B.8122 – Accounting for Consultants

Spring 2018
Preliminary Syllabus

Spring 2018, B Term (March 19 – April 27), Mon & Wed, 10:45 AM - 2:00 PM, 140 Uris

Course description: This is an elective course that covers accounting topics useful for consultants (and for students with an interest in general management or private equity), with a particular focus on performance measurement and management.

Performance measurement is a key determinant of success for today’s companies that sell a wide range of products (and product variants) to a wide range of customers differentiated in their needs. While financial accounting information is a useful shortcut toward gaining some first understanding of a firm’s financial health, consultants and managers need a solid understanding of the firm’s strategy and mission, as well as disaggregated information that helps assess how the firm is performing along the firm’s strategic objectives.

The course is related to the course titled “Financial Planning & Analysis (FPA)”, but that course is not a prerequisite for this course. Students who have taken FPA will find in this course more in-depth coverage of some of the topics from the FPA course plus many new concepts. Students who have not taken FPA will be able to follow this course without problems, provided they take the time to read the detailed pre-class handouts introducing the key concepts.

The following specific topics will be covered:

- Profitability analysis to assess individual products
- Customer relationship management (CRM) using customer lifetime value (CLV)
- Budgeting and variances: how to deal with unforeseen circumstances; when should we reset the “goalpost”? 
- Performance evaluation for managers of profit centers: the role of transfer pricing
- Performance evaluation for managers of investment centers: the role of capital costs
- Issues in performance-based pay: team incentives, relative performance evaluation, etc.
- The “War of Metrics”: Cash Flow, EVA, Customer Lifetime Value, Balanced Scorecard, etc.
- Issues specific to multinational enterprises (MNEs): taxes, location choice, etc.
• Corporate governance: measuring performance “at the top” and the role of compensation consultants
• Industry-specific insights: performance measurement in key industries, e.g., healthcare, financial services, tech.

**Course materials and organization:** In addition to the course reader that will be available in class for you to pick up, I will hand out (and post online) detailed lecture notes in advance. Please always read them before class to ensure we have a lively discussion. 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 several high-profile guest speakers.

**Homework assignments and case studies:** Every assignment will be clearly marked as either a group or individual assignment. If it is marked as individual assignment, then you’ll be asked 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. The group size is capped at 4 students.

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 will be asked to make your best attempt at solving the case so that we have a good basis for developing the solution together in class.

More details to follow!