



COURSE: FINANCIAL PLANNING

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Course objective: The course aims on introducing students to current trends in financial planning, short-term decision-making, transfer pricing, and control systems for performance evaluation. By the time they complete the course, students should be able to understand the use of internal accounting information for financial planning, decision-making, and performance evaluation. Further, they will be able to apply these concepts in relevant case studies or real-world examples.

Learning objectives:

On completion of this course, students:

1. Will be in a position to understand the processes through which firms prepare budgets and utilize them for controlling operating activities.
2. Will be familiar with transfer pricing, short term decision making and performance evaluation.
3. Will understand the practical usefulness of strategic management accounting.
4. Will have the skills to use management accounting techniques, tools and methods in practice,
5. Will be able to select the most suitable management accounting method, tool or technique to extract and process accounting information for decision making.

Textbook: Bhimani, Horngren, Datar and Rajan, 2012, "Management and Cost Accounting", 5th Edition, Prentice Hall

Dates & Topics:

Lecture	Topic(s)	Context	Chapter(s)
1	Financial planning and business plans	Overview of business plans, business plans and financial planning, the role of accounting information and accountant.	1
2	Financial planning and budgeting	Financial planning and budgeting, major features and roles of budgets, behavioral issues of budgets, budgeting and responsibility accounting, responsibility and controllability, budgeting preparation procedures.	14
3	Flexible budgets, variance analysis	Static and flexible budgets, static-budget variances, flexible-budget	15,16, 17



	and management control	variances and sales-volume variances, production volume variances, measuring yield, mix and quantity effects, revenue and sales variances, variance analysis for multiple products.	
4	Strategic management accounting	Strategy and management accounting, balanced scorecard, cost of quality, life cycle costing, target costing and customer profitability analysis	12, 20
5	Accounting information for short-term planning	Cost-volume-profit analysis, understanding cost behaviour and decision making, information for short term decision making (make-or-buy, customer profitability analysis, product-mix decisions).	8, 9, 10
6	Accounting information for capital investment	Gathering information for capital investment appraisal, stages of capital budgeting, non-financial and qualitative factors in capital budgeting	13
7	Control and planning systems for transfer pricing	Organizational structure and decentralization, transfer pricing, market-based transfer prices, cost-based transfer prices, negotiated prices and dual prices.	18
8	Control and planning systems for performance measurement	Financial and non-financial performance measures, residual income, EVA, alternative definitions of investment, alternative definitions of performance measurement.	19

Evaluation: 100% final exam.