



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 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

1. Explain forms of financial exchange.
2. Explain the nature of overhead/operating costs.
3. Describe the need for financial information.
4. Discuss the financial planning process.
5. Apply information to accomplish a task.

EVENT SITUATION

You are to assume the role of an independent financial consultant assisting the owner (judge) of PET HOUSES 4 US, a small retail and manufacturing company that sells custom made pet houses. The owner (judge) has asked for your analysis and recommendation regarding acceptable customer payment methods.

Last week the owner (judge) received a call from the bank stating that a customer's check in the amount of \$825 had "bounced" because of insufficient funds in the customer's account. This is one of several checks that have been returned in the past few months. The owner (judge) receives bank fees and time is wasted going through a collection agency trying to retrieve these funds back from the customer.

Over the past year, PET HOUSES 4 ALL has generated sales revenue of \$873,250 received in various forms of payment (broken down below):

Credit Cards: 60% of sales were paid using either VISA or MasterCard. Merchant fees are 2% of the total amount charged.

Debit Cards: 20% of sales were paid using debit cards and merchant fees are .20% of the total amount charged.

Checks: 10% of customer sales were traditional paper checks. Dishonored checks totaled \$15,230. Bank fees were \$980. Collection agency fees were \$1,300.

The final 10% of the money collected was paid for by actual cash. The owner (judge) has requested a meeting with you to obtain your analysis and recommendation concerning the costs being incurred by continuing to accept traditional paper checks for payment. Your presentation to the owner (judge) must address the following:

- Explain each of the three payment methods currently received from customers (other than cash).
- Calculate and explain the costs to the business resulting from customers writing bad or dishonored checks.
- Determine the cost of each payment method as a percentage of the sales paid by that method.
- State your recommendation along with rationale for each of the following alternatives, so that the client could make a decision based on the information:
 - a. Continue to accept traditional paper checks for payment.
 - b. Continue to accept traditional paper checks but under additional conditions.
 - c. Immediately discontinue accepting traditional paper checks for customer payment.

You will present your analysis and recommendation 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 your ideas. After you have presented 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. 21st 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 owner of PET HOUSES 4 US, a small retail and manufacturing company that sells custom made pet houses. You have asked an independent financial consultant (participant) for an analysis and recommendation regarding acceptable customer payment methods.

Last week you received a call from the bank stating that a customer's check in the amount of \$825 had "bounced" because of insufficient funds in the customer's account. This is one of several checks that have been returned in the past few months. You have received bank fees and time is wasted going through collection agencies trying to retrieve these funds back from the customer.

Over the past year, PET HOUSES 4 ALL has generated sales revenue of \$873,250 received in various forms of payment (broken down below):

Credit Cards: 60% of sales were paid using either VISA or MasterCard. Merchant fees are 2% of the total amount charged.

Debit Cards: 20% of sales were paid using debit cards and merchant fees are .20% of the total amount charged.

Checks: 10% of customer sales were traditional paper checks. Dishonored checks totaled \$15,230. Bank fees were \$980. Collection agency fees were \$1,300.

The final 10% of the money collected was paid for by actual cash. You have requested a meeting with an independent financial consultant (participant) to obtain an analysis and recommendation concerning the costs being incurred by continuing to accept traditional paper checks for payment. The independent financial consultant (participant) has prepared a presentation that must address the following:

- Briefly explain each of the three payment methods currently accepted (other than cash).
- Calculate and explain the costs to the business resulting from customers writing bad or dishonored checks.
- Determine the cost of each payment method as a percentage of the sales paid by that method. Compare and analyze the three percentages (rounded to one decimal percentage place).
- State your recommendation along with rationale for each of the following alternatives, so that the client could make a decision based on the information:
 - a. Continue to accept traditional paper checks for payment.
 - b. Continue to accept traditional paper checks but under additional conditions.
 - c. Immediately discontinue accepting traditional paper checks for customer payment.

The independent financial consultant (participant) will present an analysis and recommendation to you in a role-play to take place in your office. You will begin the role-play by greeting the independent financial consultant (participant) and asking to hear their ideas.

During the course of the role-play you are to ask the following questions of each participant:

1. What is a PIN based- transaction?
2. Is a debit card or credit card more expensive for the consumer?

After the independent financial consultant (participant) has presented and answered your questions, you will conclude the role-play by thanking them for your work.

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

Solutions:

1. Explain the forms of Financial Exchange:

Explain each of the three payment methods currently received from customers (other than cash).

A. Credit Cards – It is a small card issued by a bank giving the holder an option to borrow funds. The interest is used for short-term financing. Interest usually begins one month after a purchase is made. Each card is given a pre-set limit to charge.

B. Debit Cards – A payment card that deducts money directly from a consumer’s checking account to pay for a purchase of items. Debit cards are very handy because they stop the need for people to carry cash.

C. Checks – Actual paper item which serves as a promise to pay. It is written off of an actual checking account.

2. Explain the nature of overhead/operating cost

Calculate and explain the costs to the business resulting from customers writing bad or dishonored checks.

\$15,230 dishonored checks never recovered
\$ 980 Returned check fees charged to the bank
\$ 1,300 fees paid to collection agencies
\$17,510 Total cost of dishonored checks to the business

3. Calculate financial ratios:

Determine the cost of each payment method (as a percentage of the sales paid by that method).

Sales by credit card = \$523,950 (\$873,250 X 60%)
\$10,479 (credit card costs) / \$523,950 (credit card sales) = .02%
Actual sale amount = \$513,471

Sales by debit card = \$174,650 (\$873,250 X 20%)
\$3493 (debit card costs) / \$174,650 (debit card sales) = .02%
Actual Sale amount = \$171,157

Sales by check = \$87,325
\$ 17,510 (check costs) / \$87,325 = 20%
Actual Sale amount = \$69,815

4. Discuss the financial planning process:

State your recommendation along with rationale from one of the following alternatives

On a percentage basis, checks are 19.98% more expensive than the credit and debit card payments. As an independent financial planner (participant); the decision would totally be up to the client but this is the information which should be provided for each method with the recommendation be towards option C to immediately discontinue accepting traditional paper checks.

- a. Continue to accept traditional paper checks for payment – The customer can continue to accept traditional checks since 10% of the payments do come from checks but must understand the amount of work that will have to be done in the result of non-payment and that there would 20% more in fee's. This is by far the most expensive and tedious process of all.
- b. Continue to accept traditional paper checks but under additional conditions – The client could choose this method based on the fact that only 10% of total sales are collected by the check method but on a case by case basis so the owner can really screen the customer. It would not be an advertised method since 20% of the amount collected goes towards fee income. It also is extremely tedious process for the client.
- c. Immediately discontinue accepting traditional paper checks for customer payment - Since, sales are only 10% by payment of checks but the client is losing 20% of income this type of payment method is the best recommendation combined with the fact that the process takes a long time out of the customer's normal business routine.

Answers to the Judges Questions:

1. What is a PIN based- transaction?

These type of payments require the customer to put in a code which should be only known by the cardholder. It is the most secure method for the customer and the vendor since the purchase cannot be charged back. With the PIN number; the client is eligible to receive cash back through the purchase if offered at an ATM machine.

2. Is a debit card or credit card more expensive for the consumer?

Since, a credit card is considered short term financing it will be assigned an interest rate by the bank which the client would have to pay if the bill is not paid within 30 days.

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.

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, 2017

Participant: _____

JUDGE'S EVALUATION FORM
DISTRICT EVENT #1

I.D. Number: _____

INSTRUCTIONAL AREA:
Financial Analysis

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Explain forms of financial exchange?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain the nature of overhead/operating costs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Describe the need for financial information	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Discuss the financial planning process?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Apply information to accomplish a task?	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						