



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 depreciation.
- Discuss the impact of obsolescence business expense.
- Analyze transactions and accounts (e.g., purchase, sales, sales returns and allowances, uncollectible accounts, depreciation, debt).
- Comply with financial reporting and internal control laws and regulations in corporate finance.
- Demonstrate ethical work habits.

EVENT SITUATION

You are to assume the role of the accountant at COUNTY COURIER, a small logistics business in the region. The president of the company (judge) wants to know the current depreciation expense of the office building and your opinion on reclassification.

In 2018, due to an expanding customer base and increased profits, the president of COUNTY COURIER (judge) bought a building in a busy downtown neighborhood to serve as the company headquarters. The building was bought on January 1, 2018, at a cost of \$5,000,000. The building's estimated useful life is 20 years and has an estimated residual value of \$100,000. The building is amortized using a declining balance method. COUNTY COURIER employs 100 people in various capacities.

When Covid hit in 2020, COUNTY COURIER managed to stay in business as they were given an exclusive contract with the local medical community transporting documents, Covid testing kits and patient records throughout the area. Many of the 100 employees, however, began working from home. Even the drivers would take vans home in the evening and drive to their appointments the next day without coming into the office.

Today, the president (judge) has asked employees to return to the downtown location, but many are reluctant to do so as they have established home offices and save money on gas and parking.

The current asset and depreciation schedule are below. The president (judge) would like to know what the current depreciation expense is for this year. Also, as the building is sitting almost empty, the president (judge) would like your opinion on reclassifying the useful life of the building and perhaps even changing the value of the building and reducing it due to plummeting market conditions.

Date	NBV (O)	Depreciation (5 %)	NBV (C)
2018	5,000,000	250,000	4,750,000
2019	4,750,000	237,500	4,512,500
2020	4,512,500	225,625	4,286,875
2021	4,286,875	214,344	4,072,531
2022	4,072,531	203,627	3,868,904
2023	?	?	?

You will present the information to the president (judge) in a role-play to take place in the president's (judge's) office. The president (judge) will begin the role-play by greeting you and asking to hear your ideas. After you have presented the information and have answered the president's (judge's) questions, the president (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 the president of COUNTY COURIER, a small logistics business in the region. You have asked the accountant (participant) to determine the current depreciation expense of the office building and their opinion on reclassification.

In 2018, due to an expanding customer base and increased profits, you bought a building in a busy downtown neighborhood to serve as the company headquarters. The building was bought on January 1, 2018, at a cost of \$5,000,000. The building's estimated useful life is 20 years and has an estimated residual value of \$100,000. The building is amortized using a declining balance method. COUNTY COURIER employs 100 people in various capacities.

When Covid hit in 2020, COUNTY COURIER managed to stay in business as they were given an exclusive contract with the local medical community transporting documents, Covid testing kits and patient records throughout the area. Many of the 100 employees, however, began working from home. Even the drivers would take vans home in the evening and drive to their appointments the next day without coming into the office.

Today, you have asked employees to return to the downtown location, but many are reluctant to do so as they have established home offices and save money on gas and parking.

The current asset and depreciation schedule are below. You would like to know what the current depreciation expense is for this year. Also, as the building is sitting almost empty, you would like the accountant's (participant's) opinion on reclassifying the useful life of the building and perhaps even changing the value of the building and reducing it due to plummeting market conditions.

Date	NBV (O)	Depreciation (5 %)	NBV (C)
2018	5,000,000	250,000	4,750,000
2019	4,750,000	237,500	4,512,500
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2021	4,286,875	214,344	4,072,531
2022	4,072,531	203,627	3,868,904
2023	?	?	?

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. If the company were to sell the building, on what financial statement would it report the gain or loss of the asset?
2. Suppose the company has a bad year and loses money. What effect would extending the useful life of the building have on net income, depreciation and equity?

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

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

SOLUTION

Date	NBV (O)	Depreciation (5 %)	NBV (C)
2018	5,000,000	250,000	4,750,000
2019	4,750,000	237,500	4,512,500
2020	4,512,500	225,625	4,286,875
2021	4,286,875	214,344	4,072,531
2022	4,072,531	203,627	3,868,904
2023	3,868,904	193,455	3,675,449

With regards to re-classifying the building. Generally, managers can recalculate their estimate on the basis of experience and new information. Such a change in accounting estimate is rare and must be disclosed on the company's financial statements. If further down the line, the carrying costs of the asset

is determined to be more than the recoverable costs (i.e., the higher of the fair market value and the value in use), the IFRS does permit a company to reverse the impairment loss by writing the asset up to its carrying amount. No reversal is allowed.

Judges Questions:

1. If the asset were to be sold, the resulting revenue would be reported on the income statement under the heading non-operating income.
2. An accounting change that lengthens the estimated useful life of an asset decreases depreciation expense, thus increasing net income and increases owner's equity.

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 District Event 2

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 depreciation?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Discuss the impact of obsolescence business expense?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Analyze transactions and accounts?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Comply with financial reporting and internal control laws in corporate finance?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Demonstrate ethical work habits?	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						