



CAREER CLUSTER

Finance

CAREER PATHWAY

Corporate (Business) Finance

INSTRUCTIONAL AREA

Financial Analysis

BUSINESS FINANCE SERIES EVENT

PARTICIPANT INSTRUCTIONS

- The event will be presented to you through your reading of the 21st Century Skills, Performance Indicators and Event Situation. You will have up to 10 minutes to review this information and prepare your presentation. You may make notes to use during your presentation.
- You will have up to 10 minutes to make your presentation to the judge (you may have more than one judge).
- You will be evaluated on how well you demonstrate the 21st Century Skills and meet the performance indicators of this event.
- Turn in all of your notes and event materials when you have completed the event.

21st CENTURY SKILLS

- Critical Thinking – Reason effectively and use systems thinking.
- Problem Solving – Make judgments and decisions and solve problems.
- Communication – Communicate clearly.
- Creativity and Innovation – Show evidence of creativity.

PERFORMANCE INDICATORS

- Discuss the analysis of a company's financial situation using its financial statements.
- Identify factors affecting a business's profit.
- Explain employee's role in expense control.
- Describe the nature of budgets.
- Discuss the use of variance analysis in managerial accounting.

EVENT SITUATION

You are to assume the role of an analyst for a merchandising company that sells automobile parts. The president of the company (judge) wants you to present information about variance analysis in accounting.

The company has been operating for 10 years and has grown in sales each year. The company provides auto parts such as headlights, shock absorbers and mirrors to mechanical shops throughout a multi-state region.

There have been supply chain issues recently that have caused the company to run out of items ordered by customers. This supply shortage has also increased the costs associated with the auto parts. You have prepared a budgeted income statement for this year and now plan to compare it to actual results and calculate variances. The budget and actual results are below.

	Budget	Actual Results	Variance	Favorable/ Unfavorable
Sales	3,420,042	2,845,029		
Cost of Goods Sold	1,881,023	1,882,014		
Gross Profit	1,539,019	963,015		
Expenses				
Payroll	684,008	721,942		
Rent	200,000	200,000		
Utilities	11,342	10,232		
Other	214,533	212,033		
Total Expenses	1,109,883	1,144,207		
Net Income	429,136	(181,192)		

You must complete the analysis by filling in the variances and determining if the variance is favorable or unfavorable. You anticipate that the supply chain issues will show up in the analysis. Once the analysis is complete, you will then meet with the company president (judge) to discuss the results and give recommendations to improve performance.

When meeting with the president (judge), you are to:

- Explain what should be considered when preparing a budget.
- Discuss the variance calculations and identify if they are favorable or unfavorable.
- Explain what can be done to improve the unfavorable variances and how employees should be addressed to help improve performance.

You will present the information to the president (judge) in a role-play to take place in the president's (judge's) office. The president (judge) will begin the role-play by greeting you and asking to hear your ideas. After you have presented the information and have answered the president's (judge's) questions, the president (judge) will conclude the role-play by thanking you for your work.

JUDGE INSTRUCTIONS

DIRECTIONS, PROCEDURES AND JUDGE ROLE

In preparation for this event, you should review the following information with your event manager and other judges:

1. Participant Instructions, 21st Century Skills and Performance Indicators
2. Event Situation
3. Judge Role-Play Characterization
Allow the participants to present their ideas without interruption, unless you are asked to respond. Participants may conduct a slightly different type of meeting and/or discussion with you each time; however, it is important that the information you provide and the questions you ask be uniform for every participant.
4. Judge Evaluation Instructions and Judge Evaluation Form
Please use a critical and consistent eye in rating each participant.

JUDGE ROLE-PLAY CHARACTERIZATION

You are to assume the role of the president of a merchandising company that sells automobile parts. You want an analysis (participant) to present information about variance analysis in accounting.

The company has been operating for 10 years and has grown in sales each year. The company provides auto parts such as headlights, shock absorbers and mirrors to mechanical shops throughout a multi-state region.

There have been supply chain issues recently that have caused the company to run out of items ordered by customers. This supply shortage has also increased the costs associated with the auto parts. The analyst (participant) has prepared a budgeted income statement for this year and now plan to compare it to actual results and calculate variances. The budget and actual results are below.

	Budget	Actual Results	Variance	Favorable/ Unfavorable
Sales	3,420,042	2,845,029		
Cost of Goods Sold	1,881,023	1,882,014		
Gross Profit	1,539,019	963,015		
Expenses				
Payroll	684,008	721,942		
Rent	200,000	200,000		
Utilities	11,342	10,232		
Other	214,533	212,033		
Total Expenses	1,109,883	1,144,207		
Net Income	429,136	(181,192)		

The analyst (participant) must complete the analysis by filling in the variances and determining if the variance is favorable or unfavorable. The analyst (participant) anticipates that the supply chain issues will show up in the analysis. Once the analysis is complete, the analyst (participant) will then meet with you to discuss the results and give recommendations to improve performance.

When meeting with you, the analyst (participant) is to:

- Explain what should be considered when preparing a budget.
- Discuss the variance calculations and identify if they are favorable or unfavorable.
- Explain what can be done to improve the unfavorable variances and how employees should be addressed to help improve performance.

The participant will present information to you in a role-play to take place in your office. You will begin the role-play by greeting the participant and asking to hear about his/her ideas.

During the course of the role-play, you are to ask the following questions of each participant:

1. How can we explain supply chain shortages and the increase in costs to our customers?
2. If we increase prices of merchandise now, will we be able to lower them in the future?

Once the analyst (participant) has presented the information and has answered your questions, you will conclude the role-play by thanking the analyst (participant) for the work.

You are not to make any comments after the event is over except to thank the participant.

SOLUTION

1. Explain what should be considered when preparing a budget.

Trends from previous years, economic conditions, shortages, demand, inflation, marketing, etc.

2. Discuss your variance calculations and identify if they are favorable or unfavorable.

	Budget	Actual Results	Variance	Favorable/ Unfavorable
Sales	3,420,042	2,845,029	575,013	Unfavorable
Cost of Goods Sold	1,881,023	1,882,014	991	Unfavorable
Gross Profit	1,539,019	963,015	576,004	Unfavorable
Expenses				
Payroll	684,008	721,942	37,934	Unfavorable
Rent	200,000	200,000	0	Favorable
Utilities	11,342	10,232	1,110	Favorable
Other	214,533	212,033	2,500	Favorable
Total Expenses	1,109,883	1,144,207	34,324	Unfavorable
Net Income	429,136	(181,192)	610,328	Unfavorable

3. Explain what can be done to improve the unfavorable variances and what employees should be addressed to help improve performance.

The unfavorable variances include: sales, cost of goods sold, gross profit, payroll, total expenses and net income.

- Sales: activities that could improve sales include additional marketing, fixing the supply chain issues, adding more customers, increasing, or decreasing prices, adding additional products to sell, etc. Suggest talking with the sales and marketing teams for suggestions to increase sales.
- Cost of Goods Sold: finding a new supplier that is less expensive if possible. Suggest talking with the purchasing employees.
- Gross Profit: calculated by subtracting cost of goods sold from sales. This is improved by increasing sales and lowering cost of goods sold.
- Payroll: decrease employee turnover, reduce the number of employees, reduce overtime. Suggest discussing the variance with human resources.
- Net Income: gross profit less the expenses. The increase in expenses as well as the decrease in gross profit attributed to the loss.

EVALUATION INSTRUCTIONS

The participants are to be evaluated on their ability to perform the specific performance indicators stated on the cover sheet of this event and restated on the Judge's Evaluation Form. Although you may see other performance indicators demonstrated by the participants, those listed in the Performance Indicators section are the critical ones you are measuring for this particular event.

Evaluation Form Interpretation

The evaluation levels listed below and the evaluation rating procedures should be discussed thoroughly with your event director and the other judges to ensure complete and common understanding for judging consistency.

Level of Evaluation	Interpretation Level
Exceeds Expectations	Participant demonstrated the performance indicator in an extremely professional manner; greatly exceeds business standards; would rank in the top 10% of business personnel performing this performance indicator.
Meets Expectations	Participant demonstrated the performance indicator in an acceptable and effective manner; meets at least minimal business standards; there would be no need for additional formalized training at this time; would rank in the 70-89 th percentile of business personnel performing this performance indicator.
Below Expectations	Participant demonstrated the performance indicator with limited effectiveness; performance generally fell below minimal business standards; additional training would be required to improve knowledge, attitude and/or skills; would rank in the 50-69 th percentile of business personnel performing this performance indicator.
Little/No Value	Participant demonstrated the performance indicator with little or no effectiveness; a great deal of formal training would be needed immediately; perhaps this person should seek other employment; would rank in the 0-49 th percentile of business personnel performing this performance indicator.



**BUSINESS FINANCE SERIES
2022**

JUDGE'S EVALUATION FORM
District Event 2

Participant: _____

INSTRUCTIONAL AREA:
Financial Analysis

ID Number: _____

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the analysis of a company's financial situation using its financial statements?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Identify factors affecting a business's profit?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Explain employee's role in expense control?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Describe the nature of budgets?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Discuss the use of variance analysis in managerial accounting?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
21st CENTURY SKILLS						
6.	Reason effectively and use systems thinking?	0-1	2-3	4	5-6	
7.	Make judgments and decisions, and solve problems?	0-1	2-3	4	5-6	
8.	Communicate clearly?	0-1	2-3	4	5-6	
9.	Show evidence of creativity?	0-1	2-3	4	5-6	
10.	Overall impression and responses to the judge's questions	0-1	2-3	4	5-6	
TOTAL SCORE						