



FINANCIAL ANALYST TEAM (150)

REGIONAL – 2020

TOTAL POINTS _____ (170)

**Judges: 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

Lynn's Kids first opened in 1998 as a single-store children's clothing boutique in Northampton, Massachusetts. Over the past 22 years, Lynn's Kids has incorporated into a small, private corporation, and expanded to Westborough in 2001 and Boston in 2014.

While sales have remained steady since opening their most recent store, profits have fallen in recent years, and Lynn is concerned that she might have to close her business. Lynn's long-time bookkeeper, Scott, has compiled her financial data for the last five years. Lynn took out a mortgage to buy her first store in 1988, but her other two stores are leased. Lease payments make up 30% of the total operating expenses, with the lease on the Boston location comprising 80% of the total lease payments. Each store has one full-time manager, who makes \$50,000 a year, and the rest of the employees are part-time. The part-time wages constitute a total of 20% of the operating expenses, with the Boston store using 50% of the wages and the other two stores being even. Lynn pays herself a salary of \$100,000 for being the CEO, but she is considering reducing that amount if it means she can save her business. Two years ago Lynn increased her advertising expenses to \$80,000 to try to increase sales, with the 70% of her advertising efforts being focused on the Boston store (20% of advertising is spent on the Westborough store and the remainder on the Northampton store). The remainder of the operating expenses are used to cover insurance, utilities, and other miscellaneous items (these expenses are split in a 30/30/40 split between the 3 stores, with Boston having the highest insurance rate).

Lynn took out a ten-year note to open to Boston store, and she's concerned that sales have not grown enough to cover the loan payments. Lynn has resorted to using the line of credit from her bank to help pay the bills. Between the three stores, the original store in Northampton continues to have the most sales, comprising 42% of the total sales. The Westborough store has the lowest sales, comprising only 28% of the total sales.

Lynn is asking for your advice. She would like to save her business, but isn't sure if maybe she should close all of her stores, close some of her stores, or start selling her clothes online. Please compile Lynn's financial statements for the past five years (assume a 30% corporate tax rate), and prepare your analysis and presentation for the Board of Directors of Lynn's Kids.

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*.



Lynn's Kids Trial Balance					
	2019	2018	2017	2016	2015
Cash	39,454	58,634	87,716	90,740	62,667
Inventory	112,832	99,795	87,495	79,935	81,212
Prepaid Expenses	6,336	6,223	7,801	7,341	5,532
Building	219,377	219,377	219,377	219,377	219,377
Accumulated Depreciation-Building	91,388	86,588	81,788	76,988	72,188
Equipment & Store Fixtures	121,091	121,091	121,091	121,091	121,091
Accumulated Depreciation—Equipment	54,491	46,591	38,691	30,791	22,891
Accounts Payable	10,866	8,234	10,959	9,133	7,027
Line of Credit	160,199	110,820	75,643	40,021	16,418
Other Current Liabilities	9,281	8,379	10,303	9,443	9,427
Mortgage	105,000	114,000	122,500	130,500	138,000
Notes Payable	79,457	90,320	100,552	110,189	120,000
Common Stock	50,800	50,800	50,800	50,800	50,800
Dividends	0	0	0	0	0
Retained Earnings (January 1, 2015)					28,293
Sales	1,584,606	1,578,476	1,597,176	1,634,993	1,564,171
Cost of Goods Sold	752,758	753,861	762,877	790,298	725,251
Operating Expenses	847,638	835,093	831,116	798,354	763,634
Interest Expense	35,990	32,378	31,558	35,640	39,807

INCOME STATEMENT

Lynn's Kids Income Statement For the Year Ended December 31					
	2019	2018	2017	2016	2015
Sales	1,584,606	1,578,476	1,597,176	1,634,993	1,564,171
Cost of Goods Sold	(752,758)	(753,861)	(762,877)	(790,298)	(725,251)
Gross Profit	831,848	824,615	834,299	844,695	838,920
Operating Expenses	(847,638)	(835,093)	(831,116)	(798,354)	(763,634)
Income from Operations	(15,790)	(10,478)	3,183	46,341	75,286
Interest Expense	(35,990)	(32,378)	(31,558)	(35,640)	(39,807)
Income before Taxes	(51,780)	(42,856)	(28,375)	10,701	35,479
Income Tax Expense	0	0	0	(3,210)	(10,644)
Net Income	(51,780)	(42,856)	(28,375)	7,491	24,835

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



RETAINED EARNINGS

Lynn's Kids
 Statement of Retained Earnings
 For the Year Ended December 31

		2019	2018	2017	2016	2015
Retained Earnings	January 1	\$ (10,612)	\$ 32,244	\$ 60,619	\$ 53,128	\$ 28,293
Net Income		(51,780)	(42,856)	(28,375)	7,491	24,835
		(62,392)	(10,612)	32,244	60,619	53,128
Dividends		0	0	0	0	0
Retained Earnings	December 31	\$ (62,392)	\$ (10,612)	\$ 32,244	\$ 60,619	\$ 53,128

BALANCE SHEET

Lynn's Kids
 Balance Sheet
 December 31

	2019	2018	2017	2016	2015
ASSETS					
Current Assets:					
Cash	39,454	58,634	87,716	90,740	62,667
Inventory	112,832	99,795	87,495	79,935	81,212
Prepaid Expenses	6,336	6,223	7,801	7,341	5,532
Total Current Assets	158,622	164,652	183,012	178,016	149,411
Property, Plant & Equipment:					
Building (net)	127,989	132,789	137,589	142,389	147,189
Equipment & Store Fixtures (net)	66,600	74,500	82,400	90,300	98,200
Total Property, Plant & Equipment	194,589	207,289	219,989	232,689	245,389
Total Assets	353,211	371,941	403,001	410,705	394,800
LIABILITIES					
Current Liabilities:					
Accounts Payable	10,866	8,234	10,959	9,133	7,027
Line of Credit	160,199	110,820	75,643	40,021	16,418
Other Current Liabilities	9,281	8,379	10,303	9,443	9,427
Total Current Liabilities	180,346	127,433	96,905	58,597	32,872
Long-Term Liabilities:					
Mortgage	105,000	114,000	122,500	130,500	138,000
Notes Payable	79,457	90,320	100,552	110,189	120,000
Total Liabilities	364,803	331,753	319,957	299,286	290,872
OWNERS' EQUITY					
Common Stock	50,800	50,800	50,800	50,800	50,800
Retained Earnings (January 1, 2015)	(62,392)	(10,612)	32,244	60,619	53,128
Total Liabilities & Stockholders' Equity	353,211	371,941	403,001	410,705	394,800

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



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!