



**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 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**

- 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**

1. Describe the concept of insurance.
2. Explain types of investments.
3. Describe types of financial-service providers.
4. Discuss financial planning process.
5. Describe the need for financial information.

**EVENT SITUATION**

You are to assume the role of a recently hired financial planner for ABOUT US MICROSPECT PHOTO DESIGNS, a new small family owned business that is a retailer and manufacturer. The purpose of the company is to bring personal photos to life through beautiful pictures, books, invitations and other keepsakes. In addition to photographs, the company offers rentals of a wide variety of camera, supplies and video equipment. ABOUT US MICROSPECT PHOTO DESIGNS has just opened their doors for business!

The owner of the company (judge) is a new entrepreneur and really values your opinion. At the time, the owner (judge) is trying to decide if the company should purchase insurance and begin the process of placing funds in investments. The owner (judge) knows very little about the financial planning process and has requested a meeting with you to understand it better.

The owner (judge) has also asked you to come prepared to the meeting to discuss the concept of insurance as well as to determine if purchasing investments is a wise idea. The owner (judge) has asked you to come prepared to discuss specifically stocks, bonds and annuities as well as the different financial-service providers of these products. The company currently has \$825,000 located in a business money market account at a small bank. You know that you must explain in detail the need for the owner (judge) to provide financial information (since at times the owner, can be very protective of releasing any personal information).

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 the information and have answered the owner's (judge's) questions, the owner (judge) will conclude the role-play by thanking you for your work.

## JUDGE'S INSTRUCTIONS

### DIRECTIONS, PROCEDURES AND JUDGE'S ROLE

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

1. Procedures
2. 21<sup>st</sup> Century Skills and Performance Indicators
3. Event Situation
4. Judge Role-play Characterization  
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.
5. Judge's Evaluation Instructions
6. Judge's 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 owner of ABOUT US MICROSPECT PHOTO DESIGNS, a new small family owned business that is a retailer and manufacturer. The purpose of the company is to bring personal photos to life through beautiful pictures, books, invitations and other keepsakes. In addition to photographs, the company offers rentals of a wide variety of camera, supplies and video equipment. ABOUT US MICROSPECT PHOTO DESIGNS has just opened their doors for business!

You have asked a newly hired financial planner (participant) to help decide if the company should purchase insurance and begin the process of placing funds in investments. You know very little about the financial planning process and have requested a meeting with the financial planner (participant) to understand it better.

You have also asked the financial planner (participant) to come prepared to the meeting to discuss the concept of insurance as well as to determine if purchasing investments is a wise idea. You have asked the financial planner (participant) to come prepared to discuss specifically stocks, bonds and annuities as well as the different financial-service providers of these products. The company currently has \$825,000 located in a business money market account at a small bank. The financial planner (participant) must explain in detail the need for you to provide financial information (since at times the owner can be very protective of releasing any personal information).

The financial planner (participant) will present the 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 different types of insurance that the company should purchase and why?
2. Are there different types of stocks issued? Is so, explain?

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

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

## **SOLUTION**

### **1. Describe the concept of insurance.**

**Insurance** is a financial product that allows the transfer of financial risk from an individual to a pooled group of risks by means of a two-party contract. The **insured** party obtains a specified amount of coverage against an uncertain event for a smaller but certain payment. Insurance, in general protects against loss.

### **2. Explain types of investments.**

Stocks and bonds can also be issued by the company when they choose to grow and possibly incorporate.

- a. **Stocks** are also known as shares. It is a type of investment that is an ownership in a corporation and represents a claim on the part of the corporation's assets and earnings.
- b. **Bonds** are a fixed income investment in which an investor (like possibly the owner) loans money to an entity for a period of time at a variable or fixed interest rates. Usually bonds are sold to fund products particularly government projects. When the bond is sold back; the owner will receive interest.
- c. **Annuities** are a financial product that pays out a fixed stream of payments to an individual. Annuities are created and sold by financial institutions, which accept and invest funds from individuals and then, at a later time in life issue payments.

### **3. Describe financial service providers.**

Financial service providers are a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investments funds to include investment fund managers.

### **4. Discuss financial planning process.**

The financial planning process includes determining whether and how an individual or business can meet goals through management of financial resources. There are six steps to the process:

1. Establishing and defining the client-planner relationship
2. Gathering client data including goals

3. Analyzing and evaluating the client's current financial status
4. Developing and presenting recommendations and/or alternatives
5. Implementing the recommendations
6. Monitoring the recommendations

#### **5. Describe the need for financial information.**

The only way good financial information can be provided is with the understanding and usage of accurate financial statement from a business or individual. This information will help planners (such as the participant) provide relevant suggestions.

### **RESPONSES TO THE JUDGE'S QUESTIONS**

#### **1. What are the different types of insurance that the company should purchase and why?**

- a. **Professional Liability Insurance** – also known as errors and omissions (E&O) insurance, this insurance covers a business against negligence claims due to harm that results from mistakes or failure to perform.
- b. **Property Insurance** – this insurance covers equipment, signage, inventory and furniture in the event of a fire, storm or theft.
- c. **Workers Compensation** – this insurance will cover medical treatment, disability and death benefits in the event an employee is injured or dies as a result of his work with that business.
- d. **Product Liability Insurance** – this make sure its products are safe can find itself named in a lawsuit due to damages caused by one of its products.
- e. **Vehicle Insurance** – this insurance protects against lawsuits for accidents and other perils caused to others in the case of an accident.
- f. **Business Interruption Insurance** – business interruption insurance compensates a business for its lost income during whether, disasters and other catastrophes.

#### **2. Are there different types of stocks issued? If so, what are they?**

There are two types of stocks; common and preferred.

- a. **Common shares** represent ownership in a company and a claim (dividends) on a portion of profits. Investors get one vote per share to elect the board members, who oversee the major decisions made by management.
- b. **Preferred shares** usually guarantee investors a fixed dividend forever. This is different than common stock, which has variable dividends that are never guaranteed. Another advantage is that in the event of liquidation preferred shareholders are paid off before the common shareholder.

## JUDGE'S EVALUATION INSTRUCTIONS

### Evaluation Form Information

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 being 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 chairperson 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.

## BUSINESS FINANCE SERIES, 2019

### JUDGE'S EVALUATION FORM SAMPLE

Participant: \_\_\_\_\_

### INSTRUCTIONAL AREA: Financial Analysis

I.D. Number: \_\_\_\_\_

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Describe the concept of insurance?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain types of investments?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Describe types of financial-service providers?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Discuss financial planning process?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Describe the need for financial information?	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>						