



**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 demonstrate the 21<sup>st</sup> Century Skills and 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**

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- 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**

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- Journalize business transactions.
- Analyze transactions and accounts.
- Explain the nature of accounting standards.
- Describe the nature of the income statement.
- Discuss the role of ethics in accounting.

## EVENT SITUATION

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You are to assume the role of the controller at OFFICE SUPPLIES COMPANY. The vice president of the company (judge) wants you to clarify transactions.

The sales and marketing manager at the company earns a monthly bonus based on net income. The manager is not happy with the bonus received for October. The manager has complained to the vice president (judge) about the bonus. The manager believes that you are not correctly calculating net income. The vice president (judge) has asked to meet with you for clarification of specific transactions of interest. The transactions are listed below.

- a. On 10/31 the manager made a sale of 500 ink cartridges on credit for \$50 each at a cost of \$30 each. The ink cartridges shipped to the customer on 11/1.
- b. Received an invoice for Web hosting fees of \$500 for the month of October due November 15.

You are to:

- Explain how each transaction is journalized
- Explain how each transaction affects net income on the October Income Statement
- Discuss ethical considerations related to basing bonuses on net income

You will present your ideas to the vice president (judge) in a role-play to take place in the vice president's (judge's) office. The vice president (judge) will begin the role-play by greeting you and asking to hear your ideas. After you have presented ideas and have answered the vice president's (judge's) questions, the vice president (judge) will conclude the role-play by thanking you for your work.

## JUDGE INSTRUCTIONS

### DIRECTIONS, PROCEDURES AND JUDGE ROLE

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

1. Procedures, 21<sup>st</sup> Century Skills and Performance Indicators
2. Event Situation
3. Judge Role-Play Characterization  
Allow the participants to present their ideas without interruption, unless you are asked to respond. 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.
4. Judge Evaluation Instructions and Judge Evaluation Form  
Please use a critical and consistent eye in rating each participant.

### JUDGE ROLE-PLAY CHARACTERIZATION

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You are to assume the role of the vice president of OFFICE SUPPLIES COMPANY. You want the controller (participant) to clarify transactions.

The sales and marketing manager at the company earns a monthly bonus based on net income. The manager is not happy with the bonus received for October. The manager has complained to you about the bonus. The manager believes that the controller (participant) is not correctly calculating net income. You have asked to meet with the controller (participant) for clarification of specific transactions of interest. The transactions are listed below.

- a. On 10/31 the manager made a sale of 500 ink cartridges on credit for \$50 each at a cost of \$30 each. The ink cartridges shipped to the customer on 11/1.
- b. Received an invoice for Web hosting fees of \$500 for the month of October due November 15.

The controller (participant) must:

- Explain how each transaction is journalized
- Explain how each transaction affects net income on the October Income Statement
- Discuss ethical considerations related to basing bonuses on net income

The participant will present 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. Why is it important to offer bonuses or incentives to our sales team?
2. Is bonus money taxed?

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

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

## SOLUTION

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- **Explain how each transaction is journalized**

- On 10/31 the manager made a sale of 500 ink cartridges on credit for \$50 each at a cost of \$30 each. The ink cartridges shipped to the customer on 11/1.

Debit Accounts Receivable	25,000
Credit Sales	25,000
Debit Cost of Goods Sold	15,000
Credit Inventory	15,000

- Received an invoice for Web hosting fees of \$500 for the month of October due November 15.

Debit Marketing or Web Hosting Exp	500	
Credit Accounts Payable		500

- **Explain how each transaction affects net income on the October Income Statement**

- On 10/31 the manager made a sale of 500 ink cartridges on credit for \$50 each at a cost of \$30 each. The ink cartridges shipped to the customer on 11/1.

This transaction will not affect net income in the month of October because the ink cartridges were not shipped until November. The revenue recognition principle states that revenue is recognized/recorded when earned. In this scenario, it is not earned until it is shipped. Therefore, net income is not affected until November.

- Received an invoice for Web hosting fees of \$500 for the month of October due November 15.

Expenses are recorded when incurred. Since these fees are for the month of October, they are recorded in the month of October even though they will not be paid until November. In October, this transaction will cause expenses to increase, therefore, decreasing net income because the formula for net income is revenue less expenses.

- **Discuss ethical considerations related to basing bonuses on net income**

Basing bonuses on net income is better than basing them on revenue. By using net income, you are encouraging management to also control costs. However, both methods can create ethical considerations. Management might attempt to manipulate net income by shipping items to customers in advance of an actual order. They may also try to manipulate net income by delaying expenses to future time periods.

## EVALUATION INSTRUCTIONS

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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.

<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  
2020**

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

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

ID Number: \_\_\_\_\_

**INSTRUCTIONAL AREA:**  
Financial Analysis

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Journalize business transactions?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Analyze transactions and accounts?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Explain the nature of accounting standards?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	Describe the nature of the income statement?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Discuss the role of ethics in accounting?	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>						