



# FINANCIAL ANALYST TEAM (150)

REGIONAL – 2018

*TOTAL POINTS* \_\_\_\_\_ (150)

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

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*Workplace Skills Assessment Program competition.*



## Description

The team will use strategic planning and problem-solving skills to provide solutions to the business case study provided. At State and National levels, teams will be presented with an additional element to the scenario that requires revision of their final presentation.

## Initial Case Study Topic

PBA Bookstore is an independent bookstore located in historic downtown Columbus, OH. On December 31, 2017, the firm's general ledger contained the accounts and balances below. All account balances are normal, and the income tax rate is 30%.

Since PBA Bookstore wants to expand its operations, management is interested in partnering with the local colleges and universities to stock their required textbooks for three years. Management estimates that partnering with the local colleges and universities would require PBA to make an initial investment of \$5,000 in upgrades. They estimate that they will need to increase their inventory by \$20,000, but they expect to sell the textbooks at a 50% markup. PBA would also need to hire another part-time (20 hours per week) employee to keep the store open longer hours to meet the needs of the new student population.

PBA Bookstore has hired you to prepare their financials and make a presentation to PBA Bookstore's management with your recommendation. Your presentation should include, but is not limited to:

1. Preparation of a classified income statement and balance sheet for PBA Bookstore for the year ended December 31, 2017.
2. In depth analysis of the financial statements, including but not limited to key ratios (such as current ratio, debit ratio, profit margin, and gross profit percentage), trend analysis, and industry analysis.
3. Appropriate capital analysis of the investment opportunity
4. A recommendation as to how PBA Bookstore should proceed. Do you have other investment ideas for management to consider?

PBA Bookstore					
Trial Balance					
(in thousands)					
	2013	2014	2015	2016	2017
Cash	22,169	21,061	19,587	18,216	17,487
Accounts Receivable	0	0	435	671	1,438
Inventory	15,000	15,036	15,487	17,036	15,332
Prepaid Expenses	5,240	5,245	5,255	5,413	5,343
Supplies	352	208	411	331	298
Building	75,000	75,000	75,000	75,000	75,000
Accumulated Depreciation-Building	1,000	2,000	3,000	4,000	5,000
Equipment	5,000	5,000	5,000	6,234	6,234
Accumulated Depreciation—Equipment	500	1,000	1,500	2,123	2,746
Accounts Payable	821	1,147	1,301	1,397	1,346
Wages Payable	1,242	1,242	1,242	1,350	1,350
Mortgage Payable	50,000	47,500	45,125	42,869	40,726
Notes Payable (due in 2020)	29,033	28,350	28,504	30,366	28,796
V. Thomas, Capital	40,000	40,165	40,311	40,503	40,796
V. Thomas, Drawing	0	0	0	0	0
Sales	47,892	48,540	47,322	44,021	40,933
Cost of Goods Sold	34,704	34,788	33,744	30,707	27,943
Operating Expenses	2,471	2,620	2,554	2,452	2,287
Selling & Administrative Expenses	7,061	7,485	7,298	7,006	6,726
Depreciation Expense	1,524	1,554	1,585	1,604	1,626
Interest Expense	1,967	1,947	1,949	1,959	1,979

A team will be *disqualified* for violations of the [Copyright and Fair Use Guidelines](#).

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**ANSWER KEY**

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Teams who do *not* submit an entry that follows this topic will be *disqualified*.



**BALANCE SHEET**

PBA Coffee					
Balance Sheet					
December 31					
(in thousands)	2013	2014	2015	2016	2017
<b>ASSETS</b>					
Current Assets:					
Cash	22,169	21,061	19,587	18,216	17,487
Accounts Receivable	-	-	435	671	1,438
Inventory	15,000	15,036	15,487	17,036	15,332
Prepaid Expenses	5,240	5,245	5,255	5,413	5,343
Supplies	352	208	411	331	298
<b>Total Current Assets</b>	<b>42,761</b>	<b>41,550</b>	<b>41,175</b>	<b>41,667</b>	<b>39,898</b>
Property, Plant & Equipment:					
Building	75,000	75,000	75,000	75,000	75,000
Accumulated Depreciation-Building	(\$1,000)	(\$2,000)	(\$3,000)	(\$4,000)	(\$5,000)
Equipment	5,000	5,000	5,000	6,234	6,234
Accumulated Depreciation—Equipment	(500)	(1,000)	(1,500)	(2,123)	(2,746)
<b>Total Property, Plant &amp; Equipment</b>	<b>78,500</b>	<b>77,000</b>	<b>75,500</b>	<b>75,111</b>	<b>73,488</b>
<b>Total Assets</b>	<b>121,261</b>	<b>118,550</b>	<b>116,675</b>	<b>116,778</b>	<b>113,386</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	821	1,147	1,301	1,397	1,346
Wages Payable	1,242	1,242	1,242	1,350	1,350
<b>Total Current Liabilities</b>	<b>2,063</b>	<b>2,389</b>	<b>2,543</b>	<b>2,747</b>	<b>2,696</b>
Long-Term Liabilities:					
Mortgage Payable	50,000	47,500	45,125	42,869	40,726
Notes Payable (due in 2020)	29,033	28,350	28,504	30,366	28,796
<b>Total Liabilities</b>	<b>81,096</b>	<b>78,239</b>	<b>76,172</b>	<b>75,982</b>	<b>72,218</b>
<b>OWNERS' EQUITY</b>					
V. Thomas, Capital	40,165	40,311	40,503	40,796	41,168
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>121,261</b>	<b>118,550</b>	<b>116,675</b>	<b>116,778</b>	<b>113,386</b>

Note to Judge: Some contestants may not use parentheses in their financial statement presentation. As long as the calculations are correct, please do not deduct points.

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**FINANCIAL ANALYSIS**

PBA Coffee						
Financial Analysis						
		2013	2014	2015	2016	2017
Current Ratio		2072.76%	1739.22%	1619.15%	1516.82%	1479.90%
Gross Profit Percentage		27.54%	28.33%	28.69%	30.24%	31.73%
Profit Margin		.34%	.30%	.41%	.47%	.91%
Debt to Total Assets		66.88%	66.00%	65.29%	65.07%	63.69%

**TREND ANALYSIS**

	2013	2014	2015	2016	2017
Sales	93,074	103,994	118,175	132,781	147,534
Percent Increase		12%	27%	43%	59%
Gross Profit	57,148	62,500	70,550	78,474	87,045
Percent Increase		9%	23%	37%	52%
Net Income	\$13,979	\$14,578	\$15,785	\$16,399	\$18,445
Percent Increase		4%	13%	17%	32%
Total Assets	91,815.74	96,597.05	102,334.98	103,912.83	112,519.74
Percent Increase		5%	11%	13%	23%
Total Liabilities	65,493.00	68,095.00	71,688.00	77,066.00	77,167.00
Percent Increase		4%	9%	18%	18%

**CAPITAL ANALYSIS**

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Year 0	(5,000)			
Year 1	1,524			
Year 2	1,524			
Year 3	1,524			
Payback	3.28	Years		
NPV				
(Assuming 5% discount rate)				
	Year	In/Out	Cash Flow	PV
	0	Out	5,000	(\$5,000.00)
	1-3	In	1,524	\$4,150.23
				(\$849.77)
IRR	-4%			



**JUDGING PROCEDURE**

- Teams will be introduced by team number.
- No advisor contact will be allowed between the time of receiving the topic and the delivery of the presentation.
- Cell phones may *not* be used in the preparation room.
- Teams will present before a panel of judges and timekeeper.
- 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.
- All team members must participate.
- The length of set-up will be no more than three (3) minutes.
- The length of the presentation will be no more than ten (10) minutes; followed by judges' questions not to exceed ten (10) minutes.
- Excuse teams upon completion of 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' Rating Sheets, Judge Evaluation Sheets, and contest materials.
- No audience will be allowed.

**Please double-check and verify all scores!**