


## The Scorecard



### THE SCORECARD



Hello Telephone Co		Two(2) Months Ago	Last Month	Current Month	Trend	Your Goal	Actual Annualized	Industry Standard	Calculations For Current Month
Period Ending 01/31/2014		11/30/13	12/31/13	1/31/14					
<b>BALANCE SHEET RATIOS: Stability (Staying Power)</b>									
1	Current	Current Assets / Current Liabilities	4.3	4.1	2.7	5.0	4.1	3.2 3.3 2.7 2.2 1.4	350,479 / 129,145 = 2.71
2	Quick	Cash + Accts. Rcv. / Current Liabilities	3.4	3.3	1.8	5.0	3.1	5.0 1.9 1.5 1.1 0.8	235,475 / 129,145 = 1.82
3	Debt-to-Worth	Total Liabilities / Net Worth	0.5	0.5	0.6	0.2	0.5	0.1 0.2 0.4 0.6 1.8	145,100 / 253,705 = 0.57
<b>INCOME STATEMENT RATIOS: Profitability (Earning Power)</b>									
4	Gross Margin	Gross Profit / Sales	72.3%	76.8%	75.5%	78.0%	75.1%	87% 45% 30% 15% 4%	164,945 / 218,614 = 75.5%
5	Net Margin	Net Profit Before Tax / Sales	22.3%	29.2%	27.4%	20.5%	23.6%	39% 30% 4% -4% -22%	59,945 / 218,614 = 27.4%
<b>ASSET MANAGEMENT RATIOS: Overall Efficiency Ratios</b>									
6	Sales to Assets	Sales / Total Assets	5.8	5.6	6.5	8.0	6.6	8.3 6.2 4.0 0.4 0.3	649,243 X 4 / 398,805 = 6.57
7	Return on Assets	Net Profit Before Tax / Total Assets	127.8%	138.2%	171.7%	150.0%	155%	160% 152% 90% 50% 25%	171,225 X 4 / 398,805 = 171.7%
8	Return on Investment	Net Profit Before Tax / Net Worth	190.6%	202.0%	270.0%	312.0%	257%	290% 235% 95% 45% -35%	171,225 X 4 / 253,705 = 270.0%
9	Inventory Turnover	Cost of Goods Sold / Inventory	13.7	12.1	12.7	16.6	12.0	7.3 3.7 2.3 1.2 6	53,669 X 12 / 50,705 = 12.7
10	Inventory Turn-Days	365 / Inventory Turnover	26	30	28	22	30	5 10 16 30 60	365 / 12.7 = 28.7
11	Accounts Receivable Turnover	Sales / Accounts Receivable	79.7	84.3	74.0	365.0	77.9	365 122 24 8 7	218,614 X 12 / 35,475 = 74.0
12	Accounts Receivable Turn-Days	365 / Accts. Rec. Turnover	5	4	5	1	5	1 3 15 43 53	365 / 74.0 = 4.9
13	Accounts Payable Turnover	Cost of Goods Sold / Accounts Payable	21.3	18.6	16.1	12.6	19.8	6 8 11 17 33	53,669 X 12 / 40,042 = 16.1
14	Average Payment Period-Days	365 / Accts. Payable Turnover	17	19	22	29	18	58 49 32 21 11	365 / 16.1 = 22.7

Note: NA designates the Metric is not of value in this company



Better than Goal  
 ≤ 25% away from Goal  
 Greater than 25% from Goal  
 Greater than 50% from Goal



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far right column contains your actual numbers used in the calculation.

It is important to understand the trends that come to light as a result of laying out your ratios in this manner. For instance, carefully review your Gross Margin for the last three periods. Is it increasing or decreasing? What are the underlying causes one way or the other?

One of the most valuable and unique features of the scorecard is that we have quantified in “\$\$ and cents” the variances between your most recent numbers and your Goals – and we have used these variances to populate the “Road Map.”

Thus, we have delivered to you extremely powerful decision-relevant financial intelligence – identifying in visual format: (1) where are the opportunities for improvement against the “standard,” (2) quantifying in “\$\$ and cents” the financial impact of achieving your goal, and (3) identifying whether the improvement will have a primary impact on Cash (C) or Profits (P).

In other words, the Scorecard and Road Map together provide a unique visual system to “find the leaks and plug ‘em” – and they show you the financial impacts in cash or profits.

This Scorecard is the “report card” for the financial performance of your business. It’s designed to tell you how you’ve been performing for the last month, how you stack up against your peers in the industry and, more importantly, how to make improvements that will drive improved cash flow and increased profits.

The Scorecard consists of 14 ratios most commonly used to measure financial performance in an operating company. The names are in the second column from the left, how to compute them is in the next column (the “formula”) and the reporting periods are in the next three columns. Profit Gap has pulled this information from your QuickBooks and is providing your current month, last month, and two months ago calculations.

A critically important part of the process is your Goals, shown with the red arrow. These can be derived from your own company expectations, as well as the financial performance of your industries peer group labeled “Industry Standard”, circled in red. Profit Gap provides you with the top 10% commonly called the best-in-class. The top 25% or top quartile, the Median 50%, bottom 25% and bottom 10%. Your goals provide the benchmarks to measure yourself against and see where improvements can be made. Clearly, the