



**CAREER CLUSTER**

Finance

**CAREER PATHWAY**

Accounting

**INSTRUCTIONAL AREA**

Financial Analysis

**ACCOUNTING APPLICATIONS 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 need for financial information.
2. Maintain job order cost sheets.
3. Explain the nature of overhead/operating costs.
4. Discuss the use of cost-volume-profit analysis.
5. Explain factors that influence customer/client/business buying behavior.

## EVENT SITUATION

You are to assume the role of accounting manager of JOTTER MANUFACTURERS, a company that manufactures a variety of specialty notebooks that have increasingly gained popularity over the past year. The senior sales manager (judge) has asked for your help in determining costs so that prices can be set for a new notebook that features a foil imprint that will debut on the market.

JOTTER MANUFACTURERS found that because of the specialty and unique design of its notebooks, it usually produces a range of notebooks, depending on model, of 10,000 to 30,000 notebooks per model per year. Because this notebook has yet to be advertised, the optimal quantity to produce is yet to be determined, but a competitor has a similar product on the market retailing for \$4.75.

You will complete the cost schedule, and explain your work to the senior sales manager (judge).

	Number of notebooks produced		
	10,000	20,000	30,000
<b>Total Costs:</b>			
Total variable costs	\$15,000	_____	_____
Total fixed costs	<u>\$19,000</u>	_____	_____
Total costs	\$34,000	_____	_____
<b>Costs Per Unit:</b>			
Variable cost per unit	_____	_____	_____
Fixed cost per unit	_____	_____	_____
Total cost per unit	_____	_____	_____

When you explain the total cost per unit to the senior sales manager (judge), you must also explain the following:

- Types of variable costs that would be included in manufacturing these notebooks.
- Types of fixed costs that would be included in manufacturing these notebooks.
- The nature of overhead and operating costs.
- Why financial information is important in the pricing function.

Finally, you must make a recommendation and provide a rationale for the quantity to produce and pricing per unit.

You will present your work to the senior sales manager (judge) in a role-play to take place in the senior sales manager's (judge's) office. The senior sales manager (judge) will begin the role-play by greeting you and asking to hear your ideas. After you have presented the work and have answered the senior sales manager's (judge's) questions, the senior sales manager (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 senior sales manager of JOTTER MANUFACTURERS, a company that manufactures a variety of specialty notebooks that have increasingly gained popularity over the past year. You have asked for the accounting manager's (participant's) help in determining costs so that prices can be set for a new notebook that features a foil imprint that will debut on the market

JOTTER MANUFACTURERS found that because of the specialty and unique design of its notebooks, it usually produces a range of notebooks, depending on model, of 10,000 to 30,000 notebooks per model per year. Because this notebook has yet to be advertised, the optimal quantity to produce is yet to be determined, but a competitor has a similar product on the market retailing for \$4.75.

The accounting manager (participant) will complete the cost schedule, and explain his/her work to you.

	Number of notebooks produced		
	10,000	20,000	30,000
<b>Total Costs:</b>			
Total variable costs	\$15,000	_____	_____
Total fixed costs	<u>\$19,000</u>	_____	_____
Total costs	\$34,000	_____	_____
<b>Costs Per Unit:</b>			
Variable cost per unit	_____	_____	_____
Fixed cost per unit	_____	_____	_____
Total cost per unit	_____	_____	_____

When the accounting manager (participant) explains the total cost per unit to you, the accounting manager (participant) must also explain the following:

- Types of variable costs that would be included in manufacturing these notebooks.
- Types of fixed costs that would be included in manufacturing these notebooks.
- The nature of overhead and operating costs.
- Why financial information is important in the pricing function.

Finally, the accounting manager (participant) must make a recommendation and provide a rationale for the quantity to produce and pricing per unit.

The participant will present the plan 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. Based on your cost schedule, should we consider a quantity of 40,000 or more?
2. How do you think customers may be influenced if our prices are higher than our competitors for a similar product?

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

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

## SOLUTION

	Number of notebooks produced		
	10,000	20,000	30,000
<b>Total Costs:</b>			
Total variable costs	\$15,000	\$30,000	\$45,000
Total fixed costs	<u>\$19,000</u>	<u>\$19,000</u>	<u>\$19,000</u>
Total costs	\$34,000	\$49,000	\$64,000
<b>Costs Per Unit:</b>			

Variable cost per unit	\$1.50	\$1.50	\$1.50
Fixed cost per unit	<u>\$1.90</u>	<u>\$0.95</u>	<u>\$.063</u>
Total cost per unit	\$3.40	\$2.45	\$2.13

Answers will vary but some suggestions are provided below.

**Types of variable costs that would be included in manufacturing these notebooks.**

Variable costs are expenses that change with volume. These may include wage expenses or materials used in the production of a product. For variable costs, the expense totals will change with the volume, but the variable cost per unit remains the same.

**Types of fixed costs that would be included in manufacturing these notebooks.**

Fixed costs are expenses that do not change with volume. They remain the same no matter the volume. These may include warehouse rent expense or equipment rental. As the number of units increases, there is no change in the fixed cost, but the fixed cost per unit will decrease.

**Why financial information is important in the pricing function.**

Financial information is important to gather all the costs associated with manufacturing a product so that it can be priced accordingly and at the proper profit margin.

**Recommendation of the quantity to order and pricing.**

Cost-volume-profit analysis is used by companies to figure out how changes in costs and volumes affect their net income. In this case, answers may vary, but should be supported by data. If the retail price for the notebooks is consistent across all quantities, then the higher volume reduces the fixed cost per unit and makes the books more profitable; the lower volume increases the fixed cost per unit and makes the books less profitable.

**Overhead Costs**

Overhead expenses represent costs that are more static and relate to general business functions, such as paying accounting personnel and facility costs.

**Operating Costs**

Operating expenses include materials, labor and machinery used to make a product or deliver a service.

## 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.



**ACCOUNTING APPLICATIONS SERIES, 2018**

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

**JUDGE'S EVALUATION FORM**  
DISTRICT EVENT #2

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

**INSTRUCTIONAL AREA**  
Financial Analysis

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Describe the need for financial information?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Maintain job order cost sheets?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Explain the nature of overhead/operating costs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Discuss the use of cost-profit-volume analysis?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Explain factors that influence customer/client/business buying behavior?	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>						