

Dashboard Cheat Sheet

Key Points to Consider:

1. Each chart is prime real estate. Ensure that the charts you present reflect the areas you want to discuss with the client.
2. Look at 2 - 4 key recommendations on areas they can work on.
3. Provide 2 - 3 tangible actions.
4. What are the core values and central purpose of your business?
5. What are they looking to achieve in their;
 - a. Business
 - b. Personal life
 - c. Financially
6. Are they on track to achieve these?

Areas to consider

Revenue:

- Review sales first. How stable or secure is revenue? Are there any significant risk factors that could impact future revenues? What does the short - medium term revenue pipeline look like? What needs to change to improve this? If performing ahead of budget or target, what are the implications of this - supply, warehousing, tax? Is the service mix suitable? Any new products or services? Expansion into new markets, or new customers?
- Are pricing strategies appropriate for current conditions?
- Look at whether any of your income sources are overly time consuming with low margins.
- Are transaction sizes suitable - upselling opportunities?
- Any changes in marketing strategies?
- Competitor & industry alignment & awareness?

Cost of Goods Sold:

- Are these fluctuating with revenues as expected, and being well managed?
- Are margins reviewed regularly?
- What is the industry benchmark?
- Are suppliers stable and well managed
 - Purchase items in bulk to reduce your cost throughout the year
 - Leverage suppliers for faster delivery time or favorable financing terms
 - Secure supply chains
 - Discounts or rebates
- Substitute lower cost materials.
- Automation and productivity / Adoption of new technology can reduce COGS
Improvements in cost controls.
- Review your procurement strategy. Do you have a purchasing schedule? Are you buying too late and missing out on seasonal sales?

Overhead Expenses:

- Are these being well managed?
- Could you enhance any efficiencies with better trained staff
- Any areas of mismanagement or risk that need to be addressed
- Can these be removed or reduced
- Are there budget line items for growth i.e staff training and well being programs can support future staff retention, and remove recruitment costs.
- Do you offer internal incentives for performance, and or recruitment?

Tracked Budgets

- You can only manage what you measure.
- If you break down the cost of goods sold for each product, service or location, then tracking and forecasting will be more accurate and you can monitor what is happening with your cash.
- Tracking expenses ensures you achieve your financial targets by understanding your project spending and making changes to complete the project within time and budget.
- When investors are looking to purchase shares of a company, the figures for different departments yield a number of insights that aren't obvious if viewed on a standalone basis.

Balance Sheet**Accounts Receivable:**

- Are slow paying debtors slowing your business?
- aid on time or require deposits upfront?
- Are all receivables collectable in the current economic environment?

Accounts Payable:

- Are they making supplier commitments on time, and in full?
- Is there any risk of supply issues for delayed or partial payments?
- Are all tax commitments being met in full on time?
- Do any payment arrangements need to be made?

Shareholder Current Accounts:

- What is the level of drawings and contributions from the owners?
- Are there any implications for excessive amounts taken (Taxes owed)
- Are they equal, and all parties aware of current positions?

Working Capital Ratio:

- The trick is to strike a balance between liquidity and profitability. Having too much of your funds tied up in stock will stangle your cash flow and reduce your ability to meet financial obligations as they fall due.
- Having too much cash sitting in the bank could become an opportunity cost to the business to be better utilized investing in higher income generating assets

Debt to Equity Ratio:

- Are they capital intensive? A high ratio as it shows they are maximizing its capital properly

Fixed Asset Turnover:

- Important to compare this over several years since companies will likely upgrade and add new equipment and also compare with similar companies within the same industry.
- Sell unproductive assets. If they aren't generating a healthy return they likely never will.
 - You may look at leasing assets rather than purchasing them as it could be cheaper, particularly for assets which date quickly such as those in the technology sector.

Inventory Turnover Ratio:

- Improving inventory management will improve your balance sheet. If stock is obsolete then shift it out the door as the cost of holding onto it can be more.
- Review your procurement strategy. Do you have a purchasing schedule? Are you buying too late and missing out on seasonal sales?
- Is inventory all usable, or is obsolescence a concern?

Debt & Equity:

- Debt is a cheaper source of financing as shareholders require a higher return.
- Equity financing is more expensive but less risky as there is no obligation to repay.
- Strong balance sheet may result from borrowing debt at a good time i.e low interest rates. What would the implications of rising interest rates be?
- Poor balance sheet may be due to poor financial performance, taking on unserviceable debt, or stripping too much money out of the business.

Cash Flow Statement

Making a profit on paper is great, but without cash on hand you can't pay your staff, restock inventory or make future investments.

Accounts Receivable

When your unpaid accounts receivable balance starts to grow, that could be a sign of potential cash flow trouble. Even though you're making sales, you don't have the money on hand because clients haven't paid their bills. Speeding up the collection of receivables is one way to help improve your cash flow. You notice that some cash outflows are creeping up.

Perhaps inventory is suddenly costing more and squeezing your margins. In this case, you could try increasing your prices or cutting other expenses to offset the cash loss.

If you notice that your accounts receivables are growing, you could adjust terms with your clients, so that they have fewer days to make payment or they could receive a discount for early payment.

Inventory

An increase in inventory signals the company has spent more money on raw materials and if this was paid with cash then the increase in inventory is deducted from earnings. If inventory was purchased on credit then an increase in accounts payable.

Working Capital

Cash, 'Business Oxygen' is the most evidential sign of a strong balance sheet. The business cannot breathe without cash flow. Is the company's cash position deteriorating and if so how quickly? Does it have additional sources of cash available? A sign of a good business is having a minimum cash reserve for rainy days. What is the ability to meet short term debts? How much expense cover does the company have?

Negative Cash Flow

It's important to remember that long term, negative cash flow isn't always a bad thing. For example, early stage business need to track their burn rate as they try to become profitable

Positive Cash Flow

Keep in mind, positive cash flow isn't always a good thing in the long term. While it gives you more liquidity now, there are negative reasons you may have that money. For instance, by taking on a large loan to bail out your failing business.