



FINANCIAL ANALYST TEAM (150)

REGIONAL – 2017

TOTAL POINTS _____ (150)

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

Property of Business Professionals of America.
May be reproduced only for use in the Business Professionals of America
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 Coffee owns a chain of coffee shops across the nation. On December 31, 2016, the firm's general ledger contained the accounts and balances below. All account balances are normal, and in the income tax rate is 30%.

PBA Coffee wants to expand its operations by opening a new store in Columbus, Ohio. PBA Coffee has hired you to prepare their financials and make a presentation to PBA Coffee'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 Coffee for the year ended December 31, 2016.
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. A discussion of the benefits of debt vs. equity financing. Assume there are 11,500,000 shares of common stock outstanding (there is no preferred stock) and the stock is currently trading at \$60 per share.
4. A recommendation as to how PBA Coffee should proceed.

PBA Coffee					
Trial Balance					
(in thousands)					
	2012	2013	2014	2015	2016
Cash	23,612	24,887	27,660	26,559	32,389
Accounts Receivable	7,511	8,493	9,002	9,409	10,068
Inventory	14,539	15,101	15,979	16,587	16,329
Prepaid Expenses	3,424	3,733	4,232	3,984	4,891
Supplies	2,869	2,987	3,326	3,678	3,960
Long-term Investments	3,113	3,248	3,289	3,300	4,397
Equipment	40,998	42,548	43,647	45,896	46,486
Accumulated Depreciation—Equipment	4,250	4,400	4,800	5,500	6,000
Accounts Payable	15,023	15,567	16,590	18,879	20,187
Wages Payable	20,437	21,539	22,619	23,789	25,432
Unearned Revenue	2,033	2,239	2,479	2,398	2,548
Notes Payable (due in 2020)	28,000	28,750	30,000	32,000	29,000
Common Stock	8,000	8,000	10,000	10,000	10,000
Retained Earnings	4,344	18,323	20,502	20,647	16,847
Dividends	0	12,398	15,640	20,199	9,939
Sales	93,074	103,994	118,175	132,781	147,534
Cost of Goods Sold	35,927	41,494	47,624	54,307	60,489
Operating Expenses	27,829	30,366	34,271	38,108	41,310
Administrative Expenses	6,701	8,112	9,726	11,618	14,016
Selling Expenses	2,327	2,808	3,309	4,249	4,426
Depreciation Expense—Equipment	125	150	400	700	500
Interest Expense	195	239	295	372	443



A team will be DISQUALIFIED for violations of the Copyright and Fair Use Guidelines.

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

JUDGING PROCEDURE

- Teams will be introduced by team number.
- 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.
- Teams will present before a panel of judges and timekeeper.
- All team members must participate.
- The length of set-up will be no more than five (5) 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!

**FINANCIAL ANALYST MANAGEMENT TEAM - REGIONAL 2017****ANSWER KEY****Page 4 of 6**

PBA Coffee					
Income Statement					
For the Year Ended December 31, 2016					
(in thousands)					
	2012	2013	2014	2015	2016
Sales	\$ 93,074	\$ 103,994	\$ 118,175	\$ 132,781	\$ 147,534
Cost of Goods Sold	\$ (35,927)	\$ (41,494)	\$ (47,624)	\$ (54,307)	\$ (60,489)
Gross Profit	\$ 57,147	\$ 62,500	\$ 70,551	\$ 78,474	\$ 87,045
Operating Expenses	\$ 27,829	\$ 30,366	\$ 34,271	\$ 38,108	\$ 41,310
Administrative Expenses	\$ 6,701	\$ 8,112	\$ 9,726	\$ 11,618	\$ 14,016
Selling Expenses	\$ 2,327	\$ 2,808	\$ 3,309	\$ 4,249	\$ 4,426
Depreciation Expense—Equipment	\$ 125	\$ 150	\$ 400	\$ 700	\$ 500
Total Operating Expenses	\$ 36,982	\$ 41,436	\$ 47,706	\$ 54,675	\$ 60,252
Income from Operations	\$ 20,165	\$ 21,064	\$ 22,845	\$ 23,799	\$ 26,793
Interest Expense	\$ (195)	\$ (239)	\$ (295)	\$ (372)	\$ (443)
Income before Taxes	\$ 19,969	\$ 20,825	\$ 22,550	\$ 23,427	\$ 26,350
Income Tax Expense	\$ 5,991	\$ 6,248	\$ 6,765	\$ 7,028	\$ 7,905
Net Income	\$ 13,979	\$ 14,578	\$ 15,785	\$ 16,399	\$ 18,445
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.					

PBA Coffee						
Statement of Retained Earnings						
For the Year Ended December 31, 2016						
		2012	2013	2014	2015	2016
Retained Earnings	January 1	\$ 4,344	\$ 18,323	\$ 20,502	\$ 20,647	\$ 16,847
Net Income		\$ 13,979	\$ 14,578	\$ 15,785	\$ 16,399	\$ 18,445
		\$ 18,323	\$ 32,900	\$ 36,287	\$ 37,046	\$ 35,292
Dividends		\$ -	\$ 12,398	\$ 15,640	\$ 20,199	\$ 9,939
Retained Earnings	December 31	\$ 18,323	\$ 20,502	\$ 20,647	\$ 16,847	\$ 25,353

FINANCIAL ANALYST MANAGEMENT TEAM - REGIONAL 2017
ANSWER KEY
Page 5 of 6


PBA Coffee					
Balance Sheet					
December 31, 2016					
(in thousands)	2012	2013	2014	2015	2016
ASSETS					
Current Assets:					
Cash	\$ 23,612	\$ 24,887	\$ 27,660	\$ 26,559	\$ 32,389
Accounts Receivable	\$ 7,511	\$ 8,493	\$ 9,002	\$ 9,409	\$ 10,068
Inventory	\$ 14,539	\$ 15,101	\$ 15,979	\$ 16,587	\$ 16,329
Prepaid Expenses	\$ 3,424	\$ 3,733	\$ 4,232	\$ 3,984	\$ 4,891
Supplies	\$ 2,869	\$ 2,987	\$ 3,326	\$ 3,678	\$ 3,960
Total Current Assets	\$ 51,955	\$ 55,201	\$ 60,199	\$ 60,217	\$ 67,637
Property, Plant & Equipment:					
Long-term Investments	\$ 3,113	\$ 3,248	\$ 3,289	\$ 3,300	\$ 4,397
Equipment	\$ 40,998	\$ 42,548	\$ 43,647	\$ 45,896	\$ 46,486
Accumulated Depreciation—Equipment	\$ (4,250)	\$ (4,400)	\$ (4,800)	\$ (5,500)	\$ (6,000)
Total Property, Plant & Equipment	\$ 39,861	\$ 41,396	\$ 42,136	\$ 43,696	\$ 44,883
Total Assets	\$ 91,816	\$ 96,597	\$ 102,335	\$ 103,913	\$ 112,520
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 15,023	\$ 15,567	\$ 16,590	\$ 18,879	\$ 20,187
Wages Payable	\$ 20,437	\$ 21,539	\$ 22,619	\$ 23,789	\$ 25,432
Unearned Revenue	\$ 2,033	\$ 2,239	\$ 2,479	\$ 2,398	\$ 2,548
Total Current Liabilities	\$ 37,493	\$ 39,345	\$ 41,688	\$ 45,066	\$ 48,167
Long-Term Liabilities:					
Notes Payable (due in 2020)	\$ 28,000	\$ 28,750	\$ 30,000	\$ 32,000	\$ 29,000
Total Liabilities	\$ 65,493	\$ 68,095	\$ 71,688	\$ 77,066	\$ 77,167
STOCKHOLDERS' EQUITY					
Common Stock	\$ 8,000	\$ 8,000	\$ 10,000	\$ 10,000	\$ 10,000
Retained Earnings	\$ 18,323	\$ 20,502	\$ 20,647	\$ 16,847	\$ 25,353
Total Stockholders' Equity	\$ 26,323	\$ 28,502	\$ 30,647	\$ 26,847	\$ 35,353
Total Liabilities & Stockholders' Equity	\$ 91,816	\$ 96,597	\$ 102,335	\$ 103,913	\$ 112,520
<p>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.</p>					

FINANCIAL ANALYST MANAGEMENT TEAM - REGIONAL 2017

ANSWER KEY

Page 6 of 6



PBA Coffee						
Selected Financial Analysis						
	2012	2013	2014	2015	2016	
Current Ratio	1.39	1.40	1.44	1.34	1.40	
Gross Profit Percentage	61.40%	60.10%	59.70%	59.10%	59.00%	
Profit Margin	15.02%	14.02%	13.36%	12.35%	12.50%	
Debt to Total Assets	71.33%	70.49%	70.05%	74.16%	68.58%	

PBA Coffee					
Selected Trend Analysis					
	2012	2013	2014	2015	2016
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	\$ 91,816	\$ 96,597	\$ 102,335	\$ 103,913	\$ 112,520
Percent Increase		5%	11%	13%	23%
Total Liabilities	\$ 65,493	\$ 68,095	\$ 71,688	\$ 77,066	\$ 77,167
Percent Increase		4%	9%	18%	18%