



**CAREER CLUSTER**

Finance

**CAREER PATHWAY**

Corporate (Business) Finance

**INSTRUCTIONAL AREA**

Financial Analysis

**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 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**

- 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**

- Discuss the analysis of a company's financial situation using its financial statements.
- Extract relevant information from written materials.
- Describe the need for financial information.
- Interpret business data correlations.
- Draw conclusions based on information analysis.

## EVENT SITUATION

You are to assume the role of the manager of GENESIS ELECTRONICS, a small electronics business that sells mobile phones, desktop computers, and laptops. The owner of the business (judge) wants you to analyze the inventory account by calculating the inventory turnover ratio and suggest improvements.

The owner (judge) wants you to analyze the monthly performance of the company and focus on inventory. You will analyze the inventory account by calculating the inventory turnover ratio for each product. The formula is:

$$\text{Cost of Goods Sold} / ((\text{Beginning Inventory} + \text{Ending Inventory}) / 2)$$

This ratio shows how many times on average a product is sold over a period of time.

You are to meet with the owner (judge) to discuss the results and explain how the ratio can be improved. The company's partial income statement and partial balance sheet for the first quarter are below.

Genesis Electronics  
Partial Balance Sheet  
Quarter 1

	Beginning QTR 1	Ending QTR 1
<b>Assets</b>		
<b>Current Assets</b>		
Cash	35,042	54,922
A/R	26,943	25,231
<b>Inventory</b>		
Cell Phones	10,321	12,341
Desktop Computers	28,312	25,121
Laptops	24,012	30,212
<b>Total Current Assets</b>	<b>124,630</b>	<b>147,827</b>

Genesis Electronics  
Partial Income Statement  
For Period Ending Quarter 1

	Desktop	Cell Phones	Computers	Laptops
<b>Sales</b>	345,232	124,432	463,225	
<b>COGS</b>	124,754	64,532	254,366	
<b>Gross Profit</b>	220,478	59,900	208,859	

You must:

- Calculate inventory turnover for each product: cell phones, desktop computers and laptops
- Meet with the owner (judge) to explain the meaning of the results
- Based on the results, explain how the ratio can be improved

You will present your ideas 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 ideas and have answered the owner's (judge's) questions, the owner (judge) will conclude the role-play by thanking you for your work.

## JUDGE INSTRUCTIONS

### DIRECTIONS, PROCEDURES AND JUDGE ROLE

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

You are to assume of the role of the owner of GENESIS ELECTRONICS, a small electronics business that sells mobile phones, desktop computers, and laptops. You want the manager (participant) to analyze the inventory account by calculating the inventory turnover ratio and suggest improvements.

You want the manager (participant) to analyze the monthly performance of the company and focus on inventory. The manager (participant) will analyze the inventory account by calculating the inventory turnover ratio for each product. The formula is:

$$\text{Cost of Goods Sold}/((\text{Beginning Inventory} + \text{Ending Inventory})/2)$$

This ratio shows how many times on average a product is sold over a period of time.

The manager (participant) will meet with you to discuss the results and explain how the ratio can be improved. The company's partial income statement and partial balance sheet for the first quarter are below.

Genesis Electronics  
Partial Balance Sheet  
Quarter 1

	Beginning QTR 1	Ending QTR 1
Assets		
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Partial Income Statement  
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Sales	345,232	124,432	463,225
COGS	<u>124,754</u>	<u>64,532</u>	<u>254,366</u>
Gross Profit	220,478	59,900	208,859

The manager (participant) must:

- Calculate inventory turnover for each product: cell phones, desktop computers and laptops
- Meet with you to explain the meaning of the results
- Based on the results, explain how the ratio can be improved

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 inventory turnover information important?
2. Why do you think desktop computers are selling slower than the other products?

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

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

## SOLUTION

1. Calculate inventory turnover for each product: cell phones, desktop computers and laptops

Product	Calculation	Answer
Cell Phones	$124,754 / ((10,321 + 12,341) / 2)$	11.01
Desktop Computers	$64,532 / ((28,312 + 25,121) / 2)$	2.42
Laptops	$254,366 / ((24,012 + 30,212) / 2)$	9.38

2. Meet with the owner to explain the meaning of the results

The goal is to increase the number of times a product is sold in the period. Therefore, a higher inventory turnover is better. These results show that on average, the cell phones are selling faster during the period than the other two products. The desktop computers are selling the slowest.

3. Based on the results, explain how the ratio can be improved

To increase inventory turnover, the company would need to increase Cost of Goods Sold by selling more inventory. Ways to increase sales include lowering price and increasing marketing efforts. Another way to increase the turnover rate is to reduce the amount of inventory on hand. Safety stock should be analyzed for effectiveness and just in time inventory methods might be employed.

## 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.

<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  
2020**

**JUDGE'S EVALUATION FORM**  
DISTRICT EVENT #1

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.	Discuss the analysis of a company's financial situation using its financial statements?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Extract relevant information from written materials?	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.	Interpret business data correlations?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
5.	Draw conclusions based on information 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>						