B8122 – Accounting for Consultants

Spring 2022, B-Term (03/21 - 04/29), MW 2:00 - 5:15 PM
As of Nov 5, 2021

This elective course covers accounting tools useful to consultants, as well as for students with an interest in a firm’s finance function, general management, or private equity. There will be 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 services to a wide range of customers differentiated in their needs. While financial accounting (GAAP) information is a useful shortcut toward gaining some understanding of a firm’s financial health, consultants and managers need a more solid understanding of the firm’s strategy and mission, as well as disaggregated information that helps assess how the firm is performing along its strategic objectives.

There is overlap between this course and the half-semester course “Financial Planning & Analysis (FP&A)” course. This course expands on many of the concepts taught in FP&A and supplements them with industry insights and guest speakers. For this reason, **this course is mutually exclusive with the elective course “B8007 – Financial Planning & Analysis”**. If you have taken FP&A, you will not be able to enroll in this course for credit. Please contact me immediately in case of such a conflict.

The following specific topics will be addressed:

- Profitability analysis to assess individual products
- Customer relationship management using customer lifetime value (CLV)
- Budgeting and variances
- Performance evaluation for profit centers and investment centers
- Performance-based pay: team incentives, relative performance evaluation, etc.
- Corporate governance: the C-suite and the role of compensation consultants
- The “War of Metrics”: Cash Flow, EVA, Balanced Scorecards, etc.
- Innovative ways to deviate from GAAP rules to better measure value creation
- Issues specific to multinational enterprises (MNEs), e.g., taxation
- Industry-specific insights: performance measurement in key industries

**Course materials and organization:** For general updated information and class materials (e.g., presentation slides) once the course has started, please check on Canvas. I will make liberal use of email.
Class time will consist of lectures, case discussions, guest speakers, and project presentations by students at the end of the course. For a lively class, please make sure you have read the assigned readings before class. I will post lecture notes for each class ahead of time. Some cases are designated as readings for a particular class without any assignment questions attached to them; please read those before class, as well.

**Homework assignments and case studies:** I will post all assignments on Canvas with ample lead-time. I cannot accept late submissions, as the assignments will be discussed in class. If you cannot meet an assignment deadline for some important reason, you will have to let me know beforehand. I will then assign you a make-up problem set.

Every assignment is clearly marked as either a group or individual assignment. If marked individual, then you have to work on it by yourself and may not exchange your solution with your classmates. For group assignments, you are strongly encouraged to collaborate in groups. The group size is capped at 4 students. Each group will also jointly present their consulting project in the last class.

All assignments, other than the consulting project, will be graded based on effort. The reason is that the assignments are sometimes forward-looking, i.e., they deal with topics that we may not have covered in detail in class yet. 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.

**Asynchronous participation:** If you are in a very different time zone, please email me, and I will grant you permission to attend asynchronously. I will give you some other assignment, so you can earn class participation credit.

**The honor code applies.**

**Grading scheme:**

- Class participation 12%
- Assignments 48%
- Consulting project with presentation 42%

**My office hours:** By appointment

**Teaching assistant:** TBA

**Review sessions:** TBA
COURSE PLAN, B.8122 – Accounting for Consultants, Spring 2022 (B Term)

Class 1: Mon, 3/21
Intro to Profitability Analysis
Required reading: Handout #1
Case: Monsoon
Business press: “GM’s Volt: The Ugly Math of Low Sales, …” (Reuters)
“Bain Management Tools 2015”

Class 2: Wed, 3/23
Activity-Based Costing and Customer Value 1
Required reading: Handout #2
Case: Wilkerson; Liza Davis
“Customer Lifetime Value … Automation” (Bain)

Class 3: Mon, 3/28
Activity-Based Costing and Customer Value 2 & Variances
Required reading: Handout #3
Cases: Bankinter; Dummy
Business press: “JIT Budgeting for a Volatile Economy” (McKinsey)
Assignment 1 due (INDIVIDUAL): Bankinter

Class 4: Wed, 3/30
Balanced Scorecard 1 & 2
Required reading: Handout #4
Business press: “Guide to KPIs” (PwC)
Case: Store24, TWA Parts

Class 5: Mon, 4/4
Risk Management: John Bagni (2pm)
& Balanced Scorecard 3 & Intro to Profit Centers: Quantifying Opportunity Costs
Case: Citibank
Assignment 2 due (GROUP): Citibank

Class 6: Wed, 4/6
Profit Centers 1 & 2
Required reading: Handout #5
Case: Caja España
Business press: “Funds Transfer Pricing” (Deloitte)
Class 7: Mon, 4/11  Multinationals: Brandee Sanders, Sara Herstin-de Groot, Alejandro Cravino, PwC (3:45pm)  
& Profit Centers 3  
Case: Favoring Internal Buyers  
Business press: “Multinationals Pay Lower Taxes Than a Decade Ago” (FT)  
“Facebook accused of downplaying IP value” (FT)  
“Coca-Cola Tax Dispute Fizzles (Forbes)”  
Assignment 3 due (GROUP): Favoring Internal Buyers  

Class 8: Wed, 4/13  Financial Services: Sumitra Karthikeyan, BCG (2pm)  
& Investment Centers 1  
Required reading: Handout #6  
Business press: “2021 Banking and Capital Markets Outlook” (Deloitte)  

Class 9: Mon, 4/18  Corporate Governance: Daniel Ryterband, FW Cook (2pm)  
& Investment Centers 2  
Cases: Vyaderm  
Business press: “Banks Rethinking Executive Compensation” (WSJ)  
“How Will EVA Change Performance Metrics...” (FT)  
Assignment 4 due (GROUP): Vyaderm  

Class 10: Wed, 4/20  The Role of the CFO: Phil Ryan, Swiss Re (2pm)  
& Investment Centers 3  
Business press: “Swiss Re Ready to Disrupt...” (SeekingAlpha)  
“Four Faces of the CFO” (Deloitte)  
“The Art of Performance Management” (BCG)  

Class 11: Mon, 4/25  Incentive Design  
& Student Project Presentations (GROUP), Part I  
Cases: CEMEX  
Business press: “Improving Employee Performance through Tournament Design” (IMA)  
Student Consulting Project Writeup due  

Class 12: Wed, 4/27  Student Project Presentations (GROUP), Part II