



CAREER CLUSTER

Finance

CAREER PATHWAY

Accounting

INSTRUCTIONAL AREA

Financial Analysis

FINANCIAL ACCOUNTING EVENT

PARTICIPANT INSTRUCTIONS

- The event will be presented to you through your reading of the General Performance Indicators, Specific Performance Indicators and Case Study Situation. You will have up to 30 minutes to review this information and prepare your presentation. You may make notes to use during your presentation.
- You will have up to 15 minutes to make your presentation to the judge (you may have more than one judge).
- Turn in all of your notes and event materials when you have completed the event.

GENERAL PERFORMANCE INDICATORS

- Communications skills – the ability to exchange information and ideas with others through writing, speaking, reading or listening
- Analytical skills – the ability to derive facts from data, findings from facts, conclusions from findings and recommendations from conclusions
- Production skills – the ability to take a concept from an idea and make it real
- Priorities/time management – the ability to determine priorities and manage time commitments
- Economic competencies

SPECIFIC PERFORMANCE INDICATORS

- Discuss the nature of the accounting cycle.
- Identify and correct accounting errors.
- Analyze transactions and accounts (e.g., purchase, sales, sales returns and allowances, uncollectible accounts, depreciation, debt).
- Prepare income statements.
- Prepare management discussion and analysis.

CASE STUDY SITUATION

The part-time bookkeeper for FISHER OUTDOOR PRODUCTS prepared the following income statement for the year ending 2020. The owner thought the income should be higher.

FISHER OUTDOOR PRODUCTS
Income Statement
For the period ending December 31, 2020

Revenues		
Sales		\$ 702,000
Less: Freight out	\$ 17,200	
Less: Returns and Allowances	4,100	21,300
Net Sales		680,700
Other Revenue (net)		1,300
Total Revenue		682,000
Expenses		
Cost of Goods Sold	\$ 470,000	
Selling Expenses	100,000	
Administrative Expenses	50,000	
J. Fisher, Drawings	12,000	
Total Expenses		632,000
Net Income		\$ 50,000

The owner asked you to look at the statement and other financial information. You discovered the following:

1. Sales includes \$10,000 of deposits from customers for future sales orders
2. "Other Revenue" contains two items:
 - Interest expense of \$4,000
 - Interest revenue of \$5,300
3. Selling expenses consist of:
 - sales salaries of \$76,000
 - advertising of \$10,000
 - amortization on store equipment of \$7,500
 - sales commissions expense of \$6,500

The commission figure includes on the amounts paid for 2020 sales. As of December 31, additional commissions of \$1,000 have been earned but not recorded or paid.

4. Administrative expenses consist of:
 - office salaries of \$19,000
 - utilities expense of \$8,000
 - rent expense of \$16,000

- insurance expense of \$7,000

The rent figure included \$1,250 of prepayments for the next fiscal year and the insurance includes \$1,200 for 2021.

YOUR CHALLENGE

You have been hired by the owner of FISHER OUTDOOR PRODUCTS to revise and prepare a multi-step income statement and determine the correct net income for 2020. You must also advise the owner on why some of the mistakes were made how to correct them in the future.

SOLUTION

FISHER OUTDOOR PRODUCTS
Income Statement
For the period ending December 31, 2020

Revenues		
Sales (702,000 – 10,000)		\$ 692,000
Less: Returns and Allowances	\$ 4,100	
Net Sales		<u>687,900</u>
Cost of Goods Sold		<u>470,000</u>
Gross profit		217,900
 Operating Expenses		
Selling Expenses		
Sales Salaries Expense	\$ 76,000	
Freight Out	17,200	
Amortization Expense	7,500	
Advertising Expense	10,000	
Sales Commission Exp (\$6,500 + \$1,000)	<u>7,500</u>	118,200
Administrative Expenses	\$ 19,000	
Office salaries expense	14,750	
Rent expense (\$16,000 - \$1,250)	8,000	
Utilities expense	5,800	<u>47,550</u>
Insurance expense (\$7,000 - \$1,200)		<u>165,750</u>
Total Operating Expenses		52,150
Income from Operations		
Other revenues and gains	\$ 5,300	
Interest revenue		
Other expenses and losses	<u>4,000</u>	
Interest expense		<u>1,300</u>
Net income		\$ 53,450
 Reconciliation		
Net Income as prepared by bookkeeper		\$50,000
Sales revenue unearned		(10,000)
Insurance expense applicable to 2020	1,200	
Rent expense applicable to 2020		1,250
Sales commission expense applicable to 2021		(1,000)
Drawings		<u>12,000</u>
As adjusted		\$53,450

It is important to keep track of adjustments through the use of a worksheet, subsidiary ledgers or notes. Also, knowing the operating cycle for things like commissions and prepaids. Finally, Drawings are to recorded in Equity on the Balance Sheet and does not represent to decrease in Revenue.

Accounting Cycle – discussion points:

The accounting cycle is a collective process of identifying, analyzing, and recording the accounting events of a company. It is a standard 8-step process that begins when a transaction occurs and ends with its inclusion in the financial statements.

- The accounting cycle is a process designed to make financial accounting of business activities easier for business owners.
- The first step in the eight-step accounting cycle is to record transactions using journal entries, ending with the eighth step of closing the books after preparing financial statements.
- The accounting cycle generally comprises a year or other accounting period.
- Accounting software today mostly automates the accounting cycle.

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.



**FINANCIAL ACCOUNTING
2022**

JUDGE'S EVALUATION FORM
Association Event 1

Participant: _____

INSTRUCTIONAL AREA
Financial Analysis

ID Number: _____

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the nature of the accounting cycle?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
2.	Identify and correct accounting errors?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
3.	Analyze transactions and accounts?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
4.	Prepare income statements?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
5.	Prepare management discussion and analysis?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
PRESENTATION						
6.	Demonstrate clarity of expression?	0-1	2-3	4	5	
7.	Organize ideas?	0-1	2-3	4	5	
8.	Show evidence of mature judgment?	0-1	2-3	4	5	
9.	Overall performance: appropriate appearance, poise, confidence, presentation, technique and response to judge's questions	0-1-2	3-4-5	6-7-8	9-10	
TOTAL SCORE						