



CAREER CLUSTER

Finance

CAREER PATHWAY

Accounting

INSTRUCTIONAL AREA

Financial Analysis

MANAGERIAL ACCOUNTING EVENT

PARTICIPANT INSTRUCTIONS

- The event will be presented to you through your reading of the General Performance Indicators, Specific Performance Indicators and Case Study Situation. You will have up to 30 minutes to review this information and prepare your presentation. You may make notes to use during your presentation.
- You will have up to 15 minutes to make your presentation to the judge (you may have more than one judge).
- Turn in all of your notes and event materials when you have completed the event.

GENERAL PERFORMANCE INDICATORS

- Communications skills – the ability to exchange information and ideas with others through writing, speaking, reading or listening
- Analytical skills – the ability to derive facts from data, findings from facts, conclusions from findings and recommendations from conclusions
- Production skills – the ability to take a concept from an idea and make it real
- Priorities/time management – the ability to determine priorities and manage time commitments
- Economic competencies

SPECIFIC PERFORMANCE INDICATORS

- Explain the role of managerial accounting techniques in business management.
- Determine relevant cost and revenue data for decision-making purposes.
- Determine the cost/value of inventory.
- Calculate business profitability.
- Settle insurance losses.

CASE STUDY SITUATION

You are the junior controller of GIBSON'S, a small family run retail operation. On April 11, 2019, fire damaged the office and warehouse of GIBSON'S. Most of the accounting records were destroyed, but the following account balances were determined as at March 31, 2019:

Merchandise Inventory, January 1, 2019	\$ 80,000
Sales (January 1 to March 31, 2019)	\$180,000
Purchases (January 1 to March 31, 2019)	\$ 94,000

The company's fiscal year end is December 31, and the company uses the periodic inventory system.

From an analysis of the April bank statement, you discover cancelled checks of \$4,200 for cash purchases between April 1 and April 10, 2019. Deposits during that same period totaled \$18,500. Of that amount, 60% represented collections on accounts receivable and the balance was cash sales.

You have corresponded with the company's principal suppliers and it was determined that \$12,400 remain on account from April 1 to April 10. Of that amount, \$1,800 was for merchandise still in transit, FOB destination.

Correspondence with the principal customers produced acknowledgments of credit sales totaling \$28,000 from April 1 to April 10. It is estimated that \$4,600 of credit sales will never be acknowledged or recovered from customers.

GIBSON'S has met with the insurance company, and they have offered an insurance payout equal to the average gross profit margins for the preceding two years. The insurance company also wants guarantees that new policies will be put in place to safeguard future inventory. The partial financial statements for the previous two years show the following data.

	2018	2017
Net Sales	\$600,000	\$480,000
Cost of Goods Purchased	416,000	356,000
Beginning Inventory	60,000	40,000
Ending Inventory	80,000	60,000

YOUR CHALLENGE

GIBSON'S controller believes that the offer from the insurance company is adequate. The controller has asked you to calculate the actual loss of inventory caused by the fire. You are also required to determine the correct balance for Sales and Purchases, as of April 10; the average gross profit margin to be used for the loss calculation, and how much should actually be claimed.

You are also to advise the controller on safeguards to mitigate inventory loss in the future.

SOLUTION

Sales	\$180,000
Cash sales (\$18,500 x 40%).....	7,400
Acknowledged credit sales April 1 – 10	28,000
Sales made but not acknowledged	<u>4,600</u>
Sales as of April 10	<u>\$220,000</u>

Purchases	\$94,000
Cash purchases April 1-10	4,200
Credit purchases	\$12,400
Less: Items in transit	<u>1,800</u>
Purchases as of April 10.....	<u>\$108,800</u>

	<u>2018</u>	<u>2017</u>
Net sales	<u>\$600,000</u>	<u>\$480,000</u>
Cost of goods sold		
Inventory, January 1	60,000	40,000
Cost of goods purchased.....	<u>416,000</u>	<u>356,000</u>
Cost of goods available for sale.....	476,000	396,000
Inventory, December 31	<u>80,000</u>	<u>60,000</u>
Cost of goods sold	<u>396,000</u>	<u>336,000</u>
Gross profit	<u>\$204,000</u>	<u>\$144,000</u>
Gross profit margin	34%	30%
Average gross profit margin (34% + 30%) ÷ 2.....	32%	

Sales	\$220,000
Less: Gross profit (\$220,000 x 32%).....	<u>70,400</u>
Cost of goods sold.....	<u>\$149,600</u>

Inventory, January 1	\$ 80,000
Purchases	<u>108,800</u>
Cost of goods available for sale	188,800
Cost of goods sold (68% of \$220,000)	<u>149,600</u>
Estimated inventory at the time of fire.....	<u>\$ 39,200</u>

Estimated inventory at the time of the fire.....	\$39,200
Less: Inventory salvaged.....	<u>19,000</u>
Estimated inventory loss	<u>\$20,200</u>

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.



**MANAGERIAL ACCOUNTING
2020**

JUDGE'S EVALUATION FORM
Association Event 1

Participant: _____

INSTRUCTIONAL AREA
Financial Analysis

ID Number: _____

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Explain the role of managerial accounting techniques in business management?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
2.	Determine relevant cost and revenue data for decision-making purposes?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
3.	Determine the cost/value of inventory?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
4.	Calculate business profitability?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
5.	Settle insurance losses?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
PRESENTATION						
6.	Demonstrate clarity of expression?	0-1	2-3	4	5	
7.	Organize ideas?	0-1	2-3	4	5	
8.	Show evidence of mature judgment?	0-1	2-3	4	5	
9.	Overall performance: appropriate appearance, poise, confidence, presentation, technique and response to judge's questions	0-1-2	3-4-5	6-7-8	9-10	
TOTAL SCORE						