



**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 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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- Identify project benefits and costs.
- Explain the nature of capital investment.
- Analyze cash budget/forecast variances.
- Explain the impact of the cost of capital on capital investments.
- Calculate cash flows associated with an investment (e.g., initial investment, operating cash inflows, operating cash outflows, terminal flows).

## EVENT SITUATION

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You are to assume the role of a business finance manager at WALL TOWN, a locally owned paint and wallpaper store. The owner (judge) wants you to analyze financial results for the past year and determine whether or not to purchase a new top-of-the-line cash register that tracks inventory levels online for the purchase price of \$50,000.

WALL TOWN has done well and may be in a position to purchase the new inventory system cash register. The owner of WALL TOWN (judge) has asked you to interpret WALL TOWN's financial information and help decide whether to consider purchasing the online inventory system.

You have been given a copy of WALL TOWN's balance sheet, income statement and cash flow summary for the past year. You must make a recommendation to the owner (judge) whether or not to consider purchasing an online inventory system cash register based on the company's performance versus budget over the past year. Along with your recommendation, you should also explain your financial calculations and the reasoning behind your recommendation.

Your calculations and explanation should address, at a minimum, the following:

- Cash flow statement change with the proposed capital purchase
- Income statement budget variance
- Balance sheet budget variance

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.

**WALL TOWN  
Balance Sheet  
As of December 31, 2023**

BFS-24  
ICDC Preliminary 1

	<b>Actual</b>	<b>Budget</b>
<b>ASSETS</b>		
Total Current Assets	\$245,000	\$220,000
Total Property and Equipment	155,000	150,000
<b>Total Assets</b>	<b>\$400,000</b>	<b>\$370,000</b>
<b>LIABILITIES &amp; EQUITY</b>		
Total Liabilities	\$350,000	\$300,000
Owners Equity	50,000	70,000
<b>Total Liabilities &amp; Equity</b>	<b>\$400,000</b>	<b>\$370,000</b>

**Income Statement Summary  
for Year Ending December 31, 2023**

	<b>Actual</b>	<b>Budget</b>
Net Sales	\$420,000	\$450,000
Cost of Goods Sold	<u>200,000</u>	<u>220,000</u>
Gross Profit	\$220,000	\$230,000
Operating Expenses	90,000	90,000
<b>Net Income (before taxes)</b>	<b>\$130,000</b>	<b>\$140,000</b>

**WALL TOWN Cash Position Chart  
As of December 31, 2023**

Starting Cash	50,000
Cash-In	
Cash Sales	400,000
Cash Received	<u>50,000</u>
Total Cash-In	\$450,000
Cash-Out	
Purchases	250,000
Rent	50,000
Wages	<u>100,000</u>
Total Cash-Out	\$400,000
Ending Cash	\$100,000
Cash Position	+\$50,000

## JUDGE INSTRUCTIONS

### **DIRECTIONS, PROCEDURES AND JUDGE ROLE**

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In preparation for this event, you should review the following information with your event manager and other judges:

1. Participant Instructions, 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**

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You are to assume the role of the owner at WALL TOWN, a locally owned paint and wallpaper store. You want the business finance manager (participant) to analyze financial results for the past year and determine whether or not to purchase a new top-of-the-line cash register that tracks inventory levels online for the purchase price of \$50,000.

WALL TOWN has done well and may be in a position to purchase the new inventory system cash register. You have asked the business finance manager (participant) to interpret WALL TOWN'S financial information and help decide whether to consider purchasing the online inventory system.

The business finance manager (participant) has been given a copy of WALL TOWN'S balance sheet, income statement and cash flow summary for the past year. The business finance manager (participant) must make a recommendation whether or not to consider purchasing an online inventory system cash register based on the company's performance versus budget over the past year. Along with the recommendation, the business finance manager (participant) should also explain financial calculations and the reasoning behind the recommendation.

The business finance manager's (participant's) calculations and explanation should address, at a minimum, the following:

- Cash flow statement change with the proposed capital purchase
- Income statement budget variance
- Balance sheet budget variance

**WALL TOWN  
Balance Sheet  
As of December 31, 2023**

BFS-24  
ICDC Preliminary 1

	<b>Actual</b>	<b>Budget</b>
<b>ASSETS</b>		
Total Current Assets	\$245,000	\$220,000
Total Property and Equipment	155,000	150,000
<b>Total Assets</b>	<b>\$400,000</b>	<b>\$370,000</b>
<b>LIABILITIES &amp; EQUITY</b>		
Total Liabilities	\$350,000	\$300,000
Owners Equity	50,000	70,000
<b>Total Liabilities &amp; Equity</b>	<b>\$400,000</b>	<b>\$370,000</b>

**Income Statement Summary  
for Year Ending December 31, 2023**

	<b>Actual</b>	<b>Budget</b>
Net Sales	\$420,000	\$450,000
Cost of Goods Sold	<u>200,000</u>	<u>220,000</u>
Gross Profit	\$220,000	\$230,000
Operating Expenses	90,000	90,000
<b>Net Income (before taxes)</b>	<b>\$130,000</b>	<b>\$140,000</b>

**WALL TOWN Cash Position Chart  
As of December 31, 2023**

Starting Cash	50,000
Cash-In	
Cash Sales	400,000
Cash Received	<u>50,000</u>
Total Cash-In	\$450,000
Cash-Out	
Purchases	250,000
Rent	50,000
Wages	<u>100,000</u>
Total Cash-Out	\$400,000

Ending Cash	\$100,000
Cash Position	+\$50,000

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. Where could WALL TOWN improve its performance versus budget?
2. In addition to the profitability of the store, is there anything else I should consider?

Once the business finance manager (participant) has presented information and has answered your questions, you will conclude the role-play by thanking the business finance manager (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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### Cash Flow change **with purchase**:

$$\begin{aligned}\text{Starting Cash} + \text{Total Cash-In} - \text{Total Cash-Out} &= \text{Ending Cash} \\ \$50,000 + \$450,000 - \$450,000 &= \$50,000\end{aligned}$$

### Cash Position

$$\begin{aligned}\text{Ending Cash} - \text{Starting Cash} &= \text{Cash Position} \\ \$50,000 - \$50,000 &= 0\end{aligned}$$

### Income Statement Budget Variance

$$\begin{aligned}\text{Net Sales Actual} - \text{Net Sales Budget} \\ \$420,000 - \$450,000 &= -\$30,000\end{aligned}$$

$$\begin{aligned}\text{Cost of Goods Sold Actual} - \text{Cost of Goods Sold Budget} \\ \$200,000 - \$220,000 &= -\$20,000\end{aligned}$$

$$\begin{aligned}\text{Gross Profit Actual} - \text{Gross Profit Budget} \\ \$220,000 - \$230,000 &= -\$10,000\end{aligned}$$

$$\begin{aligned}\text{Net Income Actual} - \text{Net Income Budget} \\ \$130,000 - \$140,000 &= -\$10,000\end{aligned}$$

### Balance Sheet Budget Variance

$$\begin{aligned}\text{Total Current Assets Actual} - \text{Total Current Assets Budget} \\ \$245,000 - \$220,000 &= \$25,000\end{aligned}$$

$$\text{Total Property and Equipment Actual} - \text{Total Property \& Equipment Budget}$$

$$\$155,000 - \$150,000 = \$5,000$$

$$\begin{aligned}\text{Total Liabilities Actual} - \text{Total Liabilities Budget} \\ \$350,000 - \$300,000 &= \$50,000\end{aligned}$$

$$\begin{aligned}\text{Owners Equity Actual} - \text{Owners Equity Budget} \\ \$50,000 - \$70,000 &= -\$20,000\end{aligned}$$

## 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.





## BUSINESS FINANCE SERIES 2024

### JUDGE'S EVALUATION FORM ICDC PRELIMINARY 1

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.	Identify project benefits and costs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain the nature of capital investment?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Analyze cash budget/forecast variances?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Explain the impact of the cost of capital on capital investments?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Calculate cash flows associated with an investment?	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>						