



FINANCIAL ANALYST TEAM (150)

REGIONAL – 2014

Judges/Graders: Please double check and verify all scores and answer keys!

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Workplace Skills Assessment Program competition.



Mr. Phil Region, owner of the Region Advertising Agency, has decided to apply for a business loan of \$10,000.00, due as a balloon payment in 3 years, to add web advertising services to his business (assuming all the proceeds are expensed to advertising at once for set-up). This expenditure is expected to double next year revenue. He has asked your team of analysts to construct an income statement and balance sheet based on the October 31, 2013, documentation listed below to support the finance section of his loan application. He also would like a report that summarizes his company's position and includes ratio calculations as listed in the instructions below.

Accounts payable	2500
Accounts receivable	200
Accumulated depreciation – office equipment	40
Advertising supplies	1000
Advertising supplies expense	1500
Cash	15200
Depreciation expense	40
Insurance expense	50
Interest expense	50
Interest payable	50
Notes payable	5000
Office equipment	5000
Phil Region, Capital (from Owner's Equity Statement, dated October 31, 2013)	12360
Prepaid insurance	550
Rent expense	900
Salaries expense	5200
Salaries payable	1200
Service revenue	10600
Unearned revenue	800

Industry Averages:

Current Ratio	.75
Working Capital	\$5,000
Profit Margin (or Rate of Return on Sales)	15%
Debt to Total Assets	1:1



Instructions:

1. Construct an income statement for month ended October 31, 2013.
2. Calculate vertical analysis based on revenue for total expenses and net income.
3. Construct a balance sheet dated October 31, 2013.
4. Calculate these ratios, rounding your answers to two decimal places using the October 31, 2013 data and the with the projected expansion:
 - a. Current Ratio
 - b. Working Capital
 - c. Profit Margin (or Rate of Return on Sales)
 - d. Debt to Total Assets Ratio
5. Prepare a written report summarizing your findings, conclusions, and recommendations, followed by the financial statements for the company and the calculated ratios for the company. The report must follow the report format located in the *Style & Reference Manual*. All financial statements and ratios need to be included at the end of the report.
6. Place each team member's contestant number in the footer on any documentation given to the judges.
7. Make sure you report answers these questions:
 - a. Does this company have sufficient financial position to expand into web advertising? What makes you believe this to be true or false?
 - b. What actions, if any, should Mr. Region do to strengthen his business?
 - c. Are there additional financial statements or ratio calculations which would help in answering the above questions? If so, what are they and how would they help?

No changes should take place to your work after testing time ends.



JUDGING PROCEDURE

- Teams will be introduced by team number.
- As a team of judges, formulate two to three questions to ask at the conclusion of the presentation. Be sure to ask the same questions of each team.
- Teams will present before a panel of judges and timekeeper.
- The length of set-up will be no more than ten (10) minutes.
- The length of the presentation will be no more than ten (10) minutes.
- There will be no more than five (5) minutes for judges' questions.
- Excuse teams upon completion of answering judges' questions.
- **There can be no ties in the top ten (10) teams.** It is the responsibility of the judges to break any ties.
- Administrator will fill out ranking sheet prior to dismissing the judges.
- If more than one (1) section is necessary, finalists will be determined by selecting an equal number from each section.
- Give administrator all Judges' Scoring Rubrics, Judge Comment Sheets and contest materials.
- No audience is allowed in the contest room.

Please double-check and verify all scores!