



Balance Sheet Health Check for

Profitability

1. Is the equity section of your Balance Sheet increasing or decreasing? Explain why this is.

2. Is the equity section nearing zero or a negative balance? If so, explain why you believe this is happening.

3. What actions will you take to increase your profitability?
Consider the 7 Ways to Grow Your Business - increase customer retention, generate more leads, convert more prospects, increase transaction value, increase transaction frequency, reduce variable costs, reduce overheads.

Cashflow

1. What are your Inventory Days? $\text{Stock} / \text{Annual Cost of Sales} * 365$

2. What are your Work in Progress Days? $\text{WIP} / \text{Annual Cost of Sales} * 365$

3. What are your Debtor Days? $\text{Debtors} / \text{Annual Sales} * 365$

4. What are your Payable Days? $\text{Accounts Payable} / \text{Annual Cost of Sales} * 365$

5. What is your Cash Conversion Cycle? $\text{Avg. Inventory Days} + \text{Avg. Debtor Days} - \text{Avg. Payable Days}$

6. What actions will you take to improve your cashflow?

Consider the 7 key causes of poor cashflow - accounts receivable process, accounts payable process, inventory process, inappropriate debt/capital structure, overheads too high, gross profit margins too low, sales levels too low.

Solvency

1. What is your Current Ratio?

If this is less than 1, your business may be insolvent. $\text{Current Assets} / \text{Current Liabilities}$

2. What is your Current Ratio adjusted for the Shareholder Advance Account?

If your Shareholder Advance Account is overdrawn and is therefore a current asset use this formula: $(\text{Current Assets} - \text{Shareholder Advance Account}) / \text{Current Liabilities}$. Otherwise, use this formula: $\text{Current Assets} / (\text{Current Liabilities} - \text{Shareholder Advance Account})$.

3. Are your Total Assets greater than Total Liabilities?

Calculate your Total Assets less your Total Liabilities, excluding your Shareholder Advance Account from this calculation, and record the figure below. If this is less than 1, your business may be insolvent.

4. What actions will you take to maintain solvency?

E.g. reduce personal spending, inject personal funds into the business, bring in a new shareholder.

Managing Shareholder Advance Account

1. Do you have an overdrawn Shareholder Advance Account? This will show as an asset on your Balance Sheet if overdrawn.
2. Do you have a set amount for drawings from the business each week or month? *If so, are you confident that the business can sustain the level of drawings you're currently taking?*
3. Do you have an up to date Annual Budget? Do you review it at least monthly?
4. Do you have security for any advances you've made to the company?
5. What actions will you take to manage your Shareholder Advance Account? *E.g. revise your personal budget, review drawings, secure advances made.*

Overall Balance Sheet Health

1. What conclusions can you draw from this Balance Sheet Health Check?
2. Are there any issues you'd like to discuss with us? If so, please list these below.