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ACCT-GB.3303 — Financial Planning and Analysis

Spring 2013

As of February 11, 2013

Course Description and Syllabus

Course description: This is an introductory course in financial planning & analysis (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 concepts to determine the performance of business units – and of the managers running the units – 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)?

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 in advance, so you can come to class prepared. The recommended (not required) textbook is Horngren, Datar and Rajan (**HDR**), "*Cost Accounting–A Managerial Emphasis,*" *14th 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	24%
Final exam	44%
Homework (8 assignments)	32%

Exams: The **midterm exam** will take place in **Class 6** and 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 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 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: XXXXXX, XXXXXXX@stern.nyu.edu

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

<u>Part A:</u> Fundamentals of Financial Planning and Analysis

Class 1: Feb 13, 2012 — **A. Basics of Product Costing**
Additional reading: Textbook (HDR), Chapters 1 (skim) and 4

Class 2: Feb 20, 2012 — **B. Activity-Based Costing / ABC**
Assignment #1 due
Cases: *"Ethical Drugs", "Bankinter"*
Additional reading: HDR, Ch. 4

Class 3: Feb 27, 2012 — **B. ABC (cont.) and Intro to Variance Analysis**
Assignment #2 due
Cases: *"Wilkerson", "Compton Financial"*
Additional reading: HDR, Ch. 5

Class 4: Mar 6, 2012 — **C. Variance Analysis and COPVA**
Assignment #3 due
Cases: *"Dummy"*
Additional reading: HDR, Ch. 7

Class 5: Mar 13, 2012 — **D. Decision Making & Midterm Review**
Assignment #4 due
Cases: *"Beanie Kids", "Denim Finishing"*
Additional reading: HDR, Ch. 11 (skip the Appendix on linear programming)

SPRING BREAK

Class 6: Mar 27, 2012 — **Midterm Exam**

<u>Part B</u>: Use of FPA in Divisionalized Firms: Performance Measurement and Incentives

Class 7: Apr 3, 2012 — **E. Profit Centers & Guest Speaker**
Additional reading: HDR, Ch. 22

Class 8: Apr 10, 2012 — **E. Profit Centers (cont.)**
Assignment #5 due
Cases: *"Sub-Micron Devices"*
Additional reading: (see Class #7)

Class 9: Apr 17, 2012	**F. Investment Centers: EVA, etc., & Guest Speaker**
	Assignment #6 due
Additional reading:	HDR, Ch. 23
Class 10: Apr 24, 2012	**F. Investment Centers (cont.)**
	Assignment #7 due
Cases:	*"Vyaderm"*
Additional reading:	(see Class #9)
Class 11: May 1, 2012	**G. Balanced Scorecard, Guest Speaker & Final Review**
	Assignment #8 due
Cases:	*"Citibank"***, "Kidder Peabody"**
Additional reading:	HDR, Ch. 13
Class 12: May 8, 2012	**Final Exam**