



**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 21<sup>st</sup> 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 meet the performance indicators of this event.
- Turn in all of your notes and event materials when you have completed the event.

**21<sup>st</sup> 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**

1. Make responsible financial decisions.
2. Describe the need for financial information.
3. Describe the nature of income statements.
4. Demonstrate financial analysis applications.
5. Discuss the use of cost-volume-profit analysis.

## EVENT SITUATION

You are to assume the role of associate accountant for a small accounting firm. A client (judge) has asked you to analyze the profitability of a start-up dog boarding facility CANINE CONDOS, LLC.

CANINE CONDOS, LLC., is a new business that offers dog owners a safe and reliable place to board their animals. The business does not have an accountant, but has kept track of records on a spreadsheet for the past four months.

Account	Balance
Boarding Revenue	38,000
Cash	10,485
Rent	5,000
Salaries	12,890
Cleaning Expense	4,440
Accounts Payable	2,227
Equipment	7,600
Payroll Tax Expense	986
Supplies Expense	8,166
Repairs	2,345
Owner's Capital	20,000
Bank Fees	59
Utilities	1,256
Owner's Withdraw	7,000
<b>Total</b>	<b>120,454</b>

The client (judge) is the owner of CANINE CONDOS, LLC., and is concerned about the profitability of the company. The client (judge) has asked you to analyze the company's profitability by:

- Calculating net income and explaining the importance of the income statement
- Calculating profit margin
- Explaining what the profit margin means in relation to the business
- Discussing what the company can do to improve its profit margin

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

## JUDGE'S INSTRUCTIONS

### DIRECTIONS, PROCEDURES AND JUDGE'S ROLE

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

1. Procedures and 21<sup>st</sup> Century Skills and Performance Indicators
2. Event Situation
3. Judge Role-play Characterization

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's Evaluation Instructions and Judge's Evaluation Form  
Please use a critical and consistent eye in rating each participant.

### JUDGE ROLE-PLAY CHARACTERIZATION

You are to assume the role of a client meeting with an associate accountant for a small accounting firm (participant). You have asked the associate accountant (participant) to analyze the profitability of a start-up dog boarding facility CANINE CONDOS, LLC.

CANINE CONDOS, LLC., is a new business that offers dog owners a safe and reliable place to board their animals. The business does not have an accountant, but has kept track of records on a spreadsheet for the past four months.

Account	Balance
Boarding Revenue	38,000
Cash	10,485
Rent	5,000
Salaries	12,890
Cleaning Expense	4,440
Accounts Payable	2,227
Equipment	7,600
Payroll Tax Expense	986
Supplies Expense	8,166
Repairs	2,345
Owner's Capital	20,000
Bank Fees	59
Utilities	1,256
Owner's Withdraw	7,000
Total	120,454

You are the owner of CANINE CONDOS, LLC., and are concerned about the profitability of the company. You have asked the associate accountant (participant) to analyze the company's profitability by:

- Calculating net income and explaining the importance of the income statement
- Calculating profit margin
- Explaining what the profit margin means in relation to the business
- Discussing what the company can do to improve its profit margin

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 the information.

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

1. Based on your review of our current assets, do you think we should put money towards advertising or other promotional efforts to increase our profitability? Why?
2. How often should we analyze our profitability?

After the associate accountant (participant) has provided the information and has answered your questions, you will conclude the role-play by thanking him/her for the work.

## SOLUTION

### 1. Calculating net income and explaining the importance of the income statement

Boarding Revenue		38,000
Expenses		
Rent	5,000	
Salaries	12,890	
Cleaning Expense	4,440	
Payroll Tax Expense	986	
Supplies Expense	8,166	
Repairs	2,345	
Bank Fees	59	
Utilities	1,256	
Total Expenses		35,142
Net Income		2,858

The income statement is a formal report which includes revenue and expenses only. This report is used to evaluate the profitability of the company over a period of time. In this case, it is for a period of 4 months. If the net income is positive, the company has an excess of revenue over expenses. If the net income is negative, the company has more expenses than revenues. This report should be generated monthly for management to make important decisions related to prices, boarding volume and costs.

### 2. Calculating profit margin: Profit margin is calculated by dividing net income by total revenue

Net Income	2,858
Boarding Revenue	38,000
Profit Margin	8%

### 3. Explain what the profit margin means in relation to CANINE CONDOS, LLC.

The profit margin percent indicates how much profit is generated for every dollar in sales. A higher profit margin is more favorable. When evaluating the profit margin, it is best to compare trends over several years, compare it to the industry average or compare it to a competitor. For CANINE CONDOS, LLC, the profit margin is 8%, which means that for every dollar in boarding revenue, the company is earning 8 cents in profit.

### 4. Discuss what the company can do to improve profit margin

- The company should first consider performing a break-even and target profit analysis
- The company could increase the price of the boarding services
- The company could increase marketing and advertising in an effort to increase volume
- The company could analyze efficiency, waste and supplier performance in an effort to lower costs

## JUDGE'S EVALUATION INSTRUCTIONS

### Evaluation Form Information

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 being 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 chairperson and the other judges to ensure complete and common understanding for judging consistency.

<b>Level of Evaluation</b>	<b>Interpretation Level</b>
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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> percentile of business personnel performing this performance indicator.



**ACCOUNTING APPLICATIONS SERIES, 2019**

Participant: \_\_\_\_\_

**JUDGE'S EVALUATION FORM**  
SAMPLE

I.D. Number: \_\_\_\_\_

**INSTRUCTIONAL AREA**  
Financial Analysis

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Make responsible financial decisions?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Describe the need for financial information?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Describe the nature of income statements?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Demonstrate financial analysis applications?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Discuss the use of cost-volume-profit analysis?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
<b>21<sup>st</sup> CENTURY SKILLS</b>						
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	
<b>TOTAL SCORE</b>						