

ACCT-GB.3303.30 — Financial Planning and Analysis

Spring 2015 (Langone Program)

Revised: 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 can 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	12%
Midterm exam	24%
Final exam	36%
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 strongly 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 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.

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

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

Class 1: Feb 9, 2015 **A. Basics of Product Costing**
Additional reading: Textbook (HDR), Chapters 1 (skim) and 4

No class on Feb 16 (Presidents' Day)

Class 2: Feb 23, 2015 **B. Activity-Based Costing / ABC**
 Assignment #1 due
Cases: *"Ethical Drugs", "Bankinter"*
Additional reading: HDR, Ch. 4

Class 3: Mar 2, 2015 **B. ABC (cont.)**
 & Intro to Variance Analysis
 Assignment #2 due
Cases: *"Wilkerson", "Compton Financial"*
Additional reading: HDR, Ch. 5

Class 4: Mar 9, 2015 **C. Variance Analysis and COPVA**
 Assignment #3 due
Cases: *"Dummy"*
Additional reading: HDR, Ch. 7

SPRING BREAK: Mar 16-22

Class 5: Mar 23, 2015 **D. Decision Making**
 & Midterm Review
 Assignment #4 due
Cases: *"Beanie Kids", "Denim Finishing"*
Additional reading: HDR, Ch. 11 (skip the Appendix on linear programming)

Class 6: Mar 30, 2015	Midterm Exam
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Part B: Use of FPA in Divisionalized Firms: Performance Measurement and Incentives

Class 7: Apr 6, 2015	E. Profit Centers Guest Speaker: Phil Ryan Chairman of the board of Swiss Re for the Americas Former CFO: Credit Suisse and Power Corp of Canada HDR, Ch. 22
Additional reading:	
Class 8: Apr 13, 2015	E. Profit Centers (cont.) Assignment #5 due <i>"Sub-Micron Devices"</i> HDR, Ch. 22
Cases:	
Additional reading:	
Class 9: Apr 20, 2015	F. Investment Centers: EVA, etc., Assignment #6 due HDR, Ch. 23
Additional reading:	
Class 10: Apr 27, 2015	F. Investment Centers (cont.) Outlook at: G. Balanced Scorecard Assignment #7 due <i>"Vyaderm"</i> HDR, Ch. 23 & 19
Cases:	
Additional reading:	
Class 11: May 4, 2015	G. Balanced Scorecard Guest Speaker: Dan Ryterband, President at Frederic W. Cook & Co., Inc Final Review <i>"Citibank"</i> HDR, Ch. 19
Cases:	
Additional reading:	
Class 12: May 11, 2015	Final Exam