

# FINANCIAL ANALYST TEAM (150) REGIONAL – 2016

*PRELIMINARY POINTS* \_\_\_\_\_ (160)

**Failure to adhere to any of the following rules will result in disqualification:**

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than five (5) minutes orientation  
No more than 90 minutes testing time

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*Workplace Skills Assessment Program* competition.

Max Jones has just graduated from college. Because he studied hard to earn good grades, took AP classes, and dual enrolled in college, his college costs were minimal. Using the \$125,000 he saved on tuition costs, he is now able to start his own business.

Because his favorite sport is bicycling, Max would like to start his own bicycle shop to sell and service bicycles. Max is trying to decide between two locations and seeks your advice. Estimated costs and earnings for both locations for the first year of operations are given below.

<b>Location:</b>	<b>Grand Rapids, Michigan</b>	<b>Nashville, Tennessee</b>
Building Rental Expense	\$18,000	\$30,000
Equipment (10 yr. life)	15,000	15,000
Sales (net)	350,000	425,000
Wages Expense	40,000	65,000
Operating Expenses	50,000	50,000
Cost of Goods Sold	40% of revenue	40% of revenue
Loan amount needed	45,000 at 10% interest	50,000 at 10% interest
Income tax rate	15%	15%
Total Average Assets	200,000	250,000

**One other consideration:** If Max locates his business in Michigan, he will be able to close for the month of January and spend the month cycling in Florida. If he locates the business in Nashville, he will need to remain open all year.

**Required: Prepare a report for management including the following items:**

1. Prepare a condensed comparative income statement for both potential locations based on the data given. Use straight-line depreciation and simple interest. Round all calculations to the nearest dollar.
2. Compute the following ratios:
  - a. Profit Margin Ratio (sometimes called Rate of Return on Sales)
  - b. Gross Margin Ratio
  - c. Return on Total Assets
3. What other information would you like to know in order to better advise Max on his decision?
4. Your location recommendation to Max. Prepare a written report summarizing your findings, conclusions, and location 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.
5. Place each team member's contestant number in the footer on each financial statement and any documentation given to the judges.

Print two copies of your financial statements and any documentation you will be providing to the judges. One copy will be provided to judges for scoring, and the other will be retained for use by presentation judges.

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