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 ......................................... 156,000

Total manufacturing overhead ................................. $300,000

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

Cost of Goods Manufactured:

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

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 .......... 82,000
- Cost of Goods Sold ............................................. $708,000
Selling & Administrative Expenses:

Utilities, Sales office ........................................................... $ 1,800
Sales office salaries ............................................................... 90,000
Sales commissions ($1,200,000 x 5%) ...................................... 60,000
Selling Expenses .................................................................. $151,800

Depreciation of headquarters’ building................................. $50,000
Property taxes – headquarters .................................................. 18,000
Administrative salaries ......................................................... 150,000
Administrative expenses ..................................................... $218,000

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

Sales .............................................................................. $1,200,000
Cost of Goods Sold ............................................................ 708,000
  Gross Margin ................................................................. 492,000
Less:
  Selling Expenses ........................................................... 151,800
  Administrative Expenses ................................................. 218,000
  Operating Income ......................................................... $122,200
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.

<table>
<thead>
<tr>
<th>Level of Evaluation</th>
<th>Interpretation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeds Expectations</td>
<td>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.</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>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 70-89th percentile of business personnel performing this performance indicator.</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>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 50-69th percentile of business personnel performing this performance indicator.</td>
</tr>
<tr>
<td>Little/No Value</td>
<td>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 0-49th percentile of business personnel performing this performance indicator.</td>
</tr>
</tbody>
</table>
## JUDGE’S EVALUATION FORM
### Association Event 1
### INSTRUCTIONAL AREA
Financial Analysis

<table>
<thead>
<tr>
<th>Did the participant:</th>
<th>Little/No Value</th>
<th>Below Expectations</th>
<th>Meets Expectations</th>
<th>Exceeds Expectations</th>
<th>Judged Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform cost allocation functions?</td>
<td>0-1-2-3</td>
<td>4-5-6-7-8</td>
<td>9-10-11-12</td>
<td>13-14-15</td>
<td></td>
</tr>
<tr>
<td>2. Develop costs per unit of product?</td>
<td>0-1-2-3</td>
<td>4-5-6-7-8</td>
<td>9-10-11-12</td>
<td>13-14-15</td>
<td></td>
</tr>
<tr>
<td>3. Determine relevant cost and revenue data for decision-making purposes?</td>
<td>0-1-2-3</td>
<td>4-5-6-7-8</td>
<td>9-10-11-12</td>
<td>13-14-15</td>
<td></td>
</tr>
<tr>
<td>4. Calculate the cost of goods sold?</td>
<td>0-1-2-3</td>
<td>4-5-6-7-8</td>
<td>9-10-11-12</td>
<td>13-14-15</td>
<td></td>
</tr>
<tr>
<td>5. Prepare income statements?</td>
<td>0-1-2-3</td>
<td>4-5-6-7-8</td>
<td>9-10-11-12</td>
<td>13-14-15</td>
<td></td>
</tr>
<tr>
<td><strong>PRESENTATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Demonstrate clarity of expression?</td>
<td>0-1</td>
<td>2-3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>7. Organize ideas?</td>
<td>0-1</td>
<td>2-3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>8. Show evidence of mature judgment?</td>
<td>0-1</td>
<td>2-3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>9. Overall performance: appropriate appearance, poise, confidence, presentation, technique and response to judge’s questions</td>
<td>0-1-2</td>
<td>3-4-5</td>
<td>6-7-8</td>
<td>9-10</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL SCORE**