
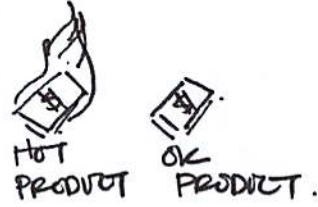
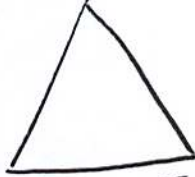


# Accounting residency 4.

using Finance to make decisions

ACTIVITIES vs OUTCOMES. →

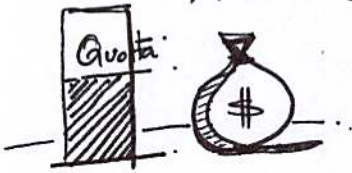
Chemical bank Rewards 



use incentives to push hot product.  
cost of not doing all the options.

opportunity costs.

TREASURY - reaches quota  
METRO - gets the profit.



- NET PRESENT VALUE: ANYTHING OVER AND ABOVE.
- ECONOMIC PROFIT → over and above normal profit.
- ACCOUNTING PROFIT → Net income, revenue - expenses.

## FINAL EXAM

- Break even
- Net present value
- Cap and trade / problem 333.
- organizational architecture.
- transfer pricing
- financial ratios & 1-5 chapters of accounting for decision making and control.

NPV calculates the future values

You can have an economic loss and still make an accounting profit.

ARE WE BEATING WHAT WE COULD HAVE DONE (OPPORTUNITY COST).

used to discount future cash flow.

Tues after last class.

- letter grades.

- Summarize concepts learned.
- check with Dan!

grades by end of year.

3-37 BNA  
3-39 \*  
due by next week.

Accounting for decision making & control.

# Accounting

Budgeting: operation plan for the future.

FORECAST./FINANCIAL PLAN.

Forecast

'THE PLAN MEANS NOTHING - preparation  
BUT PLANNING MEANS ~~NOTHING~~ - thinking  
EVERYTHING' - acceptance.

Budget is a plan.

- BUDGETING MATTERS.
- BUDGETS LESS SO.



FRENCH FOR PURSE.

BOTTOMS UP

YOU GET TO GIVE INPUT  
KNOWS FOR BUYIN.

TOPS DOWN

YOU GET MORE CONTROL

AND OR

INCREMENTAL

using last years budget to start with.

ZERO BASED

you start from scratch.  
• You justify every line item on Budget.

Adv. FAST.

PIGGYBACKING ON PAST YEAR

NOT FAST.

DO WHEN FIRM IS CHANGING STRATEGIC DIRECTION.  
LEARNING OPPORTUNITY FOR NEW MANAGEMENT.

• ONCE BUDGETS IS SET IT IS COMPARED WITH ACCOUNTS.

can lead to use it a lose it mentality.

mangers don't want to show variance in budget.

Balance between planning and doing



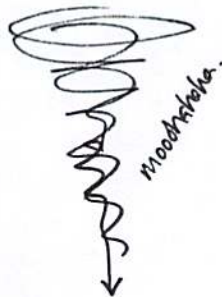
## DEATH SPIRAL



A B C  
loss profit profit

R C  
loss profit

C  
loss



• You have to cut divisions in seeing contribution not just profit.

BE VERY CAREFUL ABOUT CUTTING THINGS THAT MAKE A POSITIVE CONTRIBUTION.

• if you can't make changes to fixed cost BE VARY.

• if your price is ABOVE VARIABLE COST } SHUTDOWN POINT!



Accounting

Colarscope

- executive summary in word doc
- team ppt presentation
- case of being on a little titanic.
- What to do to make this company survive?
- Team Swimmers.
- \* actual company
  - rank order customers by profitability.
  - overhead allocation and apply overhead allocation to each job

FINAL CASE STUDY