



BUSINESS FINANCE SERIES EVENT

BFS-26
Association Event 1

CAREER CLUSTER
Finance

CAREER PATHWAY
Corporate Finance

INSTRUCTIONAL AREA
Financial Analysis

PARTICIPANT INSTRUCTIONS

This event is presented to you through your review of the Career Competencies, Performance Indicators and Event Situation.

You have up to 10 minutes to review this information and prepare your presentation. Using the materials provided, you may make notes to use during your presentation.

You will have up to 10 minutes to present to the judge(s).

You will be evaluated on your solution to the event situation, how you incorporate the performance indicators of this event and how you demonstrate the career competencies.

Turn in all your notes and event materials when you have completed the event.

SOLUTION

- Accurate – Demonstrate appropriate finance acumen.
- Practical – Develop an actionable/viable solution in a real-world context.
- Effective – Develop a solution that achieves relevant outcomes.

CAREER COMPETENCIES

- Critical Thinking – Think critically to understand and solve problems.
- Communication – Communicate clearly, effectively and with reason.
- Decision Making – Consider the impacts of decisions.

PERFORMANCE INDICATORS

- Explain the nature of capital investment.
- Explain methods used to analyze capital investments (e.g., payback period, discounted break-even, NPV, ARR, IRR, etc.).
- Calculate cash flows associated with an investment (e.g., initial investment, operating cash flows, operating cash outflows, terminal flows).
- Explain the nature and scope of purchasing.
- Organize information.

EVENT SITUATION

You are to assume the role of a financial analyst for PATIO FURNITURE GALLERY. The company's owner (judge) is considering whether to buy new manufacturing equipment and has asked for your help with this important decision.

The owner (judge) would like to understand the common ways to evaluate big investment projects, capital investments, and to calculate the expected cash flows that come with this purchase. The new equipment is expected to last for 10 years, with a possible resale (salvage) value of \$200,000 at the end of its useful life.

Here are the details about the new equipment and the transaction:

- | | |
|---|-------------|
| • Cost of new equipment | \$2,200,000 |
| • Salvage value of old equipment | \$50,000 |
| • Expected savings over 10 years | \$3,560,000 |
| • Maintenance on new equipment for 10 years | \$800,000 |

At your meeting with the owner (judge), you must:

- Explain methods for analyzing capital investment projects.
- Calculate the payback period and the accounting rate of return.
- Provide a recommendation on whether to purchase the new equipment.

You will provide the information to the owner (judge) in a role-play to take place in the owner's (judge's) office. The owner (judge) will begin the role-play by greeting you and asking to hear the information. After you have presented the information and have answered the owner's (judge's) questions, the owner (judge) will conclude the role-play by thanking you for your work.

JUDGE INSTRUCTIONS

JUDGE CHARACTERIZATION

You are to assume the role of the owner of PATIO FURNITURE GALLERY. You are considering whether to buy new manufacturing equipment and have asked for the financial analyst's (participant's) help with this important decision.

You would like to understand the common ways to evaluate big investment projects, capital investments, and to calculate the expected cash flows that come with this purchase. The new equipment is expected to last for 10 years, with a possible resale (salvage) value of \$200,000 at the end of its useful life.

Here are the details about the new equipment and the transaction:

- | | |
|---|-------------|
| • Cost of new equipment | \$2,200,000 |
| • Salvage value of old equipment | \$50,000 |
| • Expected savings over 10 years | \$3,560,000 |
| • Maintenance on new equipment for 10 years | \$800,000 |

At the meeting, the financial analyst (participant) must:

- Explain methods for analyzing capital investment projects.
- Calculate the payback period and the accounting rate of return.
- Provide a recommendation on whether to purchase the new equipment.

The participant will provide 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 the information.

During the course of the role-play, you are to ask the following questions of each participant:

1. Do we have any other options besides salvaging the old equipment?
2. What happens if we don't follow maintenance requirements and just fix when we have issues?

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

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

SOLUTIONS

Methods used to analyze capital investments:

- Payback period is a capital investment method that considers the length of time it takes for the project to generate undiscounted cash flows equal to the original investment. It is a basic indicator to determine if a project should be considered.
- Discounted break-even is the point at which the present value of an investment's cash inflows equals the present value of its outflows, typically calculated using a specific discount rate.
- Net present value (NPV) is a method where the cash inflows and outflows from the project, which includes the initial investment, savings or revenue or costs, and any salvage value are adjusted to present value dollars. If NPV is positive the project should be accepted, and if it is negative, it should be rejected.
- Accounting rate of return (ARR) is a tool used to determine if the accounting profit from the project covers the cost of the initial investment. The ARR is expressed as a percentage and ignores the time value of money.
- Internal rate of return (IRR) is the discount rate that makes the net present value for a project equal to zero. It represents the expected annual rate of return for the investment.

Calculate payback and ARR:

The payback formula is: Initial investment / Net cash inflows

In this example the initial investment is \$2,200,000 and the cash inflows are the savings per year less the annual maintenance of \$356,000 and \$80,000, respectively. (Note: take the savings for the life of the project and divide by 10 years, $\$3,560,000 / 10 = \$356,000$ savings per year and take the maintenance for the life of the project and divide by 10 years, $\$800,000 / 10 = \$80,000$ cost per year).

Payback $\frac{\$2,200,000 \text{ initial investment}}{\$356,000 - \$80,000 \text{ net cash inflows}} = 7.97 \text{ years}$

The accounting rate of return is: Average annual accounting income / Average investment

The average annual accounting income is \$ $(\$3,560,000 \text{ savings} - \$800,000 \text{ maintenance} - \$2,000,000 \text{ depreciation expense}) / 10 \text{ years} = \$76,000$ per year

ARR $\frac{\$76,000 \text{ annual accounting income}}{(\$2,200,000 + \$200,000 / 2) 1,200,000 \text{ average investment}} = 6.3\%$

EVALUATION INSTRUCTIONS

- The participants are to be evaluated on their solution and ability to apply the specific performance indicators stated on the cover sheet of this event and restated on the Judge's Evaluation Form. Although the participants may demonstrate other performance indicators, those listed in the Performance Indicators section are the selected ones you are evaluating for this particular event.
- Maintain a consistent expectation when evaluating each participant.
- The maximum score for the evaluation is 100 points. This presentation will be valued at one-third of the total score.

Levels of Evaluation

FOCUS AREA	NOVICE	DEVELOPING	PROFICIENT	EXEMPLARY
Content Understanding	Demonstrates a limited or inaccurate understanding of key concepts.	Demonstrates a basic understanding of key concepts.	Demonstrates a solid understanding of key concepts and clearly explains and supports ideas using appropriate evidence.	Demonstrates comprehensive understanding of concepts and applies them effectively to solve the scenario, including in more complex or extended contexts.
Application of Performance Indicators and Career Competencies	Lists the performance indicators and career competencies, but understanding is incomplete or inaccurate.	Defines the performance indicators and career competencies, but does not connect them to solve the objective of the case study scenario.	Explains the performance indicators and career competencies and connects them to solve the objective of the case study scenario.	Strategically applies the performance indicators and career competencies and connects them to comprehensively solve the objective of the case study scenario.
Reasoning	Ideas are unclear, inaccurate, or lack logical support. There is no application of the ideas and concept.	Ideas are present and somewhat logical but contain gaps in reasoning, development, or supporting evidence.	Ideas are logical, well-developed, and supported with appropriate evidence, with only minor gaps.	Ideas are logical, well-supported using appropriate business concept and theories and demonstrates reasoning with clear practicality and real-world relevance.
Workplace Readiness	Participants represent an employee who requires significant guidance and support to complete tasks.	Participants represent an employee who demonstrates basic skills and can complete routine tasks with some guidance.	Participants represent an employee with solid skills and who works independently to complete tasks effectively.	Participants represent an employee with advanced skills, works independently, and adapts effectively to new or unpredictable challenges.



BUSINESS FINANCE SERIES – 2026

JUDGE'S EVALUATION FORM ASSOCIATION EVENT 1

Participant: _____

ID Number: _____

INSTRUCTIONAL AREA: Financial Analysis

Rate the participant's ability to:		Novice	Developing	Proficient	Exemplary	Judged Score
PERFORMANCE INDICATORS						
1.	Explain the nature of capital investment.	0-1-2-3	4-5-6	7-8-9	10	
2.	Explain methods used to analyze capital investments (e.g., payback period, discounted break-even, NPV, ARR, IRR, etc.).	0-1-2-3	4-5-6	7-8-9	10	
3.	Calculate cash flows associated with an investment (e.g., initial investment, operating cash flows, operating cash outflows, terminal flows).	0-1-2-3	4-5-6	7-8-9	10	
4.	Explain the nature and scope of purchasing.	0-1-2-3	4-5-6	7-8-9	10	
5.	Organize information.	0-1-2-3	4-5-6	7-8-9	10	
SOLUTION						
6.	Accurate Demonstrate appropriate finance acumen.	0-1-2	3-4-5	6-7	8	
7.	Practical Develop an actionable/viable solution in a real-world context.	0-1-2	3-4-5	6-7	8	
8.	Effective Develop a solution that achieves relevant outcomes.	0-1-2	3-4-5	6-7	8	
CAREER COMPETENCIES						
9.	Critical Thinking Think critically to understand and solve problems.	0-1	2-3	4-5	6	
10.	Communication Communicate clearly, effectively and with reason.	0-1	2-3	4-5	6	
11.	Decision Making Consider the impacts of decisions.	0-1	2-3	4-5	6	
OVERALL IMPRESSION						
12.	Demonstrate overall career readiness through professionalism, poise and confidence.	0-1-2	3-4-5	6-7	8	
TOTAL SCORE						