



CAREER CLUSTER

Finance

CAREER PATHWAY

Corporate Finance

INSTRUCTIONAL AREA

Economics

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 economic impact of inflation on business.
- Describe the functions of prices in markets.
- Describe factors that affect the business environment.
- Discuss the analysis of a company's financial situation using its financial statements.
- Draw conclusions based on information analysis.

EVENT SITUATION

You are to assume the role of an accountant for RETAIL, INC., a small retailer that sells all products for one dollar. The president of the company (judge) has asked you to calculate and analyze net profit margins for the last three years and this current year.

RETAIL, INC. is well known in the community and many people shop there to get low priced items such as paper plates, snacks, picture frames, party supplies and toothpaste. RETAIL, INC. purchases these items on clearance from large retailers when those retailers are unable or unwilling to sell the products.

Over the last three years, RETAIL, INC. has remained profitable, even during the pandemic. However, this last year RETAIL, INC. has experienced a large shift in gross and net profit. This has been due to supply chain issues and inflation which has caused the large retailers to be selling products at a higher price. RETAIL, INC. has also been dealing with a labor shortage and a need to raise wages to get reliable employees.

The president (judge) has asked you to calculate net profit margins for the last three years and this current year. You must:

- Calculate net profit margin for the four years given. (net income/sales).
- Explain the meaning of net profit margin.
- Discuss how inflation affects net profit margins.

	Year 1	Year 2	Year 3	Current Year
Sales	10,324,232	10,423,994	10,467,432	10,552,311
Cost of Goods Sold	5,368,601	5,628,957	5,966,436	6,647,956
Gross Profit	4,955,631	4,795,037	4,500,996	3,904,355
Rent Expense	995,000	996,000	997,000	999,000
Depreciaton Expense	500,000	500,100	521,000	521,000
Salaries	2,851,340	2,821,340	3,255,093	3,451,340
Repairs	35,121	34,232	36,322	36,311
Payroll Taxes	399,188	394,988	455,713	483,188
Cleaning Expnses	6,000	6,100	6,100	6,500
Utilities	12,333	12,323	12,542	13,423
Legal Fes	5,000	5,321	4,121	5,322
Miscellaneous	20,333	19,323	21,003	22,323
Total Expenses	4,824,315	4,789,727	5,308,894	5,538,407
Net Income	131,317	5,311	(807,898)	(1,634,052)

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 RETAIL, INC., a small retailer that sells all products for one dollar. You have asked the accountant (participant) to calculate and analyze net profit margins for the last three years and this current year.

RETAIL, INC. is well known in the community and many people shop there to get low priced items such as paper plates, snacks, picture frames, party supplies and toothpaste. RETAIL, INC. purchases these items on clearance from large retailers when those retailers are unable or unwilling to sell the products.

Over the last three years, RETAIL, INC. has remained profitable, even during the pandemic. However, this last year RETAIL, INC. has experienced a large shift in gross and net profit. This has been due to supply chain issues and inflation which has caused the large retailers to be selling products at a higher price. RETAIL, INC. has also been dealing with a labor shortage and a need to raise wages to get reliable employees.

You have asked the accountant (participant) to calculate net profit margins for the last three years and this current year. The accountant (participant) must:

- Calculate net profit margin for the four years given. (net income/sales)
- Explain the meaning of net profit margin.
- Discuss how inflation affects net profit margins.

	Year 1	Year 2	Year 3	Current Year
Sales	10,324,232	10,423,994	10,467,432	10,552,311
Cost of Goods Sold	5,368,601	5,628,957	5,966,436	6,647,956
Gross Profit	4,955,631	4,795,037	4,500,996	3,904,355
Rent Expense	995,000	996,000	997,000	999,000
Depreciaton Expense	500,000	500,100	521,000	521,000
Salaries	2,851,340	2,821,340	3,255,093	3,451,340
Repairs	35,121	34,232	36,322	36,311
Payroll Taxes	399,188	394,988	455,713	483,188
Cleaning Expnses	6,000	6,100	6,100	6,500
Utilities	12,333	12,323	12,542	13,423
Legal Fes	5,000	5,321	4,121	5,322
Miscellaneous	20,333	19,323	21,003	22,323
Total Expenses	4,824,315	4,789,727	5,308,894	5,538,407
Net Income	131,317	5,311	(807,898)	(1,634,052)

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. What changes could we make to help increase our income?
2. Why is it important to analyze income year after year?

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

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

SOLUTION

Net Profit Margin %	1.27%	0.05%	-7.72%	-15.49%
---------------------	-------	-------	--------	---------

Net Income divided by sales as a percent

The profit margin shows the amount of profit a company generates on each dollar of sales. For example, in Year 1 the company generated .0127 cents of profit for every dollar of sales.

Inflation affects net profit margin because as costs rise, if sales prices remain the same, profits will decrease. That is why many dollar stores are raising prices to \$1.25 or more to offset the costs from inflation and rising wages.

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
2023**

JUDGE'S EVALUATION FORM
District Event 1

Participant: _____

INSTRUCTIONAL AREA:
Economics

ID Number: _____

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the economic impact of inflation on business?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Describe the functions of prices in markets?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Describe factors that affect the business environment?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	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	
5.	Draw conclusions based on information analysis?	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						