

ACCT-GB.3303 — Financial Planning and Analysis

Spring 2012

Course Description and Syllabus

Course description: This is a full-semester introductory course in financial planning & analysis (FPA, a.k.a. managerial accounting). The first half of the course develops a set of tools for measuring profitability by product, customer, etc. The second half applies these concepts to determine the performance of business units – and of the managers running those – in decentralized firms. 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-term planning horizon (the “impatient manager” problem)?

No prior knowledge of the material is required or even expected. 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 and compensation for managers of profit centers
- Performance evaluation and compensation for managers of investment centers
- The “War of Metrics”: Cash Flow, EVA, Balanced Scorecard, etc.

Course materials and organization: I will hand out detailed lecture notes—always a session in advance, so you can come to class prepared. The recommended (not required) textbook is Horngren, Datar, Foster, Rajan and Ittner (**HDFRI**), “*Cost Accounting—A Managerial Emphasis*,” 13th ed. For updated information once the course has started, please check the online system. I will make liberal use of email.

Course organization: To ensure a lively class, please read the assigned readings *before* class. Class time will consist of lectures and case discussions.

Grading scheme:

Midterm exam	26%
Final exam	46%
Homework (7 assignments)	28%

Exams: The **midterm exam** will take place on **TBA** and the **final exam** on **TBA**.

Homework assignments and case studies: *All assignments are group assignments.* 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.

Homework will be *graded based on effort*. The reason is that some assignments are forward-looking, i.e., you'll have to work on topics that we haven't covered in class yet. With the help of the lecture notes you are asked to make your best attempt at the case so that we have a good basis for developing the case 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 have 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.

Network connectivity during class: None, unless required for the course.

Teaching assistants: TBA

Review sessions: TBA

Office hour: TBA

Part A: Fundamentals of Managerial Accounting

Session 1	A. Basics of Product Costing
Additional reading:	Textbook (HDF), Chapters 1 (skim) and 4
Practice problems:	HDFRI, Ch. 4: #17, 20* ¹ (skip the diagram part in 1.)
Session 2	B. Activity-Based Costing / ABC
Cases:	<i>"Ethical Drugs," "Bankinter"</i>
Additional reading:	HDFRI, Ch. 4
Practice problems:	HDFRI, Ch. 5: #18, 21*, 35, 37*
Session 3	B. ABC (cont.) and Intro to Variance Analysis
Cases:	<i>"Dialysis Clinic," "Wilkerson"</i>
Additional reading:	HDFRI, Ch. 5
Session 4	C. Variance Analysis and COPVA
Cases:	<i>"Dummy"</i>
Additional reading:	HDFRI, Ch. 7
Practice problems:	HDFRI, Ch. 7: #16*, 20*, 30, 40
Session 5	D. Decision Making and Relevant Information
Cases:	<i>"Charles Schwab"</i>
Additional reading:	HDFRI, Ch. 11 (skip the Appendix on linear programming)
Practice problems:	HDFRI, Ch. 11: #20, 32, 33

Part B: Financial Planning and Analysis

Midterm Exam in Session 6

Session 6	Midterm Exam & Intro to Financial Planning & Analysis
Cases:	<i>"Beanie Kids"</i>
Additional reading:	(see Session #5)
Practice problems:	(see Session #5)

¹ Practice problems with asterisks are "optional". You should eventually solve them, but if you are under time pressure in that particular week, you can postpone them and return to them during exam preparation.

Session 7

Cases:
Additional reading:
Practice problems:

E. Profit Centers: Transfer Pricing, etc

"Timken"
HDFRI, Ch. 22
HDFRI, Ch. 22: #17*, 25, 26, 33

Session 8

Cases:
Additional reading:
Practice problems:

E. Profit Centers (cont.)

"Sub-Micron Devices"
(see Session #7)
(see Session #7)

Session 9

Additional reading:
Practice problems:

F. Investment Centers: EVA, etc.

HDFRI, Ch. 23
HDFRI, Ch. 23: #18, 27, 32

Session 10

Cases:
Additional reading:
Practice problems:

F. Investment Centers (cont.)

"Vyaderm"
(see Session #9)
(see Session #9)

Session 11

Cases:
Additional reading:

G. Strategy & Balanced Scorecard

"Citibank"
HDFRI, Ch. 13

Session 12

Cases:

Guest Speaker and Internal Control Systems

"Kidder Peabody"

Final Exam, Date TBA
