



CAREER CLUSTER

Finance

CAREER PATHWAY

Accounting

INSTRUCTIONAL AREA

Financial Analysis

ACCOUNTING APPLICATIONS SERIES EVENT

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 have up to 10 minutes to role-play your situation with a judge (you may have more than one judge).
3. You will be evaluated on how well you meet the performance indicators of this event.
4. Turn in all your notes and event materials when you have completed the role-play.

PERFORMANCE INDICATORS

1. Make capital expenditure decisions.
2. Prepare depreciation schedules.
3. Determine the book value of a plant asset.
4. Explain the nature of balance sheets.
5. Describe the need to accurately report a business's financial position.



EVENT SITUATION

You are to assume the role of an accountant at JOHNSON UNIVERSITY a private university of 2,500 students located in a large city on the West Coast. The controller (judge) has asked you to analyze the purchase and depreciation calculations on five new trucks for the Buildings & Grounds Department.

The trustees of the university, at their last board meeting, approved the acquisition of five new vehicles for the Buildings & Grounds (B&G) Department on January 1st. The vice president of B&G has conducted significant research and has chosen the most competitive proposal. The five vehicles can be purchased for \$40,000 each and are not subject to a sales tax because the university is a 501(c)(3) organization.

The vice president of B&G has estimated that the vehicles will have a useful life of 5 years and a salvage value of \$5,000 each. The university uses the straight line method for depreciating its plant assets.

Your analysis for the controller (judge) must show the general journal recording entry for the capital expenditure decision assuming that the university pays cash for the five trucks. In addition, you must prepare a depreciation schedule for all five years using the following format:

Year	Annual Depreciation Expense	Accumulated Depreciation	Book Value
1			
2			
3			
4			
5			
TOTAL			

Finally, the controller (judge) has asked that you show how the vehicles will be reported on the university's balance sheet at the end of the first year and explain why the asset and contra asset account are important to accurate financial reporting.

You will present and explain your analysis to the controller (judge) in a role-play to take place in the controller's (judge's) office. The controller (judge) will begin the role-play by greeting you and asking to see your work. After you have presented your analysis and have answered the controller's (judge's) questions, the controller (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 of the controller at JOHNSON UNIVERSITY a private university of 2,500 students located in a large city on the West Coast. You have asked one of your accountants (participant) to analyze the purchase and depreciation calculations on five new trucks for the Buildings & Grounds Department.

The trustees of the university, at their last board meeting, approved the acquisition of five new vehicles for the Buildings & Grounds (B&G) Department on January 1st. The vice president of B&G has conducted significant research and has chosen the most competitive proposal. The five vehicles can be purchased for \$40,000 each and are not subject to a sales tax because the university is a 501(c)(3) organization.

The VP of B&G has estimated that the vehicles will have a useful life of 5 years and a salvage value of \$5,000 each. The university uses the straight line method for depreciating its plant assets.

You have asked the accountant (participant) to present to you the general journal recording entry for the capital expenditure decision assuming the university pays cash for the five trucks. In addition, you have asked for a depreciation schedule for all five years using the following format:

Year	Annual Depreciation Expense	Accumulated Depreciation	Book Value
1			
2			
3			
4			
5			
TOTAL			

Finally, you have asked that the accountant (participant) show how the vehicles will be reported on the university's balance sheet at the end of the first year and explain why the asset and contra asset account are important to accurate financial reporting.

The participant will present and explain the depreciation 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 see the analysis.

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

1. What other methods (beyond straight line) might companies use to depreciate plant assets? When might it make sense for companies to use these other methods?
2. What other types of plant assets would the company typically depreciate?
3. If the company keeps the trucks beyond the 5-year useful life, may we continue to record a depreciation expense if they are still being used?

Once the accountant (participant) has presented the analysis 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

General Journal Recording Entry for Vehicle Acquisition

Dr. Vehicles	200,000
Cr. Cash	200,000

Depreciation Schedule

Annual depreciation expense = (Cost – Salvage Value)/Useful Life

Year	Annual Depreciation Expense	Accumulated Depreciation	Book Value
1	35,000	35,000	165,000
2	35,000	70,000	130,000
3	35,000	105,000	95,000
4	35,000	140,000	60,000
5	35,000	175,000	25,000
TOTAL	175,000	175,000	

Book Value = Salvage Value at the end of useful life

Balance Sheet Presentation

Assets

Plant Assets

Vehicles	200,000
Less: Accumulated depreciation	<u>35,000</u>
	165,000

Reporting both the cost and accumulated depreciation of plant assets helps users compare the assets of different companies.

ANSWERS TO JUDGE'S QUESTIONS

1. Other methods of depreciation: Units-of-Production, Declining Balance, and MACRS. Units-of-production is often used when equipment use varies from period to period. Declining Balance is an accelerated method that yields larger depreciation expense in the early years of an asset's useful life and less depreciation later. MACRS is used for tax reporting and allows for straight line depreciation for some assets but requires accelerated depreciation for most kinds of assets.
2. Other types of assets typically depreciated would include: Buildings, Machinery, Computers, and furniture. Most Plant (Fixed, or PP&E) assets are depreciated if they are used in operations and have a useful life that extends over more than one accounting time period. Land, however, is not depreciated.
3. No. You cannot continue to depreciate plant assets. If the asset is still in use, it remains on the Balance Sheet, but you may not continue to take an annual depreciation expense.

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.

**ACCOUNTING APPLICATIONS SERIES, 2014****JUDGE'S EVALUATION FORM**
SAMPLE EVENT**INSTRUCTIONAL AREA:** Financial Analysis

Participant: _____

I.D. Number: _____

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Make capital expenditure decisions?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
2.	Prepare depreciation schedules?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
3.	Determine the book value of a plant asset?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
4.	Explain the nature of balance sheets?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
5.	Describe the need to accurately report a business's financial position?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
6.	Reason effectively, use systems thinking, make judgments and decisions, and solve problems?	0-1-2-3	4-5-6	7-8	9-10	
7.	Overall impression and responses to the judge's questions	0-1-2-3	4-5-6	7-8	9-10	
TOTAL SCORE						