



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 21st 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 21st 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.

21st 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

- Identify project benefits and costs.
- Explain the nature of capital investment.
- Explain methods used to analyze capital investments.
- Explain the role of managerial accounting techniques in business management.
- Exhibit self-confidence.

EVENT SITUATION

You are to assume the role of an analyst for THE PLANT PLACE, a grocery store that specializes in plant based vegan products that has two locations. The president of the company (judge) wants you to analyze a potential capital investment and provide a recommendation for a project.

THE PLANT PLACE is looking at investing in a ghost kitchen and partnering with three local vegan restaurants in the area to cook in the kitchen. Most of the products would be supplied by THE PLANT PLACE reducing supply chain issues for the restaurants. The shared kitchen would lower overhead costs for the restaurants and the restaurants would have a vegan customer base from THE PLANT PLACE. THE PLANT PLACE would charge the restaurants a fee for using the kitchen to help offset costs and provide a second revenue stream for THE PLANT PLACE. THE PLANT PLACE would also partner with delivery service providers.

THE PLANT PLACE does not currently have a kitchen; however, they have space to add one. Management estimates that the initial upfront cost of adding the kitchen to the busiest store would be \$1,000,000. Management forecasts that the kitchen will generate annual cash flow for THE PLANT PLACE of \$275,000 and an after-tax annual net income of \$140,000. THE PLANT PLACE has a required rate of return of 20% and a required payback of three years on all investments.

The president of the company (judge) would like you to analyze this capital investment and give your recommendation. You are to:

- Identify the benefits and costs of the project, both quantitative and qualitative.
- Perform capital budgeting analysis using the Payback Method (initial investment/annual cash flows and Accounting Rate of Return (annual net income/ (initial investment/2)).
- Discuss the results of your capital budgeting analysis.
- Make a recommendation based on both quantitative and qualitative factors.

You will present the information to the president (judge) in a role-play to take place in the president's (judge's) office. The president (judge) will begin the role-play by greeting you and asking to hear your ideas. After you have presented the information and have answered the president's (judge's) questions, the president (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. Participant Instructions, 21st 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 the role of the president of THE PLANT PLACE, a grocery store that specializes in plant based vegan products that has two locations. You have asked an analyst (participant) to analyze a potential capital investment and provide a recommendation for a project.

THE PLANT PLACE is looking at investing in a ghost kitchen and partnering with three local vegan restaurants in the area to cook in the kitchen. Most of the products would be supplied by THE PLANT PLACE reducing supply chain issues for the restaurants. The shared kitchen would lower overhead costs for the restaurants and the restaurants would have a vegan customer base from THE PLANT PLACE. THE PLANT PLACE would charge the restaurants a fee for using the kitchen to help offset costs and provide a second revenue stream for THE PLANT PLACE. THE PLANT PLACE would also partner with delivery service providers.

THE PLANT PLACE does not currently have a kitchen; however, they have space to add one. Management estimates that the initial upfront cost of adding the kitchen to the busiest store would be \$1,000,000. Management forecasts that the kitchen will generate annual cash flow for THE PLANT PLACE of \$275,000 and an after-tax annual net income of \$140,000. THE PLANT PLACE has a required rate of return of 20% and a required payback of three years on all investments.

You would like the analyst (participant) to analyze this capital investment and give a recommendation. The analyst (participant) should:

- Identify the benefits and costs of the project, both quantitative and qualitative
- Perform capital budgeting analysis using the Payback Method (initial investment/annual cash flows and Accounting Rate of Return (annual net income/ (initial investment/2))
- Discuss the results of the capital budgeting analysis
- Make a recommendation based on both quantitative and qualitative factors

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. What are the risks involved for the vegan restaurants?
2. What are the benefits involved for the vegan restaurants?

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

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

SOLUTION

1. **Identify the benefits and costs of the project, both quantitative and qualitative.**

Quantitative: increasing product sales to local restaurants, additional revenue stream by charging fees to local restaurants for the use of the kitchen

Qualitative: helping small restaurants with supply chain issues, helping small restaurants lower kitchen overhead costs, providing the service of cooked meals to current customers.

2. **Perform capital budgeting analysis using the Payback Method (initial investment/annual cash flows and Accounting Rate of Return (annual net income/(initial investment/2))).**

Payback Method: $1,000,000/275,000 = 3.64$ years

ARR: $140,000 / (1,000,000/2) = 28\%$

3. **Discuss the results of your capital budgeting analysis.**

It will take a little more than three and a half years to recoup the cost of the kitchen. The accounting rate of return is 28% which is higher than the required rate of return of 20%.

4. **Make a recommendation to management based on both quantitative and qualitative factors.**

Based on the estimates, the Plant Place should consider moving forward with the project. The ARR exceeds the required rate of return. The payback is a little more than the requirement, however, the qualitative factors of helping local restaurants and providing a service to the customer base exceeds the cost.

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.



**BUSINESS FINANCE SERIES
2022**

JUDGE'S EVALUATION FORM
District 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.	Identify project benefits and costs?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
2.	Explain the nature of capital investment?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
3.	Explain methods used to analyze capital investments?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
4.	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	
5.	Exhibit self-confidence?	0-1-2-3-4	5-6-7-8	9-10-11	12-13-14	
21st CENTURY SKILLS						
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	
TOTAL SCORE						