



**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**

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- 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**

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- Identify and correct accounting errors.
- Demonstrate the effects of transactions on the accounting equation.
- Prepare a trial balance.
- Prepare income statements.
- Prepare management discussion and analysis.

## CASE STUDY SITUATION

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THE DIY STORE opened this past month. The manager of the store wanted to save some overhead, so a high school accounting student was hired to do the bookkeeping.

At the end of the month, the following data was compiled by the bookkeeper. However, at first glance, it is obvious that something is wrong. The bookkeeper called you, an accountant, to help fix the problem.

Below are the balances of the accounts at the end of the month:

Cash	3,900	Common Shares	\$20,000
Accounts Receivable	7,200	Retained earnings	7,300
Land	34,000	Service Revenue	9,100
Accounts Payable	5,800	Salary Expense	3,400
Note Payable	5,000	Advertising Expense	900

A quick check of the numbers and it appears that the trial balance is not to be in balance. You refer to the accounts receivable subsidiary ledger which also shows a balance of \$ 5,000, but the service revenue account seems correct.

You also determine that the following transactions during the month were not recorded:

- a. Additional land was purchased for \$60,000 by signing a note payable
- b. Additional service revenue was earned for \$10,000 on account
- c. Additional salaries of \$1,400 were not paid
- d. TV advertisement for this month was purchased on account for \$1,000

## YOUR CHALLENGE

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First, you must determine by how much the books are out of balance and come up with a simple explanation using the accounting equation to explain to the manager.

You will then add or subtract the amounts of the missed transactions to their appropriate accounts and prepare a new trial balance. You will present this trial balance to the manager. Use T-accounts if it helps.

Lastly, you need to calculate Net Income/Loss.

You will meet with the manager to go over the revisions and explain your results.

## SOLUTION

Trial Balance was out of balance by \$2,200. The Accounts Receivable amount was \$2,200 too high, probably because double accounting entries were made. To explain to the manager that the accounting equation,  $A = L + OE$  must remain in balance after every transaction. In the case of the error found, the accounting equation would have been out of balance because Accounts receivable was debited twice for the same transaction, and the Service Revenue account credited once.

- Additional land was purchased for \$60,000 by signing a note payable; debit Land and credit Note Payable \$60,000. Land now has a balance of 94,000 and Note Payable is 65,000
- Additional service revenue was earned for \$10,000 on account; debit Accounts Receivable 10,000 and credit Service Revenue 10,000. Accounts Receivable now has a balance of  $(7,200 - 2,200 + 10,000$  or 15,000) and Service Revenue has a corrected balance of  $(9,100 + 10,000)$  or 19,100
- Additional salaries of \$1,400 were not paid; debit Salary Expense 1,400 and credit Cash 1,400. Salary Expense now has a balance of 4,800 and Cash 2,500
- TV advertisement for this month was purchased on account for \$1,000; debit Advertising Expense 1,000 and credit Accounts Payable 1,000. Advertising now has a balance of 1,900 and Accounts Payable a balance of 6,800

DIY Store Trial Balance End of this month	
Cash	2,500
Accounts Receivable	15,000
Land	94,000
Accounts Payable	6,800
Note Payable	65,000
Common Shares	20,000
Retained earnings	7,300
Service Revenue	19,100
Salary Expense	4,800
Advertising Expense	1,900
Totals	<div style="display: flex; justify-content: space-between;"> <span><u>118,200</u></span> <span><u>118,200</u></span> </div>

Total Assets = 2,500 + 15,000 + 94,000	=	111,500
Total Liabilities = 6,800 + 65,000	=	71,800

DIY Store  
Income Statement  
End of this month

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Service Revenue		19,100
Expenses		
Salary Expense	4,800	
Advertising Expense	<u>1,900</u>	<u>6,700</u>
Net Income		<u><u>12,400</u></u>

## 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.

<b>Level of Evaluation</b>	<b>Interpretation Level</b>
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.



**FINANCIAL ACCOUNTING  
2023**

**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
<b>PERFORMANCE INDICATORS</b>						
1.	Identify and correct accounting errors?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
2.	Demonstrate the effects of transactions on the accounting equation?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
3.	Prepare a trial balance?	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	
<b>PRESENTATION</b>						
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	
<b>TOTAL SCORE</b>						