

**Hello Telephone Co**

Period ending 01-31-2014

**Cash and Profit Impact**

| Issue             | Cash Lost        | Cash Required | Profit           |
|-------------------|------------------|---------------|------------------|
| Receivables       | \$266,667        |               |                  |
| Inventory         | \$385,000        |               |                  |
| Payables          | \$280,000        |               |                  |
| Payable Discounts |                  |               | \$5,000          |
| Gross Margin      |                  |               | \$72,500         |
| Net Margin        |                  |               | \$34,797         |
| <b>Total</b>      | <b>\$931,667</b> |               | <b>\$112,297</b> |

**Sensitivity Analysis**

| Metric                                |   | Impact                         |
|---------------------------------------|---|--------------------------------|
| <i>Cash Conversion Metrics</i>        |   | <i>1-Day Sensitivity*</i>      |
| <b>Inventory Turn-Days</b>            | = | <b>\$8,889 per day</b>         |
| Accounts Receivable Turn-Days         | = | \$12,500 per day               |
| <b>Average Payable Payment Period</b> | = | <b>\$8,889 per day</b>         |
| <i>Margin Metrics (Month)</i>         |   | <i>1% Margin Sensitivity**</i> |
| <b>Margin (Gross or Net)</b>          | = | <b>\$3,750 per 1%</b>          |

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

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**Tutorial**

The Profit Mastery Assessment (PMA) is a summary assessment report that serves as your basis to take action on. The information for your PMA comes from both your Scorecard and your Roadmap 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, the next column lets you know how much cash may be required, and the final column provides you with potential profit opportunity.

More importantly, the Sensitivity Analysis gets these numbers down to the value of money in your pocket 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 are all cash conversion metrics that either deposit money in the bank or suck money out of your business. Carefully monitor your Profit Gap 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 Profit Gap report, you know where to look in your business to make improvements in these metrics. We strongly urge you to review your Profit Gap report with your CPA or financial advisor for specific strategies to improve your performance.