

RCIG – “20’20” BUSINESS HEALTH CHECK

STEP ONE: Answer the following questions to determine the immediate term viability of a business:

Short Term / Immediate Survival Issues	Yes / No	Comments / Action required
Does the value of your current assets exceed the value of your current liabilities?		
Do you have sufficient cash resources, or expect to have, to enable trading in the short term?		
Are all statutory lodgements up to date? [BAS/IAS]		
Are statutory payments up to date? [GST, PAYG, FBT, Payroll Tax]		
Are employee related expenses up to date? [Superannuation, Workers Compensation]		
Are other expenses/trade creditors up to date or able to be readily paid?		
Have any demands or notices been served on the Company or Directors personally for any outstanding debts, returns or lodgements?		
Are you trading profitably and expect to continue to do so in the future?		
Are you trading cashflow positively and expect to continue to do so in future?		
Are your debtors collectable and paying within agreed terms?		
Are you over stocked or have stock obsolescence issues?		
Have you recently, or are expecting to have to seek increased bank funding to meet trading liabilities?		
Have any key suppliers threatened to discontinue supply?		
Are you current with all your finance commitments eg. Leases?		
Are company insurances up to date and adequate?		
Do any internal disputes exist between directors or shareholders?		
Are there any legal actions on foot, which could affect the viability of the business if lost?		
Has there been a trend in decreasing sales and/or margin?		
Is your relationship with your bank amicable, or are you under pressure from them to refinance or reduce borrowings?		
Do you regularly prepare, analyse and understand Financial Accounts and Budgets versus Actuals, and act on adverse information?		

If you answered “no” to any of the above questions, concerns may exist regarding the short term viability or solvency of the business. If you answered “no” on multiple occasions, seek immediate professional assistance from your advisor or contact Robson Cotter and refer to the “Business Turnaround Decision Chart” to determine the future direction of the business.

STEP TWO: To assess the viability of a business in the medium to long term, rate your business on the following scale with “1” being poor and “5” being excellent.

This review may also assist you to identify opportunities for growth, improved profitability, and cost savings.

Medium Term Survival Issues	Rating	Comments / Actions Required
Prepare a sensitivity analysis and conduct some “what if?” scenarios on your budgets with reductions in revenues and increases in costs. How would you rate the robustness of the business, its profitability and cashflow to such changes?		
Benchmark your business and compare to industry standards, prior year results, and budgets. How do you rate in comparison?		
Prepare and compare to previous periods key ratios such as gross margin, liquidity, net profit, debtors, creditors and stock turnover. How are you performing?		
Are you sacrificing price and margin to achieve growth in sales? How do the pricing structure and margins rate?		
How protected are you to increased competition or threatened by alternative products, industry downturn, technology or change in government policy or laws?		
What is the level of ability to access “standby” credit or equity in case of unexpected requirements or opportunities?		
How would you rate the performance and efficiencies of the key business drivers across the business, i.e. from originating sale to purchasing/manufacture, to distribution, to customer fulfilment and service?		
How adequate are the systems/internal controls in place to manage operations and risk in the business?		
How disciplined is management in reviewing operations? Do you hold regular director and management meetings, review financial results and operational issues, set action items/tasks as a result of those meetings, and follow up?		
Is the Company well diversified, or reliant on particular industries, key suppliers or customers?		
How appropriate are your funding arrangements for your current and expected trading levels, requirements and structure?		
What is the level of compliance with all extraneous statutory obligations such tax lodgements and OH&S?		
How well is the business protected with supplies and customers? Eg has formal supply contracts, requires credit applications, obtains PG’s, has PPSR & retention of title clause as term of sale.		

If your individual rating on a particular matter is 3 or less, it is an area that should be analysed further with your accountant as an opportunity for improvement. If more than half of your answers were sub “3”, there may be considerable room for improvements, and therefore profitability, existing across the business. Viability in the medium to long term may be under threat. We recommend you consult your advisor or Robson Cotter Insolvency Administration, and refer to our “Business Turnaround Decision Chart”.

STEP THREE: Determine how forward thinking you are in pro-actively managing and taking a strategic approach to the future of the business, by answering yes or no to the following simple questions:

Long Term Issues	Yes / No	Comments / Actions Required
Do you have a vision and goals for the business, summarised in a (current) business plan with a “go forward” strategy, which has been conveyed to staff?		
Do you have an exit plan to allow you to extricate yourself from the business, achieve a return, and have no or minimal residual liability/exposure?		
Do you have a Succession Plan in place, even if long term, to ensure you are creating a viable, saleable or transferrable enterprise in the future?		
Are your affairs structured in such a way as to maximise tax benefits but minimise personal exposure in the event of business failure?		
Do you have a required rate of return/hurdle rate, in making business investment decisions?		
Is the return being generated for the shareholders/owners satisfactory and commensurate with the risk being taken and the time invested?		
If the business is reliant on key personnel? Do you have Key Man Insurance? Are key staff tied to the Company via a suitable contract or incentive structures?		
Do you have a business disaster and recovery plan?		

If your answers to all of the above are “Yes”, congratulations and best wishes for your future business growth and prosperity!

If you answered “No” to any of the above, we recommend you consult with your Accountant or other Trusted Advisor and develop an appropriate plan or response, which will assist you to secure future certainty and prosperity.

Further Help....

For any assistance whatsoever with this Questionnaire or questions on Business of financial health generally, don’t hesitate to contact your friendly representative at Robson Cotter on 09 3270 8500, for a confidential, no cost and no obligation discussion.



BUSINESS TURNAROUND DECISION CHART

