exam