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## Performance Measurement and Controlling

PROF. LAURA ZONI

### Module 1 - Performance Measurement and Controlling

#### Course aims and intended learning outcomes

The course is designed to provide an understanding of international financial statements. Successful completion of this course should result in the ability to read and meaningfully interpret financial statements that are prepared and disseminated by business entities throughout the world with a special focus on listed companies. This necessarily requires devoting attention to the basic rules of the accounting language as well as to the issues and to the institutions, which influence and formulate these rules. The course will also provide the basis for the financial analysis and comparative reporting topics.

In terms of skill objectives the student should demonstrate to possess:

- the command of "language of accounting"
- the awareness about the strengths and limitations of accounting systems
- the knowledge about implications of alternative accounting policies for financial characteristic of a firm and the motivational implication of such accounting choices
- the "financial statement literacy", in the sense that students should be able to examine an annual report and understand a meaningful portion of information contained therein.

#### Course content

The course will mainly focus on:

- annual report and financial communication
- accountancy and financial statement preparation: income statement, balance sheet and cash flow statement
- industry and business model impact on financial statements
- ratio analysis and key performance indicators.

#### Reading list

YOUNG D. S. AND COHEN J., Corporate Financial Reporting and Analysis: A Global Perspective, 4th Edition, 2018, Wiley is a recommended textbook.

Additional background readings are:

ROBERT N. ANTHONY, DAVID F. HAWKINS, DIEGO M. MACRÀ, KENNETH A. MERCHANT, II Bilancio, McGraw-Hill, 13th edition" - Relevant chapters are: 1,2,3,4,5,6,7 and 11.

C. T. HORNGREN, G. L. SUNDEM & J. A. ELLIOTT, D. R. PHILBRICK, Introduction to Financial Accounting, 11th Edition, Pearson - Relevant Chapters are: 1, 2, 3, 4, 5 and 12.



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## Teaching method

The course is based on face-to-face sessions, when main topics are illustrated. Exercises and case studies are essential part of the learning process. Group work is a necessary complement to our course to appreciate real world practice of accounting and financial communication.

## Assessment method and criteria

The course is based on class participation (10%), group-work (40%), and exam (50%). The exam will be based on incidents and mini cases and multiple-choice questions. In case a student will not be able to attend the sessions, please, he or she should contact the professor. For these students, the final exam based on open questions will account for 100% of the course grade.

## Module II - Performance Measurement and Incentives

### Course aims and intended learning outcomes

This course is designed to broaden and deepen your conceptual and technical understanding of performance management and control systems (PMCS). These are considered broadly to include everything that managers do to ensure good performance or, more specifically, to ensure that the company's strategies get implemented effectively. Management accounting at this level of analysis is an integral part of companies' PMCS. The emphasis in the course is on financial controls, which dominate in importance at managerial levels. Using financial controls requires managers to make decisions about: (1) responsibility structures (e.g., cost centers, profit centers), (2) performance measures (e.g., market, financial, and/or nonfinancial measures, and their combinations), (3) performance evaluations, which take into consideration performance targets or other benchmarks, and (4) rewards (including performance-dependent compensation).

At the end of the module students should be able to:

- recognise the characteristics of the PMCS
- evaluate the effectiveness of the PMCS in relation to the strategies pursued by the firm
- suggest changes in the design and use of a PMCS to support managerial activity and provide managerial incentives

### Course content

The course will mainly focus on:

- control alternatives: action, personnel/cultural, financial controls
- financial controls requirements and effectiveness
- financial control responsibility structures and transfer pricing
- planning and targeting of financial results
- financial measures choice and their implications on managerial behavior
- financial control in the presence of uncontrollable factors
- balanced scorecards for performance evaluation and control purposes



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## Reading list

Customised edition of: K. A. MERCHANT & W. A. VAN DER STEDE, Management Control Systems - Performance Measurement, Evaluation and Incentives, 3rd Edition. The book can be purchased at the bookstore (Libreria Internazionale Romagnosi, Piacenza) or online at <http://www.scuolabook.it/>. Cases can be purchased online <http://hbsp.harvard.edu> or else will be uploaded on the elearning platform.

## Teaching method

The course will be taught through lectures on theory, analyses and discussion of corporate cases. The course is built around a customised textbook based on Merchant and Van der Stede's Management Control Systems. The text will be supplemented with some additional materials that will be distributed via e-learning platform.

The focus of most of the classes will be on a case that brings the topics "to life" and provides issues for us to discuss. The cases require advance preparation and thought.

## Assessment method and criteria

The course is based on class participation (10%), group-work (40%), and exam (50%). The 'group assignment' consists of a 5 pages write-up on a Balanced Scorecard Simulation. Detailed instructions (format, length, etc. of the document) on this will be provided in due course. The 'final exam' consists of short case/exercise(s) and multiple-choice questions. In case a student will not be able to attend the sessions, please, he or she should contact the professor. For these students the final exam, based on open questions, will account for 100% of the course grade.

## Notes and prerequisites

Information on office hours (expected after class) available on the teacher's personal page at <http://docenti.unicatt.it/>.