



**CAREER CLUSTER**

Finance

**CAREER PATHWAY**

Corporate Finance

**INSTRUCTIONAL AREA**

Financial Analysis

**BUSINESS FINANCE SERIES EVENT**

**PARTICIPANT INSTRUCTIONS**

**PROCEDURES**

1. The event will be presented to you through your reading of these instructions, including the Performance Indicators and Event Situation. You will have up to 10 minutes to review this information to determine how you will handle the role-play situation and demonstrate the performance indicators of this event. During the preparation period, you may make notes to use during the role-play situation.
2. You will have up to 10 minutes to role-play your situation with a judge (you may have more than one judge).
3. You will be evaluated on how well you meet the performance indicators of this event.
4. Turn in all your notes and event materials when you have completed the role-play.

**PERFORMANCE INDICATORS**

1. Explain forms of financial exchange.
2. Explain the nature of overhead/operating costs.
3. Calculate financial ratios.
4. Discuss the financial planning process.
5. Apply information to accomplish a task.



## EVENT SITUATION

You are to assume the role of financial consultant for OUR PICTURES YOUR WALLS, a photography company that specializes in capturing old farmhouses, light houses and other historic landmarks in different seasons. For ten years the owner (judge) has been selling enlarged photos in matted frames at arts & craft fairs and festivals and through a website. The owner (judge) has asked for your analysis and recommendation regarding a customer payment method.

According to the most recent information available, the age of the average customer is over 50 and the average customer transaction is \$200. The owner (judge) feels the key to success is not the high dollar amount of each sale but the large amount of repeat customers.

The owner (judge) accepts cash, debit or credit cards as methods of payment. Recently, credit card merchant fees have increased. The owner (judge) has been considering accepting new methods of payment like PAYPAL (a company that collects payment over the internet) and GOPAYMENT (a mobile swipe device that attaches to smart phones). The owner (judge) would like to compare the cost of traditional credit card payment against PAYPAL and GOPAYMENT.

In the past year OUR PICTURES YOUR WALLS has generated sales revenue of \$50,000. OUR PICTURES YOUR WALLS does about 250 transactions a year.

Cash Payment accounted for 10% of sales revenue in 25 transactions.

Credit cards accounted for 70% of sales revenue in 175 transactions. The merchant fee for using credit cards is 4% which totals \$1,400.

Debit cards accounted for 20% of sales revenue in 50 transactions. The merchant fee for using debit cards is 2% which totals \$2000.

	% of sales in \$	*Approximate number of transactions per year	% of revenue charged for use	Merchant fee
Cash	\$5,000	25		
Credit card	\$35,000	175	4%	\$1,400
Debit card	\$10,000	50	2%	\$2000

*\*Approximate number of transactions per year is 250 x percent of sales in each category to get sales per year.*

The owner (judge) has requested a meeting with you to obtain your analysis and recommendation concerning the costs being incurred by continuing to accept credit cards in the traditional way for payment. The owner (judge) has also requested you investigate the merchant costs associated with accepting PAYPAL and GOPAYMENT.

Research reveals that:

- PAYPAL charges 2.7% per transaction and a \$.30 charge per swipe.
- GOPAYMENT has two payment options.

- Choice 1 There is a \$19.95 fee per month and a 1.7% charge on the total transaction with \$0 charge per swipe.
- Choice 2 There is a \$0 cost per month and a 2.4% charge on the total transaction with a \$.25 charge per swipe

Type of payment	% charged of total sales	Cost per transaction	Fee per month
PAYPAL	2.7	\$.30	\$0
GOPAYMENT option 1	1.7	\$0	\$19.95
GOPAYMENT option 2	2.4	\$.25	\$0

Your presentation to the owner (judge) must address the following:

- Briefly explain each of the payment methods currently accepted (other than cash).
- Briefly explain each of the possible payment methods that may be accepted (other than cash).
- State your recommendation along with rationale from one of the following alternatives:
  - Continue to accept traditional credit cards for customer payment.
  - Begin accepting PAYPAL for customer payment.
  - Begin accepting GOPAYMENT Choice 1 or Choice 2 for customer payment.
  - Use a combination of options

You will present your analysis and recommendation 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 your ideas. After you have presented and have answered the owner's (judge's) questions, the owner (judge) will conclude the role-play by thanking you for your work.

## JUDGE'S INSTRUCTIONS

### DIRECTIONS, PROCEDURES AND JUDGE'S ROLE

In preparation for this event, you should review the following information with your event manager and other judges:

1. Procedures
2. Performance Indicators
3. Event Situation
4. Judge Role-play Characterization  
Participants may conduct a slightly different type of meeting and/or discussion with you each time; however, it is important that the information you provide and the questions you ask be uniform for every participant.
5. Judge's Evaluation Instructions
6. Judge's Evaluation Form  
Please use a critical and consistent eye in rating each participant.

### JUDGE ROLE-PLAY CHARACTERIZATION

You are to assume the role of owner for OUR PICTURES YOUR WALLS, a photography company that specializes in capturing old farmhouses, light houses and other historic landmarks in different seasons. For ten years you've been selling enlarged photos in matted frames at arts & craft fairs and festivals and through a website. You have asked a financial consultant (participant) for an analysis and recommendation regarding a customer payment method.

According to the most recent information available, the age of the average customer is over 50 and the average customer transaction is \$200. You feel the key to success is not the high dollar amount of each sale but the large amount of repeat customers.

You accept cash, debit or credit cards as methods of payment. Recently, credit card merchant fees have increased. You have been considering accepting new methods of payment like PAYPAL (a company that collects payment over the internet) and GOPAYMENT (a mobile swipe device that attaches to smart phones). You would like to compare the cost of traditional credit card payment against PAYPAL and GOPAYMENT.

In the past year OUR PICTURES YOUR WALLS has generated sales revenue of \$50,000. OUR PICTURES YOUR WALLS does about 250 transactions a year.

Cash Payment accounted for 10% of sales revenue in 25 transactions.

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Credit card	\$35,000	175	4%	\$1,400
Debit card	\$10,000	50	2%	\$2000

*\*Approximate number of transactions per year is 250 x percent of sales in each category to get sales per year.*

You have requested a meeting with a financial consultant (participant) to obtain an analysis and recommendation concerning the costs being incurred by continuing to accept credit cards in the traditional way for payment. You have also requested the financial consultant (participant) to investigate the merchant costs associated with accepting PAYPAL and GOPAYMENT.

Research reveal that:

- PAYPAL charges 2.7% per transaction and a \$.30 charge per swipe.
- GOPAYMENT has two payment options.
  - Choice 1 There is a \$19.95 fee per month and a 1.7% charge on the total transaction with \$0 charge per swipe.
  - Choice 2 There is a \$0 cost per month and a 2.4% charge on the total transaction with a \$.25 charge per swipe

Type of payment	% charged of total sales	Cost per transaction	Fee per month
PAYPAL	2.7	\$.30	\$0
GOPAYMENT option 1	1.7	\$0	\$19.95
GOPAYMENT option 2	2.4	\$.25	\$0

The financial consultant (participant) must address the following:

- Briefly explain each of the payment methods currently accepted (other than cash).
- Briefly explain each of the possible payment methods that may be accepted (other than cash).
- State a recommendation along with rationale from one of the following alternatives:
  - Continue to accept traditional credit cards for customer payment.
  - Begin accepting PAYPAL for customer payment.
  - Begin accepting GOPAYMENT Choice 1 or Choice 2 for customer payment.
  - Using a combination of options.

The financial consultant (participant) will present the analysis and recommendation to you in a role-play to take place in your office. You will begin the role-play by greeting the financial consultant (participant) and asking to hear about his/her ideas.

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

1. Why would a business owner need to change or vary forms of payment to continue operating a business?
2. Why do you think new forms of payment like PayPal and GoPayment were created?

Once the financial consultant (participant) has presented the recommendation and has answered your questions, you will conclude the role-play by thanking the financial consultant (participant) for his/her work.

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

**Calculations for Solution**

70% of 250 sales = 175 sales per year.  
70% of \$50,000 sales = \$35,000 sales per year.

If all credit card sales were replaced by the following:

type	Sales per year	% charged	Cost per transaction	Fee per year	Calculate	Total cost
PayPal	\$35,000	x 2.7% = \$945	175 transactions x \$.30 = \$52.50	\$0	\$945 + \$52.50 =	\$997.50
GoPayment option 1	\$35,000	x 1.7% = \$595	175 transactions x \$0 = \$0	\$19.95 x 12 = \$239.40	\$595 + 0 =	\$834.40
GoPayment option 2	\$35,000	x 2.4 % = \$840	175 transactions x \$.25 = \$43.75	\$0	\$840 + \$43.75 =	\$883.75

**Solution**

The participant should suggest that sales using traditional current credit card payments should be changed to GoPayment option 1 because due to the small number of sales each year it makes more sense to pay a higher percentage per transaction and not pay a monthly fee. Using GoPayment option 1 is the least expensive option thus increasing OUR PICTURES YOUR WALLS’S profit. However, you might consider accepting PayPal for internet sales (but only for internet sales since it is more expensive than GoPayment) because GoPayment wouldn’t work with internet sales.

1. A business owner must change with the times in order to stay in business. When a new trend or option of payment is created, and persuasive marketing campaigns convince customers they should be using it, customers usually catch on and begin using it. If a business does not accept the new form of payment, customers may shop at another business that does accept the new form of payment instead of a business that doesn’t accept it.
2. New forms of payment were created for convenience. The old way of paying by credit card did not work for many businesses that were not traditional stores. (hooked up to phone lines to run credit card information) These new forms of payment make it possible for businesses to run credit card information immediately wherever the transaction takes place.

## JUDGE'S EVALUATION INSTRUCTIONS

### Evaluation Form Information

The participants are to be evaluated on their ability to perform the specific performance indicators stated on the cover sheet of this event and restated on the Judge's Evaluation Form. Although you may see other performance indicators being demonstrated by the participants, those listed in the Performance Indicators section are the critical ones you are measuring for this particular event.

### Evaluation Form Interpretation

The evaluation levels listed below and the evaluation rating procedures should be discussed thoroughly with your event chairperson and the other judges to ensure complete and common understanding for judging consistency.

<b>Level of Evaluation</b>	<b>Interpretation Level</b>
Exceeds Expectations	Participant demonstrated the performance indicator in an extremely professional manner; greatly exceeds business standards; would rank in the top 10% of business personnel performing this performance indicator.
Meets Expectations	Participant demonstrated the performance indicator in an acceptable and effective manner; meets at least minimal business standards; there would be no need for additional formalized training at this time; would rank in the 70-89 <sup>th</sup> percentile of business personnel performing this performance indicator.
Below Expectations	Participant demonstrated the performance indicator with limited effectiveness; performance generally fell below minimal business standards; additional training would be required to improve knowledge, attitude and/or skills; would rank in the 50-69 <sup>th</sup> percentile of business personnel performing this performance indicator.
Little/No Value	Participant demonstrated the performance indicator with little or no effectiveness; a great deal of formal training would be needed immediately; perhaps this person should seek other employment; would rank in the 0-49 <sup>th</sup> percentile of business personnel performing this performance indicator.



**BUSINESS FINANCE SERIES, 2015**

Participant: \_\_\_\_\_

**JUDGE'S EVALUATION FORM**  
SAMPLE SCENARIO 2015

I.D. Number: \_\_\_\_\_

**INSTRUCTIONAL AREA**  
Financial Analysis

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
<b>PERFORMANCE INDICATORS</b>						
1.	Explain forms of financial exchange?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
2.	Explain the nature of overhead/operating costs?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
3.	Calculate financial ratios?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
4.	Discuss the financial planning process?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
5.	Apply information to accomplish a task?	0-1-2-3-4-5	6-7-8-9	10-11-12-13	14-15-16	
6.	Reason effectively, use systems thinking, make judgments and decisions, and solve problems?	0-1-2-3	4-5-6	7-8	9-10	
7.	Overall impression and responses to the judge's questions	0-1-2-3	4-5-6	7-8	9-10	
<b>TOTAL SCORE</b>						