

The Consultant's Questionnaire and Audit

Part I: Organization

Company : _____

Division : _____

Address : _____

City, State and Zip code: _____

Website : _____

Other Division Locations: _____

Company Officers and Other Key Executives: _____

Primary Contact for This Engagement: _____

Title : _____

Address : _____

City, State and Zip Code: _____

Phone Number: _____

Fax Number : _____

Email : _____

Backup Contact for This Engagement: _____

Title : _____

Address : _____

City, State and Zip Code: _____

Phone Number: _____

Fax Number : _____

Email : _____

Note : Obtain relevant company organization charts

Part II: Production (For Manufacturers)

What percentage of production is:

_____ % Job-order (Custom) manufacture?
_____ % Repetitive (Standard) manufacture?
100 % Total

What percentage of production is:

_____ % Private label for some else?
_____ % Sold under your name?
100 % Total

Do you subcontract? _____

_____ % If yes, what percentage of your total work?

Who are your major subcontract? _____

Are you satisfied with their work? _____

_____ % What percentage of your production do you export?

What countries do you export to? What is the percentage of export to each country?

_____ %
_____ %
_____ %

_____ % At what current percentage of production capacity are you now operating?

_____ % What additional percentage could you add to total capacity (100%) in order to accommodate additional sales?

How many months would it take to reach this figure? _____ months

_____ % What is the minimum percentage of capacity at which you must operate in order to break even?

How seasonal is your production?

_____ Not at all _____ Slightly _____ Fairly _____ Highly _____ Totally

At which season (s) is production at its peak? _____

At which season (s) is production at its minimum? _____

To what extent are your production operations regulated by governmental controls?

_____ % Federal _____ % State _____ % Local

Who are your major suppliers? Are you satisfied with them?

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

Part III: Markets Served

If possible, give estimates for the following:

	Last Year	Three Years Ago
Total industry sale	\$ _____	\$ _____
Your sales	\$ _____	\$ _____
Your market share	\$ _____	\$ _____

	Last Year	Three Years Ago
Major competitor's share	\$ _____	\$ _____
Second ranking competitor's share	\$ _____	\$ _____
Third-ranking competitor's Share	\$ _____	\$ _____

_____ % Consumer market _____ % Industrial market

Describe each consumer market or industrial market by SIC code. * List your products, or services, the channels used to distribute them, and your approximate percentage share of each market.

Market	Products	Channel(s)	Market share

*This is a code developed by the federal government to describe products and services and the companies that offer them.

List your major competitors:

Name and Address	Strongest Markets	Why strong in these markets?	Strongest Products	Why strong with these product

What new competitors have entered the marketplace in the past three years? _____

How any done unusually well? If so, in what markets, with what products, and why? _____

Part IV: Products

Approximately how many different individual products do you manufacture? _____

\$_____ What is the dollar amount of your average sale (to your end customer)?

How many times your average product purchased by the same customer in a single year? _____

_____ % Approximately what percentage of your customers are repeat customers?

What is average purchase life your customers? _____

What do they stop buying from you? _____

Which of your products have the highest margins? _____

Do you sell any “loss leaders”? List them below:

Has their effectiveness ever been tested against that of other items? If so, which items and how?

List your products below by sales and profits:

Product	Annual Sales	Annual Profits
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

Have you considered dropping those products that account for low profits? If low-sales/low-profit products are being retained, indicate why:

Do you have ongoing new-product research and development program? _____

When was your last new product introduced? _____

When your last major product modification introduced? _____

How do you do new-product research and development?

_____ In-house
_____ Subcontract

Why do you do new-product research and development?

_____ Meet the competition
_____ Counter product obsolescence
_____ Reduce production costs
_____ Reduce material costs
_____ Enter new markets
_____ Increase sales
_____ Other _____

How do you screen potential products for development? _____

Part V: Marketing Research

Do you have an ongoing market research program? _____

Do you have correct information on:

_____ Who's buying your products?
_____ Why they're buying?
_____ Where your products are being bought?
_____ Who's making the purchase decision?
_____ How the best reach your customers through advertising?
_____ The effectiveness of advertising programs?
_____ Your competitor's products?
_____ Your competitor's strategies?
_____ Potential markets?
_____ Relative effectiveness of different channels of distribution?
_____ New applications of your products?
_____ Export potential?
_____ Related products demanded by your customers?
_____ Relative effectiveness and efficiency of salespeople?
_____ Packaging effectiveness?
_____ Pricing sensitivity?
_____ Image and positioning of your product relative to others?
_____ Publicity possibilities?
_____ Operating ratios in your industry?

What trade associations do you belong to? _____

What trade magazines or journals do you subscribe to? _____

Do you use the market research available from associations and magazines? _____

Do you use the market research available from the internet? _____

If you make use of internally generated market research, which organizations within your company provide this research and what research do they provide? _____

What outside organizations have assisted you in doing research?

Part VI: Market Segments

Consumer Market

What segments of the market do your present customers represent?

Are your products more:

_____ Habitual purchase?

_____ Impulse purchase?

_____ Planned purchase?

In your market, which are the most important factors for buying?

_____ Price

_____ Features

_____ Appearance

_____ Quality

_____ Performance

_____ Other _____

Who influences the decision to buy your products?

- | | |
|-------------------|---|
| _____ Men | _____ Lawyers |
| _____ Women | _____ Religious leaders |
| _____ Children | _____ Mechanics |
| _____ Doctors | _____ Contractors |
| _____ Dentists | _____ Tradespeople |
| _____ Educators | _____ Fraternal or social groups |
| _____ Beauticians | _____ High-income or influential people |
| _____ Barbers | _____ Others _____ |

Industrial Market

Who makes the purchase decision for your product? If more than one individual, indicate all.

Outline the sequence of events as to how this decision is made. Include other factors or individuals influencing this decision. _____

Part VII: Pricing

How do you decide on the price for your products? _____

What's your warranty policy? _____

What's your service policy? _____

Any other special policies of importance? _____

* This section (which continues until the beginning of part VIII) is adapted from Joseph D. O'Brien, *A Pricing Checklist for Managers*, published by the U.S. Small Business Administration.

Pricing Checklist

Examining Costs, Sales Volume and Profits. The questions in this part should be helpful when you look at prices from viewpoint of costs, sales volume and profits.*

Pricing and Costs. The company that sets the price for an item by applying a standard markup may be overlooking certain cost factors that are connected with that item. The following questions are designed to help you gather information that should be helpful when you are determining prices on specific types of items.

	Yes	No
1. Do you know which of your operating costs remains the same regardless of sales volume?	_____	_____
2. Do you know which of your operating costs decreases percentage wise as your sales volume increase?	_____	_____
3. Have you ever figured out the break-even point for your items selling at varying price levels?	_____	_____
4. Do you look behind high gross margin percentages? For example, a product with a high gross margin may also be a slow turnover item with high handling costs. Thus it may be less profitable than lower-margin items that turn over fast).	_____	_____
5. When you select items for price reductions, do you project the effects on profits? (For example, if a food marketer considers whether to run canned ham or rump steak on sale, an important cost factor is labor. Practically none is involved in featuring canned ham; however, a rump steak sale requires the skill of a meat cutter and this labor cost might mean little or no profits.)	_____	_____

Pricing and Sales Volume. An effective pricing program should also consider sales volume. For example, high prices may limit your sales volume, while low prices may result in a large but unprofitable volume. The following questions should be helpful in determining what is right for your situation.

6. Have you considered setting a sales volume goal and then studying it to see if Your prices will help you reach it?	_____	_____
7. Have you set a target of a certain number of new customers for next year If so, how can pricing help to get them? _____	_____	_____
8. Should you limit the quantities of low-margin items that any one customer can buy when such items are on sale? If so, will you advertise this policy?	_____	_____
9. What is your policy when a sale item is sold out before the end of the advertised period? Do you allow disappointed customers to buy the item later at the sale price?	_____	_____

Pricing and Profits. Prices should help bring in sales that are profitable over the long haul. The following questions are designed to help you think about pricing policies and their effect on your annual profits.

	Yes	No
10. Do you have all the facts on costs, sales and competitive behavior?	_____	_____
11. Do you set prices with the hope of accomplishing definite objectives, such as a one percent profit increase over last year?	_____	_____
12. Have you set a given level of the profits in dollars and in percentage of sales?	_____	_____
13. Do you keep records to give you the needed facts on profits, losses and prices?	_____	_____
14. Do you review your pricing practices periodically to make sure that they are helping to achieve your profit goals?	_____	_____

Judging the Buyer, Timing and Competitors. The questions in this part are designed to help you check your practices for judging the buyer (your customer), your timing and your competitors.

The Buyer and Pricing. After you have your facts on costs, the next point must be the customer – whether you are changing a price, putting in a new item, or checking out your present price practices. Knowledge of your customers helps you determine how to vary prices in order to get an average gross margin you need for making profit. (For example, to get an average gross margin of 35 percent, some retailers put a low markup, 10 percent for instance, on items that they promote as traffic builders and use high markup, sometimes as much as 60 percent, on slow-moving items.) The following questions should be helpful in checking your knowledge about your customers.

15. Do you know whether your customers shop around and for what items?	_____	_____
16. Do you know how your customers make their comparisons?	_____	_____
<input type="checkbox"/> By reading newspaper ads?		
<input type="checkbox"/> Store shopping?		
<input type="checkbox"/> Hearsay?		
17. Are you trying to appeal to customers who:		
<input type="checkbox"/> Buy on price alone?		
<input type="checkbox"/> Buy on quality alone?		
<input type="checkbox"/> Combine the two?		
18. Do you of your customers tell you whether your prices are in line with those of your competitors?	_____	_____
<input type="checkbox"/> Higher?		
<input type="checkbox"/> Lower?		
<input type="checkbox"/> Competitive?		
19. Do you know which items (or types of items) your customers call for even though you raise the price?	_____	_____
20. Do you know which items (or types of items) your customers leave on your shelves when you raise the price?	_____	_____
21. Do certain items seem to appeal to customers more than others when you run weekend, clearance or special-day sales?	_____	_____
22. Have you used your individual sales records to classify your present customers according to the volume of the purchases?	_____	_____
23. Will your customer buy more if you use multiple pricing (for example, three for thirty-nine cents for products with rapid turnover)?	_____	_____

	Yes	No
24. Do you customers respond to odd prices more readily than to even prices, for example, ninety-nine cents rather than the dollar?	_____	_____
25. Have you decided on a pricing strategy to create a favorable price image with your customers? (For example, a retailer with eight thousand different items might decide to make a full margin on all medium or slow movers while featuring – at low price levels – the remaining fast movers)	_____	_____
26. If you are trying to build a quality price image, do your individual customer records, such as charge account statement, show that you are selling a larger number of higher-priced items than you were twelve months ago?	_____	_____
27. Do you records of individual customer accounts and your observations of Customer behavior in the store show price as the important factor in their:		
<input type="checkbox"/> Buying?		
<input type="checkbox"/> Service?		
<input type="checkbox"/> Assortments?		
<input type="checkbox"/> Some other consideration?		

Time and Pricing. Effective merchandising means that you have the right product at the right place, at the right price and at the right time. All are important but timing is the critical element for the smaller retailer. The following questions should be helpful in determining what is the right time for you to adjust prices.

28. Are you “leader” (rather than a follower”) in announcing your price reductions? (Followers, even though they match their competitors, create a negative impression on their customers.)	_____	_____
29. Have you studied your competitors to see whether they follow any sort of pattern when making prices charges? (For example, do some of them run clearance sales earlier than others?)	_____	_____
30. Is there a pattern to the kinds of items that competitors promote at lower prices at certain times of the month or year?	_____	_____
31. Have you decided whether it is better to take early markdowns on seasonal or style goods or to run a clearance sale at the end of the season?	_____	_____
32. Have you made regular annual sales – such at anniversary sales, fall clearance or holiday cleanup – so popular that many customers wait for them rather than buying in season?	_____	_____
33. When you change a price, do you make sure that all customers know about it through price tags and so on?	_____	_____
34. Do you try to time reductions so they can be promoted in your advertising?	_____	_____

Competition and Pricing. When you set prices, you have to consider how your competitors might react to your prices. The starting place is learning as much as you can about their price structures. The following questions are designed to help you check out this phase of pricing.

	Yes	No
35. Do you use all the available channels of information to keep you up to date on your competitors' price policies? (Some useful sources of information are: things your customers tell you; competitors' price list and catalogs, if used; competitors' advertising; reports from your suppliers; trade paper studies; and shoppers employed by you.)	_____	_____
36. Should your policy be always to:		
<input type="checkbox"/> Try to sell above or below competition?		
<input type="checkbox"/> Or only to meet the competition?		
37. Is there a pattern to the way your competitors respond to your price cuts?	_____	_____
38. Is the pricing of your leader competitors affecting your sales volume to such an extent that must alter your pricing policy on individual items (or types of items) or merchandise?	_____	_____
39. Do you realize that no two competitors have identical cost curves? (This difference in costs means that certain price levels may be profitable for you but unprofitable for your competitor or vice versa.)	_____	_____

Practice That Can Help Offset Price. Some companies take advantage of the fact that price is not always the determining factor in making sale. They supply customer services and offer other inducements to offset the effect of competitors' lower prices. Delivery service is an example. Providing a comfortable shoppers' meeting place is another. The following questions are designed to help you take a look at some of these practices.

40. Do the items or services you sell have advantages for which customers are Willing to pay a little more?	_____	_____
41. From personal observation of customer behavior in your store, can you Estimate about how much more customers will pay for such advantages?	_____	_____
42. Should you change your services so as to create an advantage for which your customers will be willing to pay?	_____	_____
43. Does your advertising emphasize customer benefits rather than price?	_____	_____
44. Are you using the most common nonprice competitive tools? (For example have you tried to alter your product or service to the existing market? Have you tried stamps, bonus purchase gifts, or other plans for building repeat business?)	_____	_____
45. Should policies on returned goods be changed so as to better impress your customers?	_____	_____
46. If you sell repair services, have you checked out your guarantee policy?	_____	_____
47. Should you alter assortment of merchandise to increase sales?	_____	_____

Part VIII: Distribution

How much of your product line is:

_____ % Manufactured by you?

_____ % Manufactured for you by someone else?

100 % Total

Is your distribution:

_____ Regional? In what areas? _____

_____ National? What are your strongest areas? _____

_____ International? What are your strongest foreign countries? _____

What systems of distribution do you use? _____

How do you subdivide your product lines in your sales organization?

_____ Geographic territories _____ Type of customer

_____ Type your product _____ Other _____

How do you decide on methods of distributors and which distributors to use?

Part IX: Selling

Do your salespeople, agents or distributors have exclusive territories?

How many people do you have selling your product and what are their responsibilities?

How do you compensate your salespeople? _____

Do you offer any special sales incentives? _____

Who prepares your product catalogs? _____

What aids to selling do you, your distributor, or your agent provide to people selling your product?

Do you provide any type of formal sales training? Explain type, subjects, length of programs, etc _____

How frequently do you hold sales meetings or conferences? What subjects are covered? _____

What branch offices do you maintain? _____

How do you select or recruit your agents and salespeople? _____

How do you set sales quotas? _____

What trade discounts do you offer? _____

Do you grant any special concessions or offers to stimulate sales? _____

_____ % What is your percentage of returned goods?

_____ % What is your percentage of goods returned due to damage?

_____ % What is your percentage of bad debts?

What is the average time for collection of amounts owed to you? _____

How frequently do your salespeople send in reports? _____

How you maintain your sales records? _____

What is your ratio of sales made to number of calls made? _____

Are your "cold calls" supplemented by any other type of communication such as direct mail? _____

How do you control your salespeople's activities? _____

What percentage of your salespeople's time is spent on:

_____ % Planning?

_____ % Preparation?

_____ % Travel?

_____ % Calls on prospects?

_____ % Calls on established customers?

_____ % Other?

100 % Total

What are the following yearly gross sales figured of your salespeople?

\$ _____ Average gross

\$ _____ Lowest gross

\$ _____ Highest gross

\$ _____ What is the average amount spent on promotion activities that back up sales per salespeople per year (total spent yearly on sales promotion, advertising and publicity divided by number of salespeople)?

\$ _____ What is the average amount spent on sales activities per salespeople per year (total recruiting, training, expense accounts and compensation divided by number of salespeople)?

Part X: Advertising

What media do you use to promote to your customers? _____

What advertising (including direct mail and telephone) have you done and what were costs over the last year? What were the results?

How the results measured for these ads? _____

Have you used the internet for advertising? What were the results?

Do you have an advertising agency?

Name : _____
Contact : _____
Address : _____
City, State and Zip code: _____
Phone number: _____
Fax number : _____
Email : _____

Part XI: Promotion

What types of sales promotion have you done (discounts, coupons, contests, etc.) and what were the costs? What were the results? _____

Part XII: Publicity and Public Relations

What type of public relations program did you engage in over the previous year and what were the costs? What were the results? _____

Part XIII: Management Operations

What type of planning does the organization do? _____

How is budgetary control of operations planned and maintained? _____

Part XIV: Financial Checklist: Are You Making a Profit?

Analysis of Revenues and Expenses. Since profit is revenues less expenses, you must first identify all revenues and expenses for the period under study to determine what your profit is.*

	Yes	No
1. Have you chosen an appropriate period for profit determination? For accounting purpose, businesses generally use a twelve-month period, such as January 1 to December 31 or July 1 to June 30. The accounting year you select doesn't have to be a calendar year (January to December); a seasonal business, or example, might close its year after the end of the season. The selection depends on the nature of your business, your personal preference or possible tax considerations	_____	_____
2. Have you determined your total revenues for the accounting period? In order to answer this question, consider the answer to the following questions. \$_____ What is the amount of gross revenue from the sales of your goods or service(gross sales)? \$_____ What is the amount of goods returned by your customers and credited (returns and rejects)?\ \$_____ What is the amount of discounts given to your customers and employees (discounts)? \$_____ What is the amount of net sales from goods and services	_____	_____

(net sales = gross sales [returns and rejects plus discounts])?

\$_____ What is the amount of income from other sources, such as interest on bank deposits, dividends from securities and rent on property leased to others (nonoperating income)?

- | | Yes | No |
|--|-------|-------|
| | _____ | _____ |
| 3. Do you know what your total expenses are? | | |
| Expenses are the cost of goods sold and services used in the process of selling goods or services. Some common expenses for all businesses are: | | |
| \$_____ Cost of goods sold (cost of goods sold = beginning inventory plus purchases minus ending inventory) | | |
| \$_____ Wages and salaries (don't forget to include you own – at the actual rate you'd have to pay someone else to do your job) | | |
| \$_____ Rent | | |
| \$_____ Utilities (electricity, gas, telephone, water, etc) | | |
| \$_____ Supplies (office, cleaning and the like) | | |
| \$_____ Delivery express | | |
| \$_____ Insurance | | |
| \$_____ Advertising and promotion costs | | |
| \$_____ Maintenance and upkeep | | |
| \$_____ Depreciation (here you need to make sure your depreciation policies are realistic and that all depreciable items are included) | | |
| \$_____ Taxes and licenses | | |
| \$_____ Interest | | |
| \$_____ Bad debts | | |
| \$_____ Professional assistance (accountant, attorney, etc.) | | |
| There are, of course, many other types of expenses, but the point is that Every expense must be recorded and deducted from your revenues before You know what your profit is. Understanding your expenses is the first Step toward <i>controlling them and increasing your profits</i> . | | |

Financial Ratios

A *financial ratio* is an expression of the relationship between two items selected from income statement or the balance sheet. Ratio analysis helps you evaluate the weak and strong points in your financial and managerial performance.

- | | Yes | No |
|--|-------|-------|
| | _____ | _____ |
| 4. Do you know your current ratio? | | |
| The current ratio (current assets divided by current debts) is a measure of the cash or near cash position (liquidity) of the company. It tells you if you have enough cash to pay your company's current creditors. The higher the ratio, the more liquid the company's position and hence, the higher the credibility of the company. Cash, receivable, marketable securities and inventory are current assets. Naturally you need to be | | |

realistic in valuing receivables and inventory for a true picture of your liquidity, because some debts may be uncollectible and some stock obsolete. Current liabilities are those that must be paid in one year.

- | | | | |
|---|---|------------|-----------|
| 5. Do you know your quick ratio? | Quick assets are current assets minus inventory. The <i>quick ratio</i> (or Acid-test ratio) is found by dividing quick assets by current liabilities. The purpose, again is to test the company's ability to meet its current obligations. Because it doesn't include inventory, quick ratio is a stiffer-test of the company's liquidity. It tells you if the business could meet its current obligations with quickly convertible assets should sales revenues suddenly cease. | _____ | _____ |
| | | Yes | No |
| 6. Do you know your total debt to net worth ratio? | This ratio (the result of total debt divided by net worth, then multiplied by 100) is a measure of how the company can meet its total obligations from equity. The lower the ratio, the higher the proportion of equity relative to debt and the better the company's credit rating will be. | _____ | _____ |
| 7. Do you know your average collection period? | You find this ratio by dividing accounts receivable by daily credit sales. (Daily credit sales = annual credit sales divided by 360) This ratio tells you the length of time it takes the company to get its cash after making a sale on credit. The shorter this period, the quicker the cash inflow is. A longer than normal period may mean overdue and uncollectible bills. If you extend credit for a specific period (say, thirty days), this ratio should be very close to the same number of days. If it's much longer than the established period, you may need to alter your credit policies. It's wise to develop an "aging" schedule to gauge the trend of Collections and identify slow payers. Slow collections (without adequate financing charges) hurt your profit, because you could be doing something much more useful with your money, such as taking advantage of discounts on your own payables. | _____ | _____ |
| 8. Do you know your ratio of net sales to total assets? | This ratio (net sales divided by total assets) measure the efficiency with which you are using your assets. A higher than normal ratio indicates that the company is able to generate sales from its assets faster (and better) than the average concern. | _____ | _____ |
| 9. Do you know your operating to net sales ratio? | This ratio (the result of dividing operating profit by net sales and multiplying by 100) is often called used to determine the profit position relative to sales. A higher than normal ratio indicates that your sales are good or that your expanses are low, or both. Interest income and interest expense should not be included in calculating this ratio. | _____ | _____ |
| 10. Do you know your net profit to total assets ratio? | This ratio (the result of dividing net profit by total assets and multiplying by 100) is often called return on investment or ROI. It focuses on the profitability of the overall operation of the company. Thus it allows management to measure the effects of its policies on the | _____ | _____ |

company's profitability. The ROI is the single most important measure of a company's financial position. You might say it's the bottom line for the bottom line.

11. Do you know your net profit to net worth ratio? _____

This ratio is found by dividing net profit by net worth and multiplying the result by 100. It provides information on the productivity of the resources the owners have committed to the company's operations. All ratios measuring profitability can be computed either before or after taxes, depending on the purpose of the computations. Ratios have limitations. - Because the information used to derive ratios is itself based on accounting rules and personal judgment as well as facts, the ratios cannot be considered absolute indicators of a company's financial position. Ratios are only one means of assessing the performance of the company and must be considered in perspective with many other measures. They should be used as a point of departure for further analysis and not as an end in themselves.

Sufficiency of Profit

The following questions are designed to help you measure the adequacy of the profit your company is making. Making a profit is only the first step; making enough profit to survive and grow is really what business is all about.

- | | Yes | No |
|---|-------|-------|
| 12. Have you compared your profit with your profit goals? | _____ | _____ |
| 13. Is it possible your goals are too high or too low? | _____ | _____ |
| 14. Have you compared your present profits (absolute and ratios) with the last one to three years? | _____ | _____ |
| 15. Have you compared your profits (absolute and ratios) with profits made by similar companies in your line? | _____ | _____ |

A number of organizations publish financial ratios for various business, among them Dun & Bradstreet, (formerly The Risk Management Association), the Accounting Corporation of America, NCR Corporation and Bank of America. Your own trade association may also publish such studies. Remember, these published ratios are only averages. You probably want to be better than average.

Trend of Profit

16. Have you analyzed the direction your profits have been taking? _____

The preceding analyses, with their merits, report on a company only at a single time in the past. It is not possible to use these isolated moments to indicate the trend of your company's performance. To do a trend analysis you should compute performance indicators (absolute amounts and ratios) for several time periods (yearly for several years, for example) and lay out the result in columns side by side for easy comparison. You can the evaluate your performance, see the direction it's taking and make initial forecast of where it will go.

Mix of Profit

17. Does your company sell more than one major product line or provide several distinct services? _____

If it does, a separate profit and ratio analysis of each should be made; To show the relative contribution of each product line or service; to show The relative burden of expenses of each product or service; to show which Items are most profitable, which are less so and which are losing money; - and to show which a re slow and fast moving. The profit and ratio analyses of each major item help you uncover the strong and weak areas of your operations. They can help you to make profit-increasing decisions to drop a product line or service or to place particular emphasis behind one or another.

Record

Good records are essential. Without them accompany doesn't know where it's been, where it is or it's heading. Keeping records that are accurate, up-to-date and easy to use is one of the most important functions of the owner- manager, his or her staff and his or her outside counselors (lawyer, accountant, banker)

Basic Records

- | | Yes | No |
|---|-------|-------|
| 18. Do you have a general journal and/or special journals, such as one for cash receipts and disbursements? | _____ | _____ |

A general journal is the basic record of the company. Every monetary event in the life of the company is entered in the general journal or in one of the special journals.

- | | | |
|---|-------|-------|
| 19. Do you prepare a sales report or analysis? | _____ | _____ |
| a) Do you have sales goals by product, department and accounting period (month, quarter, year)? | | |
| b) Are your goals reasonable? | | |
| c) Are you meeting your goals? | | |

If you aren't meeting your goals, try to list the likely reason on a sheet of paper. Such a list might include areas such as general business climate, competition, pricing, advertising, sales promotion, credit policies and the like. Once you've identified the apparent causes, you can take steps to increase sales (and profits)

Buying and Inventory Systems

- | | Yes | No |
|---|-------|-------|
| 20. Do you have buying and inventory systems? | _____ | _____ |
| Buying and inventory systems are two critical areas of a company's operation that can affect profitability. | | |
| 21. Do you keep records on the quality, service, price and promptness of delivery of our sources of supply? | _____ | _____ |

- | | | |
|---|------------|-----------|
| 22. Have you analyzed the advantages and disadvantages of: | | |
| a) Buying from suppliers? | | |
| b) Buying from minimum number of suppliers? | | |
| 23. Have you analyzed the advantages and disadvantages of buying through cooperatives or other such systems? | _____ | _____ |
| 24. Do you know: | | |
| a) How long it usually takes to receive each order? | _____ | _____ |
| b) How much inventory cushion (usually called safety stock) to have so you can maintain normal sales while you wait for the order to arrive? | _____ | _____ |
| | Yes | No |
| 25. Have you ever suffered because you were out of stock? | _____ | _____ |
| 26. Do you know the optimum order quantity for each item you need? | _____ | _____ |
| 27. Do you (or can you) take advantage of quantity discounts for large-size single purchases? | _____ | _____ |
| 28. Do you know your costs of ordering inventory and carrying inventory? | _____ | _____ |
| <p>The more frequently you buy (smaller quantities per order), the higher your average ordering costs are (clerical costs, postage, telephone costs, etc.) and the lower average carrying costs are (storage, loss through pilferage, obsolescence, etc.). On the other hand, the larger the quantity per order, the lower the average ordering costs and the higher the carrying costs. A balance should be struck so that the minimum cost overall for ordering and carrying inventory can be achieved.</p> | | |
| 29. Do you keep records of inventory for each item? | _____ | _____ |
| <p>These records should be kept current by making entries whenever items are added to or removed from inventory. Simple records on 3- by 5-inch or 5- by 7-inch cards can be used, proper records will show for each item, quantity on order, date of order, slow or fast seller and valuations (which are important for taxes and you own analyses).</p> | | |

Other Financial Records

- | | | |
|---|-------|-------|
| 30. Do you have an account payable ledger? | _____ | _____ |
| <p>This ledger shows what, whom and why you owe. Such records should help you make your payments on schedule; any expense not paid on time could adversely affect your credit. But even importantly, such records should help you take advantage of discounts that can help boost your profits.</p> | | |
| 31. Do you have an accounts receivable ledger? | _____ | _____ |
| <p>This ledger shows who owes money to your company. It shows how much is owed, how long it has been outstanding and why the money is owed. Overdue accounts could indicate that your credit granting policy needs to reviewed and that you may not getting the cash into the company quickly enough to pay your own bills at the optimum time.</p> | | |
| 32. Do you have cash receipts journal? | _____ | _____ |
| <p>This journal records the cash received by source, day and amount.</p> | | |
| 33. Do you have cash payments journal? | _____ | _____ |
| <p>This journal is similar to the cash receipts journal but shows cash</p> | | |

paid out instead of cash received. The two cash journals can be combined if convenient.

34. Do you prepare an income (profit and loss, or P&L) statement and balance Sheet? _____

These are statements about the condition of your company at a specific time; they show the income, expenses, assets and liabilities of the company. They are absolutely essential.

Yes

No

35. Do you prepare a budget? _____

You could think of a budget as a “record in advance,” projecting future inflows and outflows for your business. A budget is usually prepared for a single year, generally to correspond with the accounting year. It is then, however, broken down into quarterly and monthly projections.

There are different kinds of budgets; cash, production, sales and the like. A cash budget, for example, shows the estimate of sales and expenses for a particular period of time. The cash budget forces the company to think ahead by estimating its income and expenses. Once reasonable projections are made for every important product line or department, the owner-manager has set targets for employees to meet for sales and expenses. You must plan to ensure a profit and you must prepare a budget to plan.