B8122 – Accounting for Consultants

Spring 2023, B-Term (03/20 - 04/28), Turbo Course, MW, 8:30—11:45 am

As of 11/09/2022

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. We will focus in particular 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, and more disaggregated information to 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. For this reason, this course is mutually exclusive with the elective course “B8007 – Financial Planning & Analysis”. This course expands on many of the concepts taught in FP&A and supplements them with industry insights and guest speakers. 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, please check 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, including those cases for which there is no formal assignment. I will post lecture notes for each class ahead of time.

**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 as 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. All assignments will be graded based on effort, because they are sometimes forward-looking, i.e., dealing 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.

**Consulting project:** Each group will also jointly present their consulting project at the end of the course. The project and presentation will be graded based on effort, rigor, and insight. You can pick any topic covered in the course and apply it to a company of your choice. The more real-world data you include, the better. If you have access to non-public data for the firm the project deals with, that would be great but not required. If you want to apply a topic not covered in the syllabus, that’s possible too, but you’ll need to get my permission beforehand.

**The honor code applies.**

**Grading scheme:**

- Class participation  
  26%
- Assignments  
  36%
- Consulting project with presentation  
  38%

**My office hours:** By appointment

**Teaching assistant:** TBA

**Review sessions:** TBA
COURSE PLAN, B.8122 – Accounting for Consultants, Spring 2023 (B Term)

Class 1: Mon, 3/20  Intro to Profitability Analysis
Required reading: Handout #1
Case: Monsoon
“Bain Management Tools 2015”

Class 2: Wed, 3/22  The Role of the CFO: Phil Ryan, Swiss Re (2pm)
Activity-Based Costing and Customer Value I
Required reading: Handout #2
Case: Monsoon (cont’d)
Business press: “Swiss Re Ready to Disrupt...” (SeekingAlpha)
“Four Faces of the CFO” (Deloitte)
“The Art of Performance Management” (BCG)

Class 3: Mon, 3/27  Activity-Based Costing and Customer Value II & III
Cases: Wilkerson; Bankinter; Liza Davis
“Customer Lifetime Value ... Automation”
Assignment 1 due (INDIVIDUAL): Bankinter

Class 4: Wed, 3/29  Variances
Balanced Scorecard I
Required reading: Handouts #3, #4
Cases: Dummy; Store24
Business press: “JIT Budgeting for a Volatile Economy”
“Guide to KPIs”

Class 5: Mon, 4/3  Risk Management: John Bagni (2pm)
Balanced Scorecard II
Case: Citibank
“Credit Suisse lurches from one risk management crisis...”
Assignment 2 due (GROUP): Citibank

Class 6: Wed, 4/4  Balanced Scorecard III
Profit Centers I
Required reading: Handout #5
Case: TWA Parts
Class 7: Mon, 4/10  
MNE: Brandee Sanders, Alejandro Cravino, PwC (3:45pm)  
Profit Centers II  
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, 4/12  
Profit Centers III  
Investment Centers I  
Case: CAJA ESPAÑA  
Business press: “Funds Transfer Pricing” (Deloitte)

Class 9: Mon, 4/17  
Financial Services: Sumitra Karthikeyan, BCG  
Investment Centers II  
Required reading: Handout #6  
Cases: VYADERM  
Business press: “2021 Banking and Capital Markets Outlook” (Deloitte)  
Assignment 4 due (GROUP): Vyaderm

Class 10: Wed, 4/19  
Corporate Governance: Daniel Ryterband, FW Cook (2pm)  
Investment Centers III  
Business press: “Banks Rethinking Executive Compensation” (WSJ)  
“How Will EVA Change Performance Metrics...” (FT)

Class 11: Mon, 4/24  
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, 4/26  
Student Project Presentations (GROUP), Part II