COLLEGIATE DECA

CORPORATE FINANCE EVENT

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 Case Study Situation.

You have up to 30 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 15 minutes to present to the judge(s). Both members of the team must participate in the presentation, as well as answer any questions.

You will be evaluated on your solution to the case study, 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.
- Describe the relationship between economic conditions and financial markets.
- Describe types of financial risks.
- Discuss factors to consider in choosing between debt and equity capital.
- Discuss ways to determine the best financing option for a company.

CASE STUDY SITUATION

You are the capital budgeting specialist at **EVERTIDE PACKAGING**, a company that manufactures compostable food-service packaging for restaurant and grocery chains. Founded in 1991, **EVERTIDE'S** product line includes molded fiber bowls, lids, and clamshells made from agricultural waste. The company currently operates in a retrofitted facility downtown employing 430 people.

While **EVERTIDE** has upgraded production equipment, the building itself is increasingly expensive to maintain and limits throughput. The board has approved moving manufacturing to a new industrial park 50 miles away. The decision is to construct a $42 million manufacturing plant at the new site.

YOUR CHALLENGE

There are two options for financing the new plant. The CEO wants you to analyze each option and explain the following:

- Known costs of each financing option
- Why the interest rate is higher for Option 1 than Option 2
- Your final recommendation with justification

Option 1 (More cash-light, fixed rate):
EVERTIDE will use $6 million of its cash reserves and borrow $36 million from a bank over a 15-year period. The fixed interest rate is 6.20%, with quarterly payments of $900,000 over the next 15 years.

Option 2 (More cash-heavy, adjustable rate):
EVERTIDE will use $14 million of its cash reserves and borrow $28 million using a 15-year adjustable-rate loan. The first five years are fixed at 4.10%, producing a quarterly payment of $620,000. At the start of Year 6, the principal remaining will be approximately $26,100,000. The bank will reset the rate based on market conditions at the start of Year 6 and again at the start of Year 11; those future rates could be higher or lower than 4.10%.

SOLUTION

Cost of Financing
Option 1:
Payment from cash reserves………………………………… **$ 6,000,000**
Quarterly loan payments (60 × $900,000)……………… **54,000,000**
Breakout: **Principal $36,000,000; Interest $18,000,000**
Total cost (known)……………………………………………… **$ 60,000,000**

Option 2:
Payment from cash reserves………………………………… **$ 14,000,000**
Year 1–5 quarterly payments (20 × $620,000)…… **12,400,000**
Known costs for first five years………………………… **$ 26,400,000**
Year 6–10 quarterly payments……………………………… **??????**
Year 11–15 quarterly payments…………………………… **??????**
Total cost………………………………………**Unknowable** (depends on future interest-rate resets)

Why Option 1's rate is higher than Option 2's early-period rate

- **Term/interest-rate risk:** A lender committing to a long-term fixed rate bears the risk that market rates rise; lenders charge a term premium, resulting in a higher fixed rate than an introductory adjustable rate.
- **Market conditions & monetary policy:** When inflation expectations or policy rates are elevated, longer-term fixed rates generally price in those conditions more than short-term teaser rates do.
- **Risk/structure differences:** Adjustable-rate loans transfer interest-rate risk to the borrower after the reset dates, so lenders can offer a lower initial rate. This aligns with identifying and managing different financial risk types (e.g., interest-rate risk).

Recommendation:

Recommend Option 1 (Fixed-rate) if EVERTIDE prioritizes budget certainty and can tolerate the higher all-in cost today.

- The full 15-year cost is knowable now, simplifying ROI hurdles, pricing, and cash-flow planning—key in evaluating a capital investment like a new plant.
- With fixed payments, **EVERTIDE** avoids exposure to potential rate increases at Years 6 and 11 (Option 2), which could materially raise total interest expense.

Consider Option 2 (Adjustable-rate) only if:

- Management has a strong view that market rates will decline or remain subdued at the future reset dates, or
- The company plans to accelerate principal prepayments or refinance before the first reset, and
- Liquidity supports the larger upfront cash use ($14M).

Additional discussion points to address in the presentation

- **Debt vs. equity considerations:** Cost of capital, dilution/ownership, financial flexibility, covenants, tax shield on interest, and target capital structure.

- **Choosing the best financing option:** Compare NPV/IRR of the project under each financing structure, run sensitivity cases for rate paths, and assess coverage ratios (e.g., interest coverage, DSCR) under adverse scenarios.
- **Link to economic/market conditions:** Tie your recommendation to the current stage of the business cycle, inflation outlook, and credit market liquidity to show how financial markets influence borrowing costs.

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 team.
- The maximum score for the evaluation is 100 points. The presentation will be weighted twice (2 times) the average of the exam 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.

COLLEGIATE DECA

CORPORATE FINANCE – 2026

JUDGE'S EVALUATION FORM
ASSOCIATION EVENT 1

INSTRUCTIONAL AREA:
Financial Analysis

Participant: ___________________________

Participant: ___________________________

ID Number: ___________________________

Rate the participants' 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.	Describe the relationship between economic conditions and financial markets.	0-1-2-3	4-5-6	7-8-9	10	
3.	Describe types of financial risks.	0-1-2-3	4-5-6	7-8-9	10	
4.	Discuss factors to consider in choosing between debt and equity capital.	0-1-2-3	4-5-6	7-8-9	10	
5.	Discuss ways to determine the best financing option for a company.	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	