



OCCUPATIONAL CATEGORY
Accounting Applications Series

INSTRUCTIONAL AREA
Economics

PARTICIPANT INSTRUCTIONS

PROCEDURES

1. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Event Situation. You will have up to 10 minutes to review this information to determine how you will handle the role-play situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
2. You will give an ID label to your adult assistant during the preparation time.
3. You will have up to 10 minutes to role-play your situation with a judge (you may have more than one judge).
4. You will be evaluated on how well you meet the performance indicators of this event.
5. Turn in all your notes and event materials when you have completed the role-play.

PERFORMANCE INDICATORS

1. Determine the relationship between government and business.
2. Describe economies of scale.
3. Explain the concept of organized labor and business.
4. Determine the relationship among total revenue, marginal revenue, output and profit.
5. Describe the concept of price.

EVENT SITUATION

You are to assume the role of brand manager for PLAYTIME TOY CORPORATION. The chief executive officer (CEO) of PLAYTIME TOYS (judge) has asked you to prepare a cost analysis summary for him/her to present to the board of directors outlining facts related to the manufacturing of an action figure in the United States or China.

Upscale toy buyers in metropolitan markets are asking for the reintroduction of the action figure known as GI Jim. This is due to the current wave of patriotism sweeping the nation. GI Jim was a best seller in the 1960's and early 1970's. Market research anticipates consumer demand in excess of 100,000 units at a price point of \$11.95 per 12-inch action figure with limited accessories for the initial marketplace reintroduction.

PLAYTIME TOYS is a publicly held company whose major shareholder is the United Toy Workers Union. Consequently, there is a very strong union presence in the factories operated by the toy manufacturer. PLAYTIME TOYS specializes in action figures and holds the patent for all images and toys related to the GI Jim brand. Because of its success in the past, PLAYTIME TOYS is anxious to reintroduce the brand to the marketplace to bolster year-end corporate revenue projections.

The reintroduction poses several problems:

1. Manufacturing a 12-inch action figure in the United States is expensive due to the amount of petroleum used to manufacture the plastic.
2. Current union contracts forbid the overseas production of any product manufactured by PLAYTIME TOYS. However, the current union contract expires in eight months.

Here are the facts needed to go ahead with your analysis:

Manufacturing GI Jim in the U.S. will cost:

<u>Units Manufactured</u>	<u>Cost Per Unit</u>
25 to 35 thousand	8.00
36 to 50 thousand	7.50
51 to 75 thousand	7.00
76 to 100 thousand	7.50

Units manufactured in the U.S. will be packaged in a uniform with limited accessories.

Since it is widely known in the toy industry that PLAYTIME TOYS is preparing to reintroduce GI Jim, manufacturers from Taiwan have presented proposals to you to manufacture GI Jim in China. Here is the cost breakdown:

<u>Units Manufactured</u>	<u>Cost Per Unit</u>
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250,000 (Minimum Order)

2.50*

*Includes transportation charges to the U.S.

Units Manufactured in China are not packaged or dressed and do not include any accessories.

The cost per unit also does not include the \$750,000.00 cost incurred by PLAYTIME TOYS to fund the pre-import testing for child safety required by the Consumer Product Safety Commission. The CEO wants you to produce a cost analysis outlining your decision to manufacture GI Jim in the U.S. or China

You will present your analysis and decision to the CEO (judge) in a role-play to take place in the CEO's (judge's) office. The CEO (judge) will begin the role-play by greeting you and asking to hear your information. After you have presented your analysis and recommendation and have answered the CEO's (judge's) questions, the CEO (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. 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 chief executive officer (CEO) of PLAYTIME TOYS. You have asked your brand manager (participant) to prepare a cost analysis summary for you to present to the board of directors outlining facts related to manufacturing of an action figure in the United States or China.

Upscale toy buyers in metropolitan markets are asking for the reintroduction of the action figure known as GI Jim. This is due to the current wave of patriotism sweeping the nation. GI Jim was a best seller in the 1960's and early 1970's. Market research anticipates consumer demand in excess of 100,000 units at a price point of \$11.95 per 12-inch action figure with limited accessories for the initial marketplace reintroduction.

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The reintroduction poses several problems:

1. Manufacturing a 12-inch action figure in the United States is expensive due to the amount of petroleum used to manufacture the plastic.

2. Current union contracts forbid the overseas production of any product manufactured by PLAYTIME TOYS. However, the current union contract expires in eight months.

Here are the facts given to the brand manager (participant) for producing the analysis:

Manufacturing GI Jim in the U.S. will cost:

<u>Units Manufactured</u>	<u>Cost Per Unit</u>
25 to 35 thousand	8.00
36 to 50 thousand	7.50
51 to 75 thousand	7.00
76 to 100 thousand	7.50

Units manufactured in the U.S. will be packaged in a uniform with limited accessories.

Since it is widely known in the toy industry that PLAYTIME TOYS is preparing to reintroduce GI Jim, manufacturers from Taiwan have presented proposals to you to manufacture GI Jim in China. Here is the cost breakdown:

<u>Units Manufactured</u>	<u>Cost Per Unit</u>
250,000 (Minimum Order)	2.50*

*Includes transportation charges to the U.S.

Units Manufactured in China are not packaged or dressed and do not include any accessories.

The cost per unit also does not include the \$750,000.00 cost incurred by PLAYTIME TOYS to fund the pre-import testing for child safety required by the Consumer Product Safety Commission.

You want the brand manager (participant) to produce a cost analysis outlining his/her decision to manufacture GI Jim in the U.S. or China.

The brand manager (participant) will present the analysis and recommendation to you in a role-play to take place in your office. You will begin the role-play by greeting the brand manager (participant) and asking to hear about his/her cost analysis and conclusion.

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

1. What role would the renegotiation of the union contract play in the reintroduction of the GI Jim brand to the marketplace?
2. Which decision involves the least risk to the company?

Once the action figure brand manager (participant) has presented the cost analysis and has answered your questions, you will conclude the role-play by thanking the brand manager (participant) for the work.

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

ANSWER SHEET

<u>Units Manufactured in US</u>	<u>Cost Per Unit</u>	<u>Gross Expense</u>
25 to 35 thousand	8.00	280,000.00
36 to 50 thousand	7.50	375,000.00
51 to 75 thousand	7.00	525,000.00
76 to 100 thousand	7.50	650,000.00

<u>Units Manufactured in China</u>	<u>Cost Per Unit</u>	<u>Gross Expense</u>
250,000	2.50	437,500.00

Add the validation by the Consumer Product Safety Commission for units manufactured in China. Total \$750,000.00.

Consider that the units manufactured in the U.S. include packaging, uniform and accessories.

We did not calculate the packaging, dressing and manufacturing of accessories of those units produced in China.

There will be no union problems as a result of an outsourcing attempt by PLAYTIME TOYS. Even though the union contract will be renegotiated during the same time as the product reintroduction, a strike or product boycott could cripple distribution.

A contract in China would require 150,000 more units to be manufactured. If sales are sluggish, PLAYTIME TOYS will have a major inventory problem and may have to liquidate the inventory at a substantial loss.

Here is the bottom line:

<u>Units Manufactured in US</u>	<u>Units Manufactured in China</u>
\$6.50 per unit	\$5.50 per unit

The obvious conclusion is to manufacture the GI Jim action figure in the U.S.

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 70-89th 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 50-69th 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 0-49th percentile of business personnel performing this performance indicator.

JUDGE'S EVALUATION FORM

ACT

DID THE PARTICIPANT:

1. Determine the relationship between government and business?

Little/No Value
0, 2

Attempts at determining the relationship between government and business were inadequate or weak.

Below Expectations
4, 6, 8

Adequately determined the relationship between government and business.

Meets Expectations
10, 12, 14

Effectively determined the relationship between government and business

Exceeds Expectations
16, 18

Very effectively determined the relationship between government and business.

2. Describe economies of scale?

Little/No Value
0, 2

Attempts at describing economies of scale were inadequate or weak.

Below Expectations
4, 6, 8

Adequately described economies of scale.

Meets Expectations
10, 12, 14

Effectively described economies of scale.

Exceeds Expectations
16, 18

Very effectively described economies of scale.

3. Explain the concept of organized labor and business?

Little/No Value
0, 2

Attempts at explaining the concept of organized labor and business were weak or incorrect.

Below Expectations
4, 6, 8

Adequately explained the concept of organized labor and business.

Meets Expectations
10, 12, 14

Effectively explained the concept of organized labor and business.

Exceeds Expectations
16, 18

Very effectively explained the concept of organized labor and business.

4. Determine the relationship among total revenue, marginal revenue, output and profit?

Little/No Value
0, 2

Attempts at determining the relationships were inadequate or unclear.

Below Expectations
4, 6, 8

Adequately determined the relationships.

Meets Expectations
10, 12, 14

Effectively determined the relationships.

Exceeds Expectations
16, 18

Very effectively determined the relationships.

5. Describe the concept of price?

Little/No Value
0, 2

Attempts at describing the concept of price were inadequate or weak.

Below Expectations
4, 6, 8

Adequately described the concept of price.

Meets Expectations
10, 12, 14

Effectively described the concept of price.

Exceeds Expectations
16, 18

Very effectively described the concept of price.

6. Overall impression and response to the judge's questions.

Little/No Value
0, 1

Demonstrated few skills; could not answer the judge's questions.

Below Expectations
2, 3, 4

Demonstrated limited ability to link some skills; answered the judge's questions adequately.

Meets Expectations
5, 6, 7

Demonstrated the specified skills; answered the judge's questions effectively.

Exceeds Expectations
8, 9, 10

Demonstrated skills confidently and professionally; answered the judge's questions very effectively and thoroughly.

Judge's Initials _____

TOTAL SCORE _____