



CAREER CLUSTER
Finance

CAREER PATHWAY
Accounting

INSTRUCTIONAL AREA
Financial Analysis

ACCOUNTING 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 30 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 15 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. Discuss the nature of depreciation.
2. Journalize business transactions.
3. Prepare depreciation schedules.
4. Determine the book value of a plant asset.
5. Record the disposition of assets.



EVENT SITUATION

You are to assume the role of a staff accountant at JOHNSON UNIVERSITY. You have recently hired a student intern (judge), an accounting major from the business department, who is anxious to learn everything he/she can from you about accounting. Your supervisor, the controller, has asked you to analyze a series of transactions relative to the purchase, depreciation, and sale of some of the university's plant assets. There are two transactions that you have been asked to evaluate. You have decided these would be good projects for you to work on with your intern (judge), as it will give you an opportunity to explain many of the accounting concepts relative to depreciation.

JOHNSON UNIVERSITY has recently remodeled one of its dormitories and sold all of the old furniture. The furniture was sold on April 1, 2013 for \$125,000 in cash. It had an original cost of \$625,000. The furniture has depreciated using the straight-line method with a \$10,000 salvage value and a 5-year useful life. The total accumulated depreciation on the furniture as of December 31, 2012 was \$492,000. You will need to make two journal entries:

1. The first will need to update the depreciation from December 31, 2012 to the date of sale on April 1, 2013.
2. The second will be to record the disposition/sale of the asset.

The second project relates to a box truck that was purchased for the maintenance department. The truck was originally purchased on January 1, 2009 at a cost of \$45,000. The university has depreciated the truck using the straight line method for a 5-year useful life and a \$5,000 salvage value. The controller has asked that you journalize the adjusting entry for annual depreciation in 2012. The controller has also asked that you calculate the book value of the truck as of December 31, 2012 and again at the end of its useful life.

You will explain the accounting for the two projects to the intern (judge) in a role-play to take place in the accounting office. The intern (judge) will begin the role-play by thanking you for taking the time to explain how depreciation works in real-life situations. Once you have finished your explanation and have answered the intern's (judge's) questions, the intern (judge) will conclude the role-play by thanking you for your time.

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 a student intern at JOHNSON UNIVERSITY. You are an accounting major and have recently been hired to work in the university's accounting office. You are anxious to learn everything you can from the staff accountant (participant) about accounting. The controller for the university has asked the staff accountant (participant) to analyze a series of transactions relative to the purchase, depreciation, and sale of some of the university's plant assets. There are two transactions that the accountant (participant) has been asked to evaluate and explain. The accountant (participant) believes that these are good projects for you to work on, as it will give the accountant (participant) an opportunity to explain many of the accounting concepts relative to depreciation to you.

JOHNSON UNIVERSITY has recently remodeled one of its dormitories and sold all of the old furniture. The furniture was sold on April 1, 2013 for \$125,000 in cash. It had an original cost of \$625,000. The furniture depreciated using the straight-line method with a \$10,000 salvage value and a 5-year useful life. The total accumulated depreciation on the furniture as of December 31, 2012 was \$492,000. Two journal entries need to be made:

1. The first will need to update the depreciation from December 31, 2012 to the date of sale on April 1, 2013.
2. The second will be to record the disposition/sale of the asset.

The second project relates to a box truck that was purchased for the maintenance department. The truck was originally purchased on January 1, 2009 at a cost of \$45,000. The university has depreciated the truck using the straight line method for a 5-year useful life and a \$5,000 salvage value. The controller has asked that the accountant (participant) journalize the adjusting entry for annual depreciation in 2012. The controller has also asked for the calculation relative to the book value of the truck as of December 31, 2012 and again at the end of its useful life.

The accountant (participant) will explain the accounting for the two projects to you in a role-play to take place in the accounting office. You will begin the role-play by thanking the accountant (participant) for taking the time to explain how depreciation works in real-life situations.

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

1. What other methods for depreciating plant assets are GAAP approved?
2. How is the useful life of a plant asset determined?
3. How is the salvage value of a plant asset determined?

Once the accountant (participant) has finished the explanation about concepts and journal entries and has answered your questions, you will conclude the role-play by thanking the accountant (participant) for their time.

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

SOLUTION

Depreciation is the systematic allocation of the cost of a plant asset to expense in the accounting periods benefitting from its use. Depreciation does not measure the decline in the asset's market value, nor does it measure the asset's physical deterioration. Depreciation does NOT apply to Land. Depreciation is calculated: $(\text{Cost} - \text{Salvage Value}) \div \text{Useful life}$

Journal Entries for dormitory furniture

Date	Account	Debit	Credit
4/1/013	Depreciation Expense - Furniture Accumulated Depreciation (3 months of depreciation)	30,750	30,750
4/1/13	Accumulated Depreciation Cash Furniture Gain on Sale of Disposal	522,750 125,000	625,000 22,750

Journal entry for maintenance department truck

Date	Account	Debit	Credit
12/31/12	Depreciation Expense - Truck Accumulated Depreciation	8,000	8,000

Book Value is equal to cost minus accumulated depreciation:

Book Value of Truck at December 31, 2102 (4 years of depreciation):
 $45,000 - 32,000 = 13,000$

Book Value of Truck at end of useful life, December 31, 2013:
 $45,000 - 40,000 = 5,000$

Book Value always = salvage value at the end of the asset's useful life

Key Points (Answers to Judge's Questions)

1. Other GAPP approved methods of depreciation include: Units of Production and Declining-Balance. Units of production charges a varying amount to expense for each period of an asset's useful life depending on its usage (e.g., hours of operation, miles driven, units produced). The Declining-Balance method is an accelerated method of depreciation that yields a larger depreciation expense in the early years of an asset's life and less depreciation in later years.
2. The Useful Life of a plant asset is the length of time it is productively used in a company's operations. It is a management estimate. Useful life might not be as long as the asset's total productive life. Several variables often make the useful life of a plant asset difficult to predict. A major variable is the wear and tear from use in operations. Two other variables, inadequacy and obsolescence, also require consideration.
3. The salvage value of a plant asset is a management estimate of the asset's value at the end of its useful life. This is the amount the owner expects to receive from disposing of the asset. If the asset is expected to be traded in on a new one, its salvage value is the expected trade-in value.

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. Please note that an overall score of 70% indicates a *minimum level of acceptable performance*.

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.

Level of Evaluation	Interpretation Level
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 th 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 th percentile of business personnel performing this performance indicator.
Little/No Demonstration	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 th percentile of business personnel performing this performance indicator.



ACCOUNTING, 2014

Participant: _____

JUDGE'S EVALUATION FORM
SAMPLE EVENT

I.D. Number: _____

INSTRUCTIONAL AREA: Financial Analysis

Did the participant:

Did the participant:		Little/No Value	Below Expectations	Meets Expectations	Exceeds Expectations	Judged Score
PERFORMANCE INDICATORS						
1.	Discuss the nature of depreciation?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
2.	Journalize business transactions?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
3.	Prepare depreciation schedules?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
4.	Determine the book value of a plant asset?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
5.	Record the disposition of assets?	0-1-2-3-4-5	6-7-8-9-10-11	12-13-14-15	16-17-18	
6.	Overall impression and response to judge's questions	0-1-2	3-4-5	6-7-8	9-10	
TOTAL SCORE						