



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 demonstrate the 21st 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.

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

- Discuss the nature of cost accounting budgets.
- Discuss the use of variance analysis in managerial accounting.
- Demonstrate budgeting applications.
- Explain the use of cash budgets.
- Prepare simple written reports.

EVENT SITUATION

You are to assume the role of a new accountant at MEGA COMPANY. Your manager (judge) wants you to prepare an activity-based flexible budget and performance report.

Information for five overhead activities for MEGA COMPANY is given below:

Activity	Driver	Fixed Cost	Variable Rate
Maintenance	Machine hours	\$ 20,000	\$ 5.50
Machining	Machine hours	15,000	2.00
Setting up	Setups	N/A	1,800
Inspection	Setups	80,000	2,100
Purchasing	Purchase orders	211,000	1.00

In preparation for an upcoming budget meeting, you have been asked to prepare an activity-based flexible budget for the following production levels:

Driver	32,000 units	64,000 units
Machine hours	8,000	16,000
Setups	25	30
Purchase orders	15,000	25,000

Additionally, the manager (judge) would like to know the budgeted variances if the following actual activity levels are calculated based on 32,000 units produced. You will provide the manager (judge) with an activity-based performance report using a template similar to the one below. Indicate if each variance is favorable or unfavorable.

Actual Costs		
Maintenance	\$ 55,000	
Machining	29,000	
Setting up	46,500	
Inspection	125,500	
Purchasing	220,000	
Actual Costs	Budgeting Costs	Budget Variance
Maintenance	\$ 55,000	
Machining	29,000	
Setting up	46,500	
Inspection	125,500	
Purchasing	220,000	
Total	\$ 476,000	

You will present the information to the manager (judge) in a role-play to take place in the manager's (judge's) office. The manager (judge) will begin the role-play by greeting you and asking to hear the information. After you have presented ideas and have answered the manager's (judge's) questions, the manager (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. Participant Instructions, 21st 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 a manager at MEGA COMPANY. You want the new accountant (participant) to prepare an activity-based flexible budget and performance report.

Information for five overhead activities for MEGA COMPANY is given below:

Activity	Driver	Fixed Cost	Variable Rate
Maintenance	Machine hours	\$ 20,000	\$ 5.50
Machining	Machine hours	15,000	2.00
Setting up	Setups	N/A	1,800
Inspection	Setups	80,000	2,100
Purchasing	Purchase orders	211,000	1.00

In preparation for an upcoming budget meeting, the new accountant (participant) has been asked to prepare an activity-based flexible budget for the following production levels:

Driver	32,000 units	64,000 units
Machine hours	8,000	16,000
Setups	25	30
Purchase orders	15,000	25,000

Additionally, you would like to know the budgeted variances if the following actual activity levels are calculated based on 32,000 units produced. The new accountant (participant) will provide you with an activity-based performance report using a template similar to the one below. The new accountant (participant) must indicate if each variance is favorable or unfavorable.

Actual Costs	
Maintenance	\$ 55,000
Machining	29,000
Setting up	46,500
Inspection	125,500
Purchasing	220,000

	Actual Costs	Budgeting Costs	Budget Variance
Maintenance	\$ 55,000		
Machining	29,000		
Setting up	46,500		
Inspection	125,500		
Purchasing	220,000		
Total	\$ 476,000		

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. What are the main differences between activity based budgeting and traditional budgeting?
2. Why does activity based flexible budgeting provide a more accurate prediction of costs?

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

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

SOLUTION

Step 1 – prepare a table showing the activities under their related driver

Step 2 – Calculate total activity cost by multiplying the variable rate times the driver level and adding the fixed amount. For example, at 8,000 machine hours, Maintenance would equal \$20,000 + (\$5.50 x 8,000 hrs) or \$64,000

		Required for...		
		32,000 units		64,000 units
Driver: Machine Hours				
	Fixed	Variable	8,000	16,000
Maintenance	\$ 20,000	\$ 5.50	\$ 64,000	\$ 108,000
Machining	15,000	2.00	31,000	47,000
Sub-total	35,000	\$ 7.50	\$ 95,000	\$ 155,000
Driver: Setups				
	Fixed	Variable	25	30
Setting up	n/a	\$ 1,800	\$ 45,000	\$ 54,000
Inspection	80,000	2,100	132,500	143,000
Sub-total	\$ 80,000	\$ 3,900	177,500	197,000
Driver: Purchase orders				
	Fixed	Variable	15,000	25,000
Purchasing	\$ 211,000	\$ 1.00	226,000	236,000
Total			\$ 498,500	\$ 588,000

The Activity Based Performance report would look as follows:

	Actual Costs	Budgeting Costs	Budget Variance
Maintenance	\$ 55,000	\$ 64,000	\$ 9,000 F
Machining	29,000	31,000	2,000 F
Setting up	46,500	45,000	(1,500) U
Inspection	125,500	132,500	7,000 F
Purchasing	220,000	226,000	6,000 F
Total	\$ 476,000	\$ 498,500	\$ 22,500 F

Judges Questions:

1. ABB differs primarily from traditional budgeting in the overhead and selling and admin budgets. ABB builds a budget for each activity based on the demands of the activity for resources, whereas traditional budgeting focuses on cost items required by organizational units such as a department.
2. Activity based flexible budgeting is more accurate if costs vary with more than one driver and the drivers are not highly correlated with direct labor hours (which is often the case).

EVALUATION INSTRUCTIONS

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 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 2024

JUDGE'S EVALUATION FORM ASSOCIATION EVENT 1

Participant: _____

ID Number: _____

INSTRUCTIONAL AREA: Financial Analysis

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the nature of cost accounting budgets?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Discuss the use of variance analysis in managerial accounting?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Demonstrate budgeting applications?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Explain the use of cash budgets?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Prepare simple written reports?	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						