



CAREER CLUSTER

Finance

CAREER PATHWAY

Accounting

INSTRUCTIONAL AREA

Financial Analysis

ACCOUNTING APPLICATIONS 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

- Journalize business transactions.
- Explain the nature of accounting standards.
- Explain the concept of accounting.
- Explain the nature of accounts payable.
- Explain the nature of accounts receivable.

EVENT SITUATION

You are to assume the role of an associate accountant hired by the owner (judge) of **LOCALLY PICKED, LLC.**, a small business that sells fresh locally grown fruits, vegetables, and honey. The owner (judge) needs you to explain accrual basis accounting.

LOCALLY PICKED, LLC is growing and has started selling its items to larger grocery chains in the region. As a small farmer's market, the owner (judge) had always used cash basis accounting. The owner (judge) was recently told that they should be using accrual basis accounting and does not understand the reason.

The owner (judge) has been selling fruits, vegetable and honey to the grocery store chain and billing the store. The owner (judge) was told that revenue must be recorded at the time of the sale, but the owner (judge) feels that does not make sense since revenue has not been received because cash has not been received. The owner (judge) needs your help understanding this concept and why accrual basis accounting is the preferred method.

The owner (judge) has listed three transactions that are in dispute:

- June 10th, sold fruits, vegetables, and honey to the grocery store for \$1,000 and billed the grocery store with terms 2/10, n/30.
- June 20th purchased a refrigerator for \$2,000, did not pay at the time of purchase, was billed for it, and will pay for it in July.
- June 30th prepaid liability insurance for \$3,000 that covers the last six months of the year.

You are to meet with the owner (judge) to:

- Explain how accrual basis accounting works and why it is preferred over cash basis accounting.
- Discuss the definition of accounts receivable and accounts payable.
- Go over the three transactions above and demonstrate how they should be recorded under accrual basis accounting.

You will present the information to the owner (judge) in a role-play to take place in the owner's (judge's) office. The owner (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 owner's (judge's) questions, the owner (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 owner of **LOCALLY PICKED, LLC.**, a small business that sells fresh locally grown fruits, vegetables, and honey. You have asked an associate accountant (participant) to explain accrual basis accounting.

LOCALLY PICKED, LLC is growing and has started selling its items to larger grocery chains in the region. As a small farmer's market, you have always used cash basis accounting. You were recently told that you should be using accrual basis accounting and do not understand the reason.

You have been selling fruits, vegetable and honey to the grocery store chain and billing the store. You were told that revenue must be recorded at the time of the sale, but you feel that does not make sense since revenue has not been received because cash has not been received. You need the accountant's (participant's) help understanding this concept and why accrual basis accounting is the preferred method.

You have listed three transactions that are in dispute:

- June 10th, sold fruits, vegetables, and honey to the grocery store for \$1,000 and billed the grocery store with terms 2/10, n/30.
- June 20th purchased a refrigerator for \$2,000, did not pay at the time of purchase, was billed for it, and will pay for it in July.
- June 30th prepaid liability insurance for \$3,000 that covers the last six months of the year.

The accountant (participant) will meet with you to:

- Explain how accrual basis accounting works and why it is preferred over cash basis accounting.
- Discuss the definition of accounts receivable and accounts payable.
- Go over the three transactions above and demonstrate how they should be recorded under accrual basis accounting.

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 should expenses for bottling honey be classified?
2. How can I tell if my business is doing well?

Once the accountant (participant) has presented 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

1. Explain to the owner how accrual basis accounting works and why it is preferred over cash basis accounting.

With accrual basis accounting revenue is recorded when earned, so when the vegetables, fruit and honey are delivered to the grocery stores, revenue should be recognized, even if cash has not been received. Expenses are recorded when incurred or when an asset is used. Accrual accounting allows the owner to analyze profit within a period. Cash basis accounting will not necessarily match the expenses that were required to generate the revenue. Therefore, profit might not be correct within a specified period.

2. Discuss the definition of accounts receivable and accounts payable.

Accounts receivable keeps track of how much all your customers owe you. Accounts receivable is an asset account. It is on the Balance Sheet. The account increases with a debit and decreases with a credit. Accounts payable keeps track of how much you owe all your vendors. It is a liability account. It is on the Balance Sheet. The account increases with a credit and decreases with a debit. These two accounts are used when selling and buying on trade credit.

3. Go over the three transactions above and demonstrate how they should be recorded under accrual basis accounting.

June 10th, sold fruits, vegetables, and honey to the grocery store for \$1,000 and billed the grocery store with terms 2/10, n/30.

Accounts Receivable	1,000
Sales	1,000

June 20th purchased a refrigerator for \$2,000, did not pay at the time of purchase, was billed for it, and will pay for it in July.

Refrigerator (asset)	2,000
Accounts Payable	2,000

Jun 30 prepaid liability insurance for \$3,000 that covers the last six months of the year.

Prepaid Insurance	3,000
Cash	3,000

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.



**ACCOUNTING APPLICATIONS 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.	Journalize business transactions?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain the nature of accounting standards?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Explain the concept of accounting?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Explain the nature of accounts payable?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Explain the nature of accounts receivable?	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						