



Leadership teams need to do a thorough review of financials and consider them in context. For example, look at the last few months to determine developing trends, comparing to budget, comparing to the month and YTD of the prior year, comparing full prior years, etc. **Considerations you should keep front of mind:**

1. What is the long-term strategy of the company and what are we doing to get there?
2. What is the best allocation of resources to grow revenues? Is now the right time to hire a....?
3. How do my daily decisions fit into my near-term, mid-term and long-term plans? Make sure you consult all three plans whenever you are making a "lane change" in your business.

#### **Balance Sheet**

1. It is key to evaluate and understand the trends on your balance sheet as this can assist in identifying issues and/or concerns
2. Cash Trends - understand what is influencing your changing cash position by reviewing in tandem with your Cash Flow Statement.
  - i. Are there potential cash shortfalls for the next 12-months that need to be addressed?
  - ii. What is causing cash to be tight?
3. Accounts Receivable
  - i. Can you influence your Days Sales Outstanding to reduce your cash conversion period?
  - ii. Do you know what your current AR position is and why/who is delinquent?
  - iii. Is there any potential for write offs and required reserves?
  - iv. Should you change terms on your clients to restrict exposure to bad debt?
  - v. Are there any revenue streams that have not been captured and are potential unrecorded receivables?
4. Accounts Payable
  - i. How can we reduce our Days Payable Outstanding?
  - ii. Can you negotiate more favorable terms with Vendors to assist in your cash flow?
  - iii. Is there a more efficient process for AP to provide visibility of your payables? Such as a monthly documents checklist.
5. Accrued Expenses
  - i. Are all accruals reflected on the financial reports accurate and up to date?
  - ii. Do you potentially have any additional liabilities that have not been recorded?
6. Assure you are monitoring the required metrics for any covenants the entity is required to achieve?
7. Working Capital Trends - evaluate trends and consider your future inflows/outflows to assure you have adequate working capital to meet the organization's needs.

#### **Income Statement**

1. What steps can be taken to improve profitability?
2. KPIs – what is key to your success and should be monitored regularly to identify changes and issues?  
Ex: Revenue Growth, Cost of Sales as a % of Revenue, Gross Margin %, Operating Expenses as % of Sales, Net Income %. Many other key indices may be appropriate depending upon your business.
3. Comparison to Budgets and understanding variances and more importantly, how this will impact your business in the short term and long term so you can plan appropriately.

#### **Cash Flow Statement**

1. What is influencing your cash trends?
2. Are there any actions you can take to enhance your cash from operating activities?
3. How are you managing your nonoperating cashflows?
4. What are the appropriate solutions to address cash issues? Line of credit, capital leases, other long-term debt, equity financing, improved collections, slow payments or improving profitability.