

**CAREER CLUSTER**

Finance

CAREER PATHWAY

Corporate 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 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

1. Explain legal considerations for finance.
2. Explain the nature of financial needs.
3. Demonstrate financial analysis applications.
4. Identify project benefit and costs.
5. Apply information to accomplish a task.

EVENT SITUATION

You are to assume the role of a financial consultant contracted to advise and oversee the finances at TIMELESS BEARS, a small family-owned retailer that sells stuffed animals. The owner of TIMELESS BEARS (judge) has asked you for an analysis and recommendations regarding an upcoming change in new business expenses.

TIMELESS BEARS is a family-owned business that manufactures and sells stuffed animals as well as apparel for the bears. The company began 10 years ago and prides itself on donating one bear to a child in a war-torn country with every purchase of a bear. While the location of the company is perfect for customer traffic, many surrounding businesses have endured flooding due to heavy storms and proximity to an often-flooded river. The TIMELESS BEARS company has not suffered any flooding, but the owner (judge) is worried.

The owner of the company (judge) employs five part-time employees that are paid \$8.00 per hour. Effective January 1st, a new city ordinance will require businesses to pay employees a minimum of \$10.00 per hour. The owner (judge) is also considering purchasing insurance to protect the business against floods. The owner (judge) has been provided with a quote of \$4,000 a year for the insurance. Below is a brief overview of the expenses/sales that the owner (judge) has provided you from last year's income statement:

Part-time employee salaries:	\$ 28,935.00
Employer payroll taxes (*8.3% of salaries)	\$ 2,402.00
Gross sales before expenses	\$ 123,475.00
Net sales after expenses	\$ 52,425.00

The owner (judge) has requested to visit with you to discuss the following issues:

- Why local governments periodically increase minimum wage.
- Explain and calculate how the increase in payroll taxes will affect next year's profit.
- Provide a risk analysis for the purchase of insurance.

You will present your ideas 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 your sales ideas and have answered the owner's (judge's) questions, the owner (judge) will conclude 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
2. 21st Century Skills and Performance Indicators
3. Event Situation
4. 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.
5. Judge's Evaluation Instructions
6. 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 the owner of TIMELESS BEARS, a small family-owned retailer that sells stuffed animals. You have asked the company's financial consultant (participant) for an analysis and recommendations regarding an upcoming change in new business expenses.

TIMELESS BEARS is a family-owned business that manufactures and sells stuffed animals as well as apparel for the bears. The company began 10 years ago and prides itself on donating one bear to a child in a war-torn country with every purchase of a bear. While the location of the company is perfect for customer traffic, many surrounding businesses have endured flooding due to heavy storms and proximity to an often-flooded river. The TIMELESS BEARS company has not suffered any flooding, but you are worried.

You employ five part-time employees that are paid \$8.00 per hour. Effective January 1st, a new city ordinance will require businesses to pay employees a minimum of \$10.00 per hour. You are also considering purchasing insurance to protect the business against floods. You have been provided with a quote of \$4,000 a year for the insurance. Below is a brief overview of the expenses/sales that you provided the financial consultant (participant) from last year's income statement:

Part-time employee salaries:	\$ 28,935.00
Employer payroll taxes (*8.3% of salaries)	\$ 2,402.00

Gross sales before expenses	\$ 123,475.00
Net sales after expenses	\$ 52,425.00

You have requested to visit with the financial consultant (participant) to discuss the following issues:

- Why local governments periodically increase minimum wage.
- Explain and calculate how the increase in payroll taxes will affect next year's profit.
- Provide a risk analysis for the purchase of insurance.

The financial consultant (participant) will present the information to you in a role-play to take place in your office. You will begin the role-play by greeting the financial consultant (participant) and asking for an analysis.

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

1. What other types of insurance would you recommend that would benefit the company during various perils?
2. Who pays FICA?

After the financial consultant (participant) has presented the information and have answered your questions, you will conclude the role-play by thanking the financial consultant (participant) for the work.

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

SOLUTION

1. Discuss the effect of tax laws and regulations on the financial transactions.

- **Explain the rationale why the local government has decided to pass the increase in the minimum wage legislation.**

There are law and regulations on all financial transaction to project the people and maintain a strong economy. The rational is as follows:

1. Increase money in the pockets of employees to boost the economy because spending will increase.
2. Reduce income equality.
3. Profits at all stores could go up because people may spend more because they have a little more to spend.
4. Lift people out of poverty.
5. Additional wages could result in more taxes for local municipalities to do improvements in community.

2. Explain the nature of financial needs.

- **Risk analysis for the purchase of insurance.**

Risk is the degree of exposure to loss or damage that a business takes on, which can also generate gains or losses. There are general four steps that a company should look at to mitigate risk:

Assessment – weight risk. Flood could ruin and close entire business.

Prevention – Purchasing insurance just in case it occurs.

Recovery – May require additional insurance to keep money coming into the business why the doors are shut during the flood.

Repeat – Keep reassess risk, review risk objectives and take action.

Although, the financial consultant is there to oversee, the decision would be ultimately up to the owner to decide if he wants to lessen the chance of risk of a flood occurring.

3. Demonstrate financial analysis applications.

- **Explain and calculate how the increase in payroll taxes will affect next year's profit.**

Wages:

\$2.00 an hour increase/\$8.00 = 25% increase

\$28,935 paid to employee's last year x 1.25 = \$36,169 to be paid next year

\$ 7,234 increase in salaries

Payroll taxes:

\$36,169 next year's wages X .083 = \$3,002

\$3,002 taxes next year - \$2,402 = \$600

\$600 increase in amount paid in taxes

Net Income:

Considering that gross sales and all other amounts remain the same:

Net sales after expenses	\$ 52,425.00
Subtract new wage amount	\$ 7,234.00
Subtract new payroll tax	\$ 600.00
Subtract anticipated insurance expense	\$ 4,000.00
New projected net income amount	\$ 40,591.00

Answers to the Judges Questions:

1. What other types of insurance would you recommend that would benefit the company during various perils?

Business interruption coverage – this type of insurance covers indirect losses in business income that are caused by a fire, flood or other perils. This can truly important if a business is relying on income.

Replacement cost – Endorsement provides coverage for replacement cost of a building, not just for the depreciated value. Pays to replace the entire building.

2. Who pays FICA?

An employer's federal payroll tax responsibility includes withholding from an employee's compensation and paying an employer's contribution for social security and Medicare taxes under the Federal Insurance Contributions Act (FICA)

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.

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, 2018**

Participant: _____

JUDGE'S EVALUATION FORM

I.D. Number: _____

INSTRUCTIONAL AREA

Financial Analysis

Did the participant:

	Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
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PERFORMANCE INDICATORS

1.	Explain legal considerations for finance?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain the nature of financial needs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Demonstrate financial analysis applications?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Identify project benefits and costs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Apply information to accomplish a task?	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