Small Business * Financial * Life Potential

Small Business Check - up

Small businesses sometimes fail because owners are unaware of some of the elements that can prevent a business from growing and being successful. Often, a small business is organized around the owner's specific area of expertise, such as marketing, accounting or production. This specialized expertise often prevents the business owner from recognizing problems that may arise in other parts of the business that are outside of the owner's skill set.

By doing an audit of key areas of the business, you can determine areas that require improvement. In the healthy and financially sound small business, these seven functional areas are in optimized and in balance.

For this audit (Check-up), rate yourself from 0 to 5 for each point (0-not true to 5-very true).

MISSION / VISION:

1. There is a clear understanding of **why** you are in business. ______________

2. There is a **clear vision** of where the business is going & what it will be. ______________

3. The company has a clearly defined mission & business plan <u>in writing</u>. ______________

4. The business plan is referred to <u>often</u> as a blueprint for growth. ______________

Total score (0-15, could use some attention, 15-20, seems ok): ______________

SALES & MARKETING:

1. There is a marketing plan in place. ______________

2. There is a clear understanding of the target market. ______________

3. There is attention to detail with regard to "branding" & market perception. ______________

4. 3-4 marketing methods are being applied with a budget to support it. ______________

5. There is a clear understanding of your unique market strengths. ______________

6. You are regularly communicating with your prospects & customers. ______________

SALES & MARKETING (Cont.):

7. You have a "conversion strategy" once you have an interested prospect. ______________

Total score (0-25, could use some attention, 25-35, seems ok): ______________

PRICING:

1. You are priced competitively for your market and specific niche. ______________

2. You are making adequate **profit** on each transaction. ______________

3. Discounting is used with discretion and used mainly to turn old product. ______________

Total score (0-10, could use some attention, 10-15, seems ok): ______________

ACCOUNTS RECEIVABLE & CASH FLOW:

1. Accounts are invoiced on a timely manner (within 2-3 days). ______________

2. Collections are received within 30 - 45 days. ______________

3. There is a cash-reserve account in place, funded with 2-3 months of revenue. ______________

4. There is a short-term line of credit available to smooth out cash flow. ______________

5. Standard bookkeeping is being used or sub-contracted out. ______________

Total score (0-20, could use some attention, 20-25, seems ok): ______________

CUSTOMER / CLIENT RELATIONS:

1. There is a customer retention program in place. ______________

2. Customer feedback is encouraged and collected. ______________

3. All company personnel are committed to providing high customer support. ______________

4. Referrals are encouraged and rewarded. ______________

5. We act with 100% integrity in all customer relations. ______________

Total score (0-20, could use some attention, 20-25, seems ok): ______________

PRODUCT OR SERVICE:

1. Our product / service is <u>perceived</u> among the best in our industry. ______________

PRODUCT OR SERVICE (Cont):

2. Our customers receive tremendous value from our product / service. ____________

3. Our product / service is unique. ____________

4. We take great pride in providing the best product / service available. ____________

5. We understand clearly how our product / service fulfills a need or want. ____________

Total score (0-20, could use some attention, 20-25, seems ok): ____________

FINANCIALS:

1. **Current ratio** -- measures your company's liquidity and ability to pay short-term debts by comparing current assets to current liabilities.

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ (higher over "1" the better) ____________

2. **Quick ratio** -- another liquidity ratio, commonly called the "acid test." It compares current assets, less inventory, to current liabilities to determine how readily you can convert to cash to pay current obligations.

Quick ratio = $\frac{\text{Current Assets - A/R}}{\text{Current Liabilities}}$ (higher over "1" the better) ____________

3. **Debt to assets ratio** -- measures how much a company relies on borrowing to finance operations, an important ratio if you're interested in getting a loan.

Debt to asset ratio = $\frac{\text{Total Debt}}{\text{Total Assets}}$ (lower below "1" the better) ____________

4. **Return on assets** -- measures how much income is generated by assets.

Return on Assets = $\frac{\text{Net Income}}{\text{Total Assets}}$ (lower below 10% $ intensive) ____________

5. **Gross profit margin** -- measures the amount of each dollar that can go for overhead and profit.

Gross Profit Margin = $\frac{\text{Gross Income}}{\text{Sales}}$ (good GPM dep. on industry) ____________