



**CAREER CLUSTER**  
Finance

**CAREER PATHWAY**  
Corporate Finance

**INSTRUCTIONAL AREA**  
Economics

## **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. Explain the types of economic systems.
2. Identify the impact of small business/entrepreneurship on market economies.
3. Identify factors affecting a business's profit.
4. Explain the concept of competition.
5. Discuss the use of cost-volume-profit analysis.

## EVENT SITUATION

You are to assume the role of a small business development officer with CITY MAJESTIC FINANCIAL, a non-profit organization that helps business owners with growth and development and offers support and information to potential business owners. A client (judge) has asked you for information regarding economics and entrepreneurship.

The client (judge) owns a business and has requested the following information topics:

- Types of economic systems and explanation of each
- The role of small business on the economy

The client (judge) has provided financials concerning the business. The client (judge) would like you to include the financials in your presentation when explaining business profit. The client (judge) would like you to calculate and explain economics of one unit, create an income statement to show profit, and calculate the break even point in order to generate a profit. You must also explain the effects of competition.

### Financials:

Selling Price per Unit	\$18.00
COGS	\$10.31
Number of Units Sold	3,000 (one month)
Variable Expenses	\$30,930
Fixed Operating Expenses	\$3,460.05
Taxes @ 15%	\$2,941.49

You will present the information to the client (judge) in a role-play to take place in your office. The client (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 client's (judge's) questions, the client (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 a client at CITY MAJESTIC FINANCIAL, a non-profit organization that helps business owners with growth and development and offers support and information to potential business owners. You have asked the small business development officer (participant) for information regarding economics and entrepreneurship.

You own a business and have requested the following information topics:

- Types of economic systems and explanation of each
- The role of small business on the economy

You have provided financials concerning your business. You would like the small business development officer (participant) to include the financials in the presentation when explaining business profit. You would like the small business development officer (participant) to calculate and explain economics of one unit, create an income statement to show profit, and calculate the break even point in order to generate a profit. The small business development officer (participant) must also explain the effects of competition.

#### Financials:

Selling Price per Unit	\$18.00
COGS	\$10.31
Number of Units Sold	3,000 (one month)
Variable Expenses	\$30,930
Fixed Operating Expenses	\$3,460.05
Taxes @ 15%	\$2,941.49

The small business development officer (participant) will present the information to you in a role-play to take place in the small business development officer's (participant's) 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 is the difference between variable and fixed cost?
2. What is the difference between return on investment and return on sales?

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

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

## SOLUTION

### 1. Explain the types of economic systems.

- a. **Traditional Economic System** – traditional economies produce products and services that are a result of their beliefs, customs, traditions, religions, etc.
- b. **Command Economic System** – large part of the economic system is controlled by a centralized power; often, a federal government.
- c. **Market Economic System** – a market economy is very similar to a free market. The government does not control vital resources, valuable goods or any other major segment of the economy. In this way, organizations run by the people determine how the economy runs, how supply is generated, what demands are necessary, etc.
- d. **Mixed Economic System** – mixed economic system is just like it sounds (a combination of economic systems), but it primarily refers to a mixture of a market and command economy (for obvious reasons, a traditional economy does not typically mix well).

### 2. Identify the impact of small business/entrepreneurship on market economies.

The nearly 27 million small businesses in the United States generate about 50 percent of our GDP. They also contribute to growth and vitality in several important areas of economic and socio-economic development. In particular, small businesses do the following: Create jobs. When jobs are created, taxes are paid and the government can do what it needs to do to help its people.

### 3. Identify factors affecting a business's profit.

#### Economics of One Unit:

Selling Price (per Unit)	\$18.00
COGS (per Unit)	\$10.31
Other Variable Expenses (per Unit)	
Total Variable Expenses (per Unit)	\$10.31

Contribution Margin (per Unit) \$7.69

**Income Statement:**

<b>Selling Price per Unit</b>	<b>\$18.00</b>	
<b>Number of Units Sold</b>	<b>3000</b>	
<b>Total Sales</b>		<b>\$54,000.00</b>
<b>Variable Expenses</b>	<b>\$30,930.00</b>	
<b>Contribution Margin</b>		<b>\$23,070.00</b>
<b>Fixed Operating Expenses</b>	<b>\$3,460.05</b>	
<b>Pre-Tax profit</b>		<b>\$19,609.95</b>
<b>Taxes@15%</b>	<b>\$2,941.49</b>	
<b>Net Profit</b>		<b>\$939.59</b>

**Monthly Break-Even Point**

**Monthly Fixed Expenses** **\$288.33 ( \$3,460.05 / 12)**

**Contribution Margin (per Unit)** **\$7.69 (\$18.00-\$10.31)**

**Monthly Break-Even Units** **37.49**

Monthly break-even point means that the entrepreneur has to sell 38 units to break even each month. Additional units sold would be profit.

**4. Explain the concept of competition.**

Describes the collection of benefits that are the most important determinants of a customer's choice between different competing products or services. This is what should have a key factor in choosing a price for an entrepreneur.

**5. Discuss the use of cost volume profit analysis. (AKA Monthly Break-Even Units)**

**Monthly Break-Even Units** **37.49**

Monthly break-even point means that the entrepreneur has to sell 38 units to breakeven each month. Additional units sold would be profit.

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

### **1. What is the difference between variable and fixed cost?**

Fixed cost remain the same, no matter how much output a company produces. These are costs such as rent, electricity (price the same each month). Variable costs are the costs that change with the amount of goods or services that are produced.

### **2. What is the difference between Return on Investment (ROI) and Return on Sales (ROS)?**

ROI - The amount of money that is received when actually investing in the company (net profit/assets)

ROS - profit margin which indicates how much is being made per unit of sales (divide profit/sales)

## 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 DISTRICT EVENT #1

**INSTRUCTIONAL AREA:**  
Economics

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

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

Did the participant:

		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Explain the types of economic systems?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Identify the impact of small business/entrepreneurship on market economies?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Identify factors affecting a business's profit?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Explain the concept of competition?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Discuss the use of cost-volume-profit analysis?	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>						