

Financial Summary

Financial Summary

Hello Telephone Company

Period ending 07-31-2012

Cash and Profit Impact		
Issue	Cash Tied Up	Profit Opportunities
Receivables	\$70,687	
Inventory	\$104,234	
Payables	\$345,130	
Payable Discounts		\$3,097
Gross Margin		\$57,500
Net Margin		\$19,797
Total	\$520,051	\$80,394

Sensitivity Analysis		
Metric		Impact
Cash Conversion Metrics		1-Day Sensitivity*
Inventory Turn-Days	=	\$8,722 per day
Accounts Receivable Turn-Days	=	\$12,500 per day
Average Payable Payment Period	=	\$8,722 per day
Margin Metrics (Month)		1% Margin Sensitivity**
Margin (Gross or Net)	=	\$3,750 per 1%

* Note: A 1 day of improvement in these metrics would increase the Cash of Hello Telephone Company by the amount shown based on the last 3 months average.

**Note: 1% improvement in margin would mean an increase in profits of \$3,750 to Hello Telephone Company based on the last 3 months average.

The Financial Summary is an assessment report that serves as your basis for action. The information for your Summary comes from both your Key Performance Metrics chart and your Financial Flow chart and provides you with a monthly quantification of potential cash and profit opportunities within your business. How you manage the finances of your business can and will make a significant difference!

The first column contains the issues every business owner deals with: Accounts Receivable (AR), Inventory, Payables, Payable Discounts, Gross Margin and Net Margin. The next column tells you how much cash you may be able to gain and the column on the right points out potential profit opportunities.

More importantly, the Sensitivity Analysis gets these numbers down to the value of the money in your pocket or bank account on a day-to-day basis. This 1-Day Sensitivity is the true "gut check" of your management decisions. It shows you how much additional cash you will have in your bank account with every day you can improve these metrics. This number helps you and your team understand that incremental improvements in your financial performance can have a significant impact.

Inventory Turn-Days, Accounts Receivable Turn-Days, and your Average Payable Payment Period are all cash conversion metrics that either deposit money in the bank or suck money out of your business. Carefully monitor your report each month, paying special attention to your gross margin metric. You will find that it can be amazing what a minor 1% improvement in your gross margin can mean to the profitability of your company. With your report, you know where to look in your business to make improvements in these metrics. We strongly urge you to review this report with your CPA or financial advisor for specific strategies to improve your performance.