



**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 demonstrate the 21<sup>st</sup> 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.

**21<sup>st</sup> CENTURY SKILLS**

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- 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**

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- Explain the nature of managerial accounting.
- Discuss cost accounting systems.
- Discuss the use of cost-volume-profit analysis.
- Determine factors affecting business risk.
- Explain the nature of overhead/operating costs.

## EVENT SITUATION

You are to assume the role of an accounting consultant hired by BRISKET BEACH, a 50-table restaurant in a beachside tourist area. The owner (judge) wants you to review information comparing peak-season and off-season data and make recommendations.

BRISKET BEACH is located across the beach in a tourist area, which means sales greatly fluctuate depending on the time of year. The restaurant is known for its smoked brisket which cooks for 14 hours. The owner (judge) must cook enough meat the night before because if the restaurant runs out of brisket, it takes another 14 hours of cook time to have more available.

### During peak season

- BRISKET BEACH fills to capacity.
- BRISKET BEACH is open 12 hours a day 7 days a week. (totaling 336 hours a month)
- BRISKET BEACH employs 8 servers and 3 cooks.
- Servers are paid \$5 per hour plus tips, cooks earn \$10 per hour.
- To staff the restaurant for the month, it costs \$23,520.
- The fixed cost of rent, insurance and utilities is \$4,300.
- The monthly meat order costs \$80,000.
- The mark up on meat is 1 ½ times what it costs. This makes sales in high season average \$120,000.
- BRISKET BEACH maintains a profit margin of just about 10%

During off season, restaurant occupancy reduces by almost half so only half as much meat is ordered.

	Peak season	Off season
Fixed (rent, insurance, utilities) per month	\$4,300	\$4,300
Food/month	\$80,000	\$40,000
Salary/month	\$23,520	
Total Expenses	\$107,820	
Total income/ month	\$120,000	\$60,000
Total profit	\$12,180	\$6,000

	Total hours open	Cost for 1 employee	Cost for 2 employees	Cost for 3 employees
Server \$5.00/hour	X 336 hours	\$1,680	\$3,360	\$5,040
Cook \$10.00/hour	X 336 hours	\$3,360	\$6,720	\$10,080

Now that peak season has ended and off season is starting, the owner (judge) has asked you to review the data and explain how to determine the following for the off season:

- Appropriate number of employees to schedule
- Potential risks of overscheduling employees
- Potential risks of food surplus
- Fixed vs. Variable costs

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 the information. After you have presented 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 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. Procedures, 21<sup>st</sup> 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 BRISKET BEACH, a 50-table restaurant in a beachside tourist area. You have asked an accounting consultant (participant) to review information comparing peak-season and off-season data and make recommendations.

BRISKET BEACH is located across the beach in a tourist area, which means sales greatly fluctuate depending on the time of year. The restaurant is known for its smoked brisket which cooks for 14 hours. You must cook enough meat the night before because if the restaurant runs out of brisket, it takes another 14 hours of cook time to have more available.

#### During peak season

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Cook \$10.00/hour	X 336 hours	\$3,360	\$6,720	\$10,080

Now that peak season has ended and off season is starting, you have asked the accounting consultant (participant) to review the data and explain how to determine the following for the off season:

- Appropriate number of employees to schedule
- Potential risks of overscheduling employees
- Potential risks of food surplus
- Fixed vs. Variable costs

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. Do you have any ideas on how the restaurant can make more money during the off season?
2. Do you have any ideas on how the restaurant can make more money during peak season?

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

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

## SOLUTION

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### Managerial Cost Accounting

Managerial accounting focuses primarily on the preparation of reports for internal users of financial information, such as managers and officers of a company. Managerial accounting provides tools for assisting management in making decisions and evaluating the effectiveness of those decisions. Cost accounting may be defined as the process of measuring, analyzing, computing, and reporting the cost, profitability, and performance of operations.

### Cost Allocation – Cost behavior analysis

Fixed Costs – are costs that remain the same in total regardless of changes in the activity level. Fixed costs per unit vary inversely with the level of activity. As volume increases, unit cost declines, and vice versa. Examples of fixed costs include: property taxes, insurance, rent, supervisory salaries, and depreciation on buildings and equipment.

The only fixed costs for the restaurant that were included in this role play were: rent, insurance and utilities.

Variable Costs – are costs that vary in total directly and proportionately with changes in the activity level. A variable cost is a cost that remains the same *per unit* at every level of activity. Examples of variable costs include direct materials and direct labor for a manufacturer; cost of goods sold, sales commissions, and freight-out for a merchandiser; and gasoline in airline and trucking companies.

The only variable costs for the restaurant that were included in this role play were: payroll and food.

### Cost Accounting Decision Making

Cost accounting involves the measuring, recording, and reporting of product costs. From the data accumulated, both the total cost and the unit cost of each product is determined. The accuracy of product cost information produced by cost accountants is critical to the success of the company. This information is used to make important decisions such as which products to produce, what price to charge, and the amounts to produce.

### Cost-Volume-Profit Analysis

CVP analysis is the study of the effects of changes in costs and volume on a company's profits. CVP analysis is important in profit planning. Identifying the breakeven point is a special case of CVP analysis. Breakeven occurs where total sales equal variable costs plus fixed costs. Breakeven analysis allows a company to determine the level of activity (sales) where the company realizes no profit and suffers no loss.

How salary per month was determined in high season:

Server: 12 hours/day X 7 days X \$5/hr= \$420 for each server X 8= \$3360/week

Cook: 12 hours/day X 7 days X \$10/hr= \$840 for each server X 3= \$2520/week

Total salary 3360 + 2520 = \$5880/ week X 4 = \$23,520 salary for the month

	High season	Low season
Fixed (rent, insurance, utilities) per month	\$4,300	\$4,300
Food/month	\$80,000	\$40,000
Salary/month	\$23,520	<b>\$9,700</b>
Total Expenses	\$107,820	\$54,000
Total income/ month	\$120,000	\$60,000
Total profit	\$12,180	\$6,000

How figures were determined in low season:

- First calculate half of the high season meat \$80,000 to get low season meat \$40,000.
- Then figure the total income in low season by multiplying the meat \$40,000 by 1.5 mark up to get \$60,000.
- Then multiply the total income of \$60,000 by 10% (profit margin) to get \$6,000 profit.
- Then add the fixed costs \$4,300 plus the meat \$40,000 and the profit \$6,000 totaling \$50,300.
- Then subtract \$50,300 from the income \$60,000 = \$9700.
- This \$9,700 is what you can pay for salary.

	Total hours open	Cost for 1 employee	Cost for 2 employees	Cost for 3 employees
Server \$5.00/hour	X 336 hours	\$1,680	\$3,360	\$5,040
Cook \$10.00/hour	X 336 hours	\$3,360	\$6,720	\$10,080
Total		\$5,040	\$10,080	\$15,120

The participant should say:

You cannot schedule 3 servers (for \$5,040) and 2 cooks (for \$6,720) because it will cost \$11,760 which is more than the allotted \$9,700 you have to spend on salary.

Risks include:

Decreased profit if too many employees are scheduled or operating in the red.

Wasted meat if too much was ordered and cooked which means wasted money and decreased profit.

## EVALUATION INSTRUCTIONS

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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 <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 2024

### JUDGE'S EVALUATION FORM ASSOCIATION EVENT 2

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

ID Number: \_\_\_\_\_

### INSTRUCTIONAL AREA: Financial Analysis

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Explain the nature of managerial accounting?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Discuss cost accounting systems?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Discuss the use of cost-volume-profit analysis?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Determine factors affecting business risk?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Explain the nature of overhead/operating costs?	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>						