



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

- Perform cost allocation functions.
- Develop costs per unit of product.
- Determine relevant cost and revenue data for decision-making purposes.
- Calculate the costs of goods sold.
- Prepare income statements.

CASE STUDY SITUATION

ARMSTRONG COMPANY is a family owned medium sized manufacturing business that makes industrial cleaning solvents. Various chemicals, detergents and water are mixed together and then bottled in two-gallon containers. Now, more than ever, ARMSTRONG cleaners are in strong demand due to the worldwide pandemic.

The current CEO just took over the business last year. The new CEO has worked in the family business for over a decade, has a business degree and has always suggested that the company needed to refinance in order to keep up with demand and future direction of the industry.

The company's controller is on vacation and unable to be reached. Unfortunately, the bank has requested preliminary financial statements in order to review the refinancing plan. The CEO has asked you to assist in finance to prepare the documents needed by the bank.

The Controller has left the following information, year to date numbers for the 10 months ending this year, on the desk.

Raw materials purchases	\$	250,000
Direct labor		140,000
Depreciation on factory equipment		45,000
Depreciation on factory building		30,000
Depreciation on headquarters building		50,000
Factory insurance		15,000
Property taxes:		
Factory		20,000
Headquarters		18,000
Utilities for factory		34,000
Utilities for sales office		1,800
Administrative salaries		150,000
Indirect labor salaries		156,000
Sales office salaries		90,000
Beginning balance – Raw materials		124,000
Beginning balance – Work in Progress		124,000
Beginning balance – finished goods		84,000
Ending balance – Raw materials		102,000
Ending balance – WIP		130,000
Ending balance – finished goods		82,000

So far this year, ARMSTRONG completed 100,000 units. Sales revenue sits at \$1,200,000, and the CEO has paid, so far sales commissions of 5% of sales.

YOUR CHALLENGE

The CEO has asked you to review the information and present the following information:

The bank requires a preliminary Goods Manufactured Statement; Cost of Goods Sold Statement and an Income Statement all for the 10 months ending this year. In order to do this, you will have to calculate the direct materials used in production so far this year; the total prime cost and total conversion cost.

Once you have completed your calculations, you will meet with the CEO to discuss your findings. The CEO would also like you to compute unit costs where applicable.

SOLUTION

Direct materials = \$124,000 + \$250,000 - \$102,000 = \$272,000

Prime cost = \$272,000 + \$140,000 = \$412,000

Manufacturing overhead cost:

Depreciation on factory equipment.....	\$45,000	
Depreciation on factory building	30,000	
Factory insurance	15,000	
Factory Property taxes	20,000	
Utilities for factory.....	34,000	
Indirect labor salaries	<u>156,000</u>	
Total manufacturing overhead		<u>\$ 300,000</u>

Conversion cost = \$140,000 + \$300,000 = \$440,000

Cost of Goods Manufactured:

Direct labor	\$140,000	
Direct materials	272,000	
Manufacturing overhead	<u>300,000</u>	
Total Manufacturing Cost	712,000	
Plus Beginning WIP.....	124,000	
Minus Ending WIP	<u>(130,000)</u>	
Cost of Goods Manufactured		<u>\$ 706,000</u>

Unit product cost = 706,000 / 100,000 units = \$7.06 / unit

Cost of Goods Sold:

Cost of Goods Manufactured	\$ 706,000	
Plus: Beginning Inventory – Finished goods	84,000	
Minus: Ending Inventory – Finished Goods	<u>82,000</u>	
Cost of Goods Sold		<u>\$708,000</u>

Selling & Administrative Expenses:

Utilities, Sales office	\$ 1,800	
Sales office salaries	90,000	
Sales commissions (\$1,200,000 x 5%)	<u>60,000</u>	
Selling Expenses		<u>\$151,800</u>
Depreciation of headquarters' building.....	\$50,000	
Property taxes – headquarters	18,000	
Administrative salaries.....	<u>150,000</u>	
Administrative expenses		<u>\$218,000</u>

Armstrong Company
Income Statement
For the 10 months ending October 31, 2020

Sales	\$1,200,000	
Cost of Goods Sold	<u>708,000</u>	
Gross Margin	492,000	
Less:		
Selling Expenses	151,800	
Administrative Expenses	<u>218,000</u>	
Operating Income		<u>\$122,200</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
2021**

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.	Perform cost allocation functions?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
2.	Develop costs per unit of product?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
3.	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	
4.	Calculate the cost of goods sold?	0-1-2-3	4-5-6-7-8	9-10-11-12	13-14-15	
5.	Prepare income statements?	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						