

FBA™

Financial Business Assessment™

Business Feasibility Analysis System

For Premier FastTrac™

INSTRUCTIONS

To use this program you will need:

1. To input data for your business on the worksheet titled...
Cash Flow
2. Input *Industry Norms and Key Business Ratios*, which provides data for the worksheet titled...
Industry Norms
(This data is listed by Standardized Industrial Classification code, so you will first need to identify the SIC of the firm to be analyzed)

The program allows two types of entries:

1. **Numerical** data entries (or modifications) are allowed only in cells with **red print**.
2. **Text** entries (or modifications) are only allowed in cells with **blue print**.

The data in the program now is just a sample to illustrate how the spreadsheet might look when you are finished. To enter your data, simply type over the sample data. As indicated in the sample, you may not have data to fill every cell, and that is OK, as long as the all of your data is entered and accounted for. Just place a zero in any numerical cell not used. Text cells which are not used may be left blank.

To enter your data you must first select the worksheet you want to edit: (for example) click on the "Income Statement" tab (at the bottom of the screen) to view that worksheet.

To print your results you must first select the worksheet you want to print: (for example) click on the "Balance Sheet" tab (at the bottom of the screen) to view that worksheet, and then click the print button (at the top of your screen).

Enjoy.

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Cash Flow

| Example Practice (in dollars) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year Totals |
|--------------------------------------|---------|--------|--------|---------|--------|--------|---------|---------|--------|---------|---------|---------|-------------|
| Beginning Cash Balance | 0 | 96954 | 83490 | 72927 | 44594 | 39035 | 33478 | 8538 | 4370 | 202 | -24740 | -27909 | |
| Sales (\$) | | | | | | | | | | | | | |
| <i>Patient Revenue Billed</i> | 35416 | 35416 | 35416 | 35416 | 35417 | 35417 | 35417 | 35417 | 35417 | 35417 | 35417 | 35417 | 425000 |
| <i>Collected</i> | 10000 | 15000 | 18000 | 21000 | 23000 | 23000 | 23000 | 23000 | 23000 | 23000 | 24000 | 24000 | 250000 |
| <i>Cash Flow from Sales</i> | 10000 | 15000 | 18000 | 21000 | 23000 | 23000 | 23000 | 23000 | 23000 | 23000 | 24000 | 24000 | 250000 |
| Cost of goods sold (\$) | | | | | | | | | | | | | |
| <i>Medical Supplies</i> | 13622 | 0 | 0 | 13625 | 0 | 0 | 13625 | 0 | 0 | 13628 | 0 | 0 | 54500 |
| <i>Material % of Sales</i> | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | |
| <i>Inventory Remaining</i> | 10080.4 | 6538.8 | 2997.2 | 13080.6 | 9538.9 | 5997.2 | 16080.5 | 12538.8 | 8997.1 | 19083.4 | 15541.7 | 12000.0 | 12000.0 |
| <i>Supplier payments</i> | 0 | 3590 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 39500 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Cash required for COGS</i> | 0 | 3590 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 3591 | 39500 |
| Operating Expenses (\$) | | | | | | | | | | | | | |
| <i>General Selling & Admin</i> | | | | | | | | | | | | | |
| <i>Ads: Yellow Pages</i> | 208 | 208 | 208 | 208 | 208 | 208 | 208 | 208 | 209 | 209 | 209 | 209 | 2500 |
| <i>Ads: other</i> | 396 | 396 | 396 | 396 | 396 | 396 | 396 | 396 | 396 | 396 | 395 | 395 | 4750 |
| <i>Occupancy</i> | 2733 | 2733 | 2733 | 2733 | 2733 | 2733 | 2733 | 2733 | 2734 | 2734 | 2734 | | 30066 |
| <i>Employee Expense</i> | 6062 | 6062 | 6062 | 6062 | 6062 | 6062 | 6063 | 6063 | 6063 | 6063 | 6063 | 6063 | 72750 |
| <i>Phone</i> | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6000 |
| <i>Professional & Legal Fees</i> | 5000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5000 |
| <i>Office Maintenance</i> | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 625 | 7500 |
| <i>Insurance: malpractice</i> | 6250 | 0 | 0 | 6250 | 0 | 0 | 6250 | 0 | 0 | 6250 | 0 | 0 | 25000 |
| <i>Insurance: medical</i> | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 6000 |
| <i>Pension</i> | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 1250 | 15000 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Interest Expense</i> | 0 | 2000 | 1998 | 1996 | 1994 | 1992 | 1990 | 1988 | 1984 | 1983 | 1981 | 1979 | 21885 |
| <i>Taxes</i> | 14522 | 0 | 0 | 14522 | 0 | 0 | 14522 | 0 | 0 | 14522 | 0 | 0 | 58088 |
| <i>Cash for Expenses</i> | 38046 | 14274 | 14272 | 35042 | 14268 | 14266 | 35037 | 14263 | 14261 | 35032 | 14257 | 11521 | 254539 |
| <i>Depreciation & Amort.</i> | 0 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 | 1590 | 17500 |
| Investments (\$) | | | | | | | | | | | | | |
| <i>Equipment</i> | 125000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125000 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Cash for Investments</i> | 125000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125000 |
| Financing (\$) | | | | | | | | | | | | | |
| <i>Short Term Debt</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Long Term Debt</i> | 175000 | -1600 | -1600 | -1600 | -1600 | -1600 | -212 | -214 | -216 | -219 | -221 | -223 | 165695 |
| <i>Cash from borrowing</i> | 175000 | -1600 | -1600 | -1600 | -1600 | -1600 | -212 | -214 | -216 | -219 | -221 | -223 | 165695 |
| <i>Owner 1 Investment</i> | 75000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 75000 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Other</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Cash invested by owners</i> | 75000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 75000 |
| Net Cash Activity | | | | | | | | | | | | | |
| <i>Net Cash Flow</i> | 96954 | -4464 | -1463 | -19233 | 3541 | 3543 | -15840 | 4932 | 4932 | -15842 | 5931 | 8665 | |
| <i>Cumulative Cash Flow</i> | 96954 | 92490 | 91027 | 71794 | 75335 | 78878 | 63038 | 67970 | 72902 | 57060 | 62991 | 71656 | 71656 |
| <i>Owner's Draw</i> | 0 | 9000 | 9100 | 9100 | 9100 | 9100 | 9100 | 9100 | 9100 | 9100 | 9100 | 9100 | 100000 |
| <i>Cumulative after draw</i> | 96954 | 83490 | 72927 | 44594 | 39035 | 33478 | 8538 | 4370 | 202 | -24740 | -27909 | -28344 | -28344 |
| <i>Minimum Desired Cash</i> | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 |
| Financing Required | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -798 | -25740 | -28909 | -29344 | |
| <i>Surplus Cash</i> | 95954 | 82490 | 71927 | 43594 | 38035 | 32478 | 7538 | 3370 | 0 | 0 | 0 | 0 | |

Financial Statements

Example Practice (in dollars)

1998 *Percent
of Sales*

SALES

| | | |
|------------------------|----------------|-------------|
| Patient Revenue Billed | 425,000 | 100.0% |
| TOTAL REVENUES | 425,000 | 100% |

COSTS

| | | |
|----------------------------------|----------------|--------------|
| Cost of Goods Sold | 42,500 | 10.0% |
| Selling & General Administrative | 7,250 | 1.7% |
| Occupancy | 30,066 | 7.1% |
| Employee Expense | 72,750 | 17.1% |
| Phone | 6,000 | 1.4% |
| Professional & Legal Fees | 5,000 | 1.2% |
| Office Maintenance | 7,500 | 1.8% |
| Insurance: malpractice | 25,000 | 5.9% |
| Insurance: medical | 6,000 | 1.4% |
| Pension | 15,000 | 3.5% |
| Other | - | 0.0% |
| Depreciation & Amort. | 17,500 | 4.1% |
| Interest Expense | 21,885 | 5.1% |
| TOTAL COSTS | 256,451 | 60.3% |

| | | |
|-----------------------------------|----------------|--------------|
| Earnings Before Income Tax | 168,549 | 39.7% |
| Taxes | 58,088 | 13.7% |

| | | |
|-------------------|----------------|--------------|
| NET INCOME | 110,461 | 26.0% |
|-------------------|----------------|--------------|

| | | |
|------------------------|---------------|-------------|
| Owner's Draw | 100,000 | 23.5% |
| Retained Income | 10,461 | 2.5% |

1998 *Percent of
Total Assets*

ASSETS

| | | |
|-----------------------------|----------------|--------------|
| Cash | (28,344) | -10.6% |
| Accounts Receivable | 175,000 | 65.8% |
| Inventory | 12,000 | 4.5% |
| TOTAL CURRENT ASSETS | 158,656 | 59.6% |
| Equipment | 125,000 | 47.0% |
| Other | - | 0.0% |
| Other | - | 0.0% |
| Accumulated Depreciation | 17,500 | 6.6% |
| TOTAL FIXED ASSETS | 107,500 | 40.4% |
| TOTAL ASSETS | 266,156 | 100% |

LIABILITIES

| | | |
|------------------------------|----------------|--------------|
| Accounts Payable | 15,000 | 5.6% |
| Short Term Debt | - | 0.0% |
| Other Current Liabilities | - | 0.0% |
| TOTAL CURRENT LIAB. | 15,000 | 5.6% |
| Long-Term Debt | 165,695 | 62.3% |
| Other Long-term Liabilities | - | 0.0% |
| TOTAL LONG-TERM LIAB. | 165,695 | 62.3% |
| TOTAL LIABILITIES | 180,695 | 67.9% |

EQUITY

| | | |
|---------------------------------|----------------|---------------|
| Retained Earnings | 10,461 | 3.9% |
| Owner 1 Investment | 75,000 | 28.2% |
| Other | - | 0.0% |
| Other | - | 0.0% |
| Other | - | 0.0% |
| NET WORTH | 85,461 | 32.1% |
| TOTAL LIAB. & EQUITY | 266,156 | 100.0% |

Industry Norms

SIC 8031

1997

Offices of Osteopathic Physicians

Source: Industry Norms & Key Business Ratios

| | Industry | | Firm's value | Difference from industry mean | |
|--|---------------------------|-----------------------|---------------------------|-------------------------------------|--------------------------------|
| | Average Level | Average Proportion | | | |
| Cash | 58,748 | 35.7 | -10.6 | -130% | |
| Accounts Receivable | 22,874 | 13.9 | 65.8 | 373% | |
| Notes Receivable | 5,760 | 3.5 | - | | |
| Inventory | 2,304 | 1.4 | 4.5 | 222% | |
| Other Current | 14,810 | 9.0 | - | | |
| Total Current | 104,496 | 63.5 | 59.6 | -6% | |
| Fixed Assets | 50,355 | 30.6 | 40.4 | 32% | |
| Other Non-current | 9,709 | 5.9 | - | | |
| Total Assets | 164,560 | 100 | 100 | | |
| Accounts Payable | 15,140 | 9.2 | 5.6 | -39% | |
| Bank Loans | - | 0.0 | 0.0 | | |
| Notes Payable | 4,772 | 2.9 | - | | |
| Other Current | 19,089 | 11.6 | - | | |
| Total Current Liabilities | 39,001 | 23.7 | 5.6 | -0.8 | |
| Other Long Term (debt) | 11,190 | 6.8 | 62.3 | 816% | |
| Deferred Credits | - | 0.0 | - | | |
| Net Worth | 114,369 | 69.5 | 32.1 | -54% | |
| Total Liabilities and Net Worth | 164,560 | 100 | 100 | | |
| Net Sales | 533,954 | 100.0 | 100.0 | | |
| Gross Profit | 150,041 | 28.1 | 90.0 | 220% | |
| Net Profit After Tax | 27,232 | 5.1 | 26.0 | 410% | |
| Working Capital | 65,495 | 12.3 | 33.8 | 176% | |
| RATIOS | <i>Upper Quartile</i> | Industry Average | <i>Lower Quartile</i> | Firm Ratio | Difference From Industry |
| SOLVENCY | | | | | |
| Quick Ratio | 4.8 | 1.9 | 1.2 | 9.8 | 415% |
| Current Ratio | 6.5 | 2.8 | 1.4 | 10.6 | 278% |
| Curr Liab to Net Worth (%) | 15.0 | 31.5 | 40.8 | 17.6 | -44% |
| Curr Liab to Inventory (%) | 375.6 | 427.2 | 478.7 | 125.0 | -71% |
| Total Liab to Net Worth (%) | 15.9 | 37.1 | 50.3 | 211.4 | 470% |
| Fixed Assets to Net Worth (%) | 21.3 | 35.2 | 69.5 | 125.8 | 257% |
| EFFICIENCY | | | | | |
| Collection Period (days) | 8.4 | 17.9 | 81.4 | 150.29 | 740% |
| Sales to Inventory | 246.6 | 246.6 | 246.6 | 35.42 | -86% |
| Assets to Sales (%) | 18.6 | 25.2 | 30.4 | 62.6 | 149% |
| Sales to NWc | 30.5 | 8.8 | 6.0 | 3.0 | -66% |
| Acct Pay to Sales (%) | 4.1 | 4.9 | 6.0 | 3.5 | -28% |
| PROFITABILITY | | | | | |
| Return on Sales (%) | 8.1 | 5.0 | -0.6 | 31.14 | 523% |
| Return on Assets (%) | 20.2 | 16.5 | -6.1 | 49.72 | 201% |
| Return on Net Worth (%) | 42.0 | 18.6 | -9.3 | 129.25 | 595% |

Industry (past)

SIC 8031

1996

Offices of Osteopathic Physicians

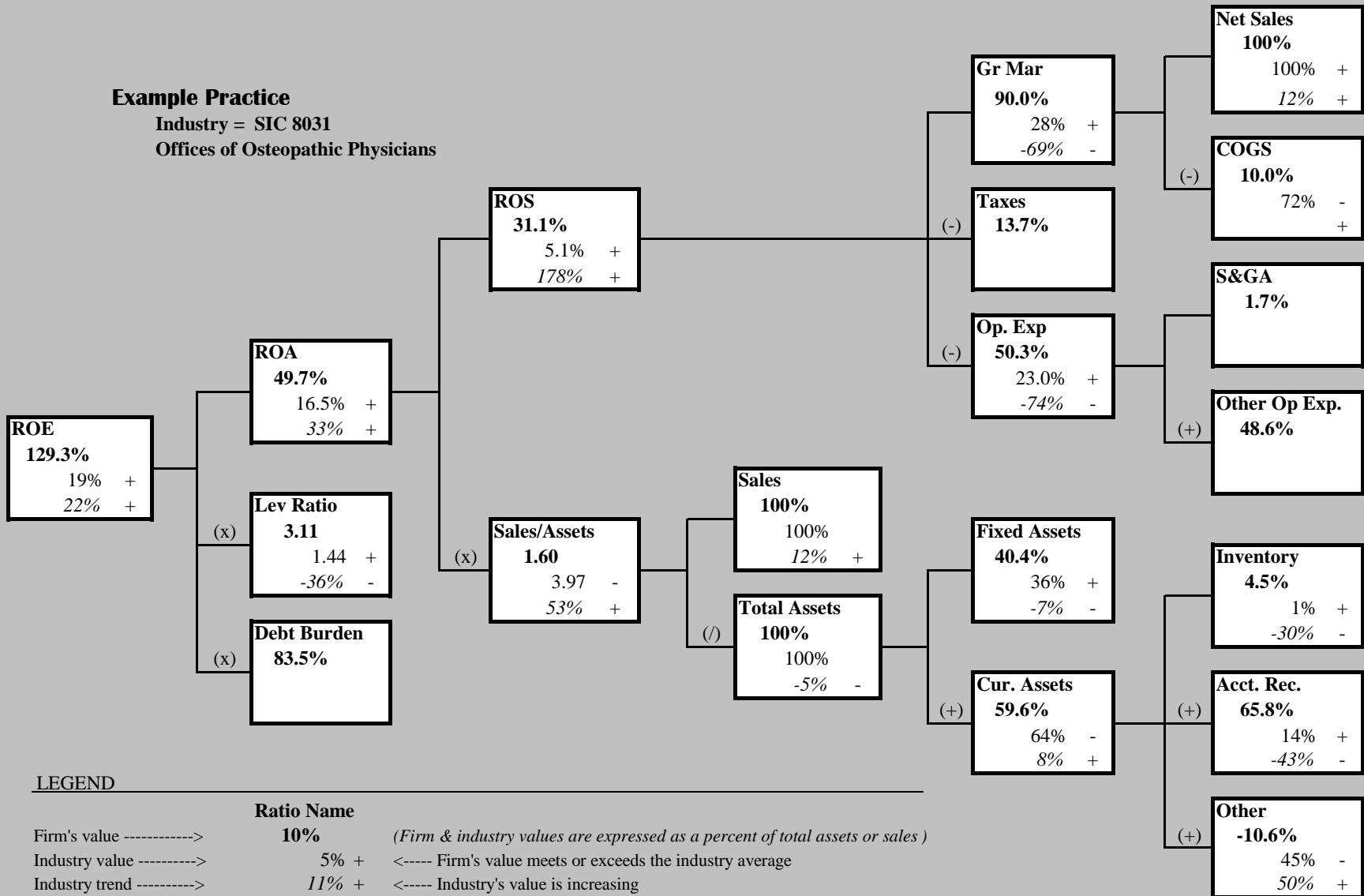
Source: Industry Norms & Key Business Ratios

| | Industry | | Firm's value | Difference from industry mean | |
|--|---------------------------|-----------------------|---------------------------|-------------------------------------|--------------------------------|
| | Average Level | Average Proportion | | | |
| Cash | 32,628 | 18.9 | -10.6 | -156% | |
| Accounts Receivable | 40,223 | 23.3 | 65.8 | 182% | |
| Notes Receivable | - | 0.0 | - | | |
| Inventory | 3,280 | 1.9 | 4.5 | 137% | |
| Other Current | 20,198 | 11.7 | - | | |
| Total Current | 96,329 | 55.8 | 59.6 | 7% | |
| Fixed Assets | 54,034 | 31.3 | 40.4 | 29% | |
| Other Non-current | 22,270 | 12.9 | - | | |
| Total Assets | 172,633 | 100 | 100 | | |
| Accounts Payable | 3,107 | 1.8 | 5.6 | 213% | |
| Bank Loans | - | 0.0 | 0.0 | | |
| Notes Payable | 9,495 | 5.5 | - | | |
| Other Current | 29,520 | 17.1 | - | | |
| Total Current Liabilities | 42,122 | 24.4 | 5.6 | -0.8 | |
| Other Long Term (debt) | 47,474 | 27.5 | 62.3 | 126% | |
| Deferred Credits | 5,870 | 3.4 | - | | |
| Net Worth | 77,167 | 44.7 | 32.1 | -28% | |
| Total Liabilities and Net Worth | 172,633 | 100 | 100 | | |
| Net Sales | 478,447 | 100.0 | 100.0 | | |
| Gross Profit | 478,447 | 100.0 | 90.0 | -10% | |
| Net Profit After Tax | 12,440 | 2.6 | 26.0 | 900% | |
| Working Capital | 54,207 | 11.3 | 33.8 | 198% | |
| RATIOS | <i>Upper Quartile</i> | Industry Average | <i>Lower Quartile</i> | Firm Ratio | Difference From Industry |
| SOLVENCY | | | | | |
| Quick Ratio | 3.9 | 2.3 | 0.8 | 10.6 | 360% |
| Current Ratio | 5.0 | 2.4 | 1.1 | 9.8 | 307% |
| Curr Liab to Net Worth (%) | 21.1 | 51.7 | 77.8 | 17.6 | -66% |
| Curr Liab to Inventory (%) | 6.4 | 6.4 | 6.4 | 125.0 | 1853% |
| Total Liab to Net Worth (%) | 37.4 | 88.4 | 257.2 | 211.4 | 139% |
| Fixed Assets to Net Worth (%) | 41.7 | 86.8 | 122.6 | 125.8 | 45% |
| EFFICIENCY | | | | | |
| Collection Period (days) | 80.6 | 100.8 | 112.0 | 150.29 | 49% |
| Sales to Inventory | 0.0 | 0.0 | 0.0 | 35.42 | #DIV/0! |
| Assets to Sales (%) | 16.3 | 38.5 | 39.2 | 62.6 | 63% |
| Sales to NWc | 5.9 | 4.3 | 4.0 | 3.0 | -31% |
| Acct Pay to Sales (%) | 2.0 | 2.0 | 2.1 | 3.5 | 76% |
| PROFITABILITY | | | | | |
| Return on Sales (%) | 10.8 | 1.8 | -0.5 | 31.14 | 1630% |
| Return on Assets (%) | 27.5 | 12.4 | -4.3 | 49.72 | 301% |
| Return on Net Worth (%) | 37.8 | 15.3 | -13.3 | 129.25 | 745% |

Performance Structure

Example Practice

Industry = SIC 8031
Offices of Osteopathic Physicians



LEGEND

| | Ratio Name | |
|-----------------------|------------|--|
| Firm's value -----> | 10% | (Firm & industry values are expressed as a percent of total assets or sales) |
| Industry value -----> | 5% + | <----- Firm's value meets or exceeds the industry average |
| Industry trend -----> | 11% + | <----- Industry's value is increasing |

Breakeven

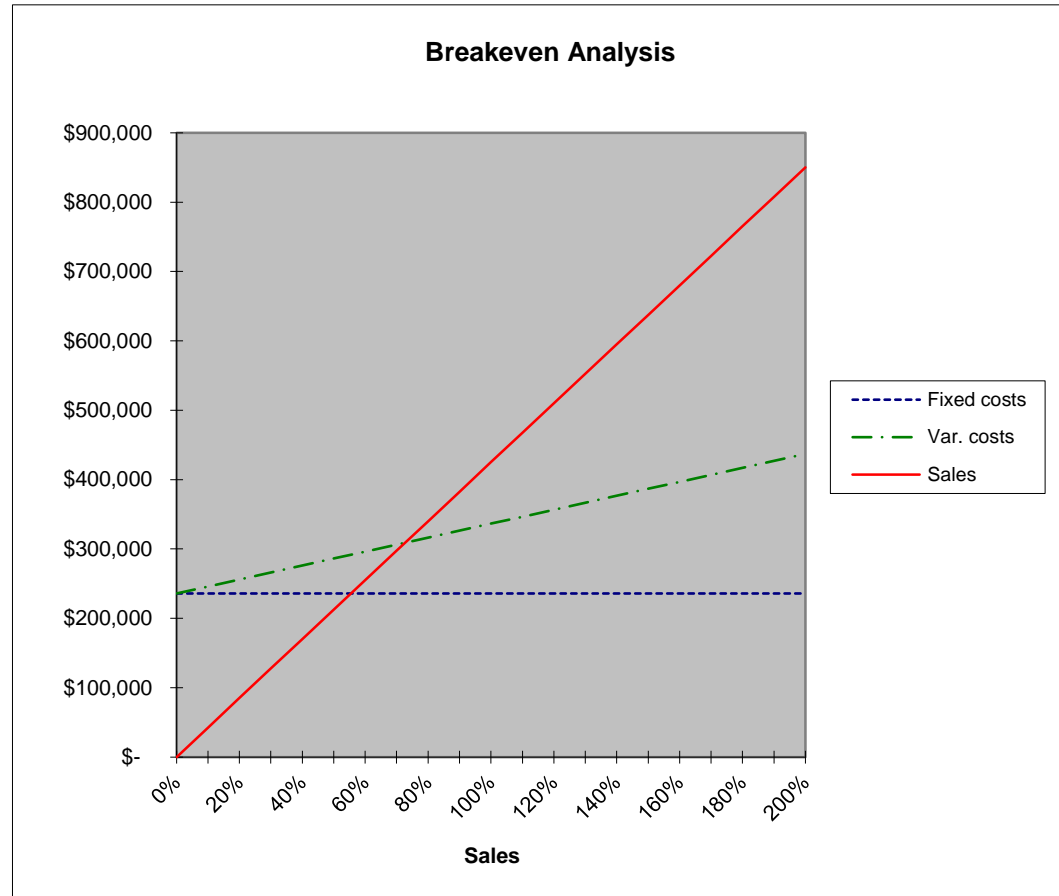
Example Practice (in dollars)

Type of Cost % of Sales

Income Statement Accounts

| SALES | | |
|-----------------------------------|----------|--------------|
| Patient Revenue Billed | | 100.0% |
| TOTAL REVENUES | | 100% |
| COSTS | | |
| Cost of Goods Sold | Variable | 10.0% |
| Selling & General Administrative | Fixed | 1.7% |
| Occupancy | Fixed | 7.1% |
| Employee Expense | Fixed | 17.1% |
| Phone | Fixed | 1.4% |
| Professional & Legal Fees | Fixed | 1.2% |
| Office Maintenance | Fixed | 1.8% |
| Insurance: malpractice | Fixed | 5.9% |
| Insurance: medical | Fixed | 1.4% |
| Pension | Fixed | 3.5% |
| Other | Fixed | 0.0% |
| Depreciation & Amort. | Fixed | 4.1% |
| Interest Expense | Fixed | 5.1% |
| TOTAL COSTS | | 60.3% |
| Earnings Before Income Tax | | 39.7% |
| Taxes | Variable | 13.7% |
| NET INCOME | | 26.0% |

1998



| | | | |
|-------------------------------|----------------|-----------------------|------------|
| Revenues = \$ | 425,000 | Percent of revenues = | 100% |
| (-) Total Variable Costs = \$ | 100,588 | Percent of revenues = | 24% |
| Contribution = \$ | 324,412 | Percent of revenues = | 76% |
| Total Fixed Costs = \$ | 235,836 | Percent of revenues = | 55% |
| Breakeven Point = \$ | 308,960 | Percent of revenues = | 73% |

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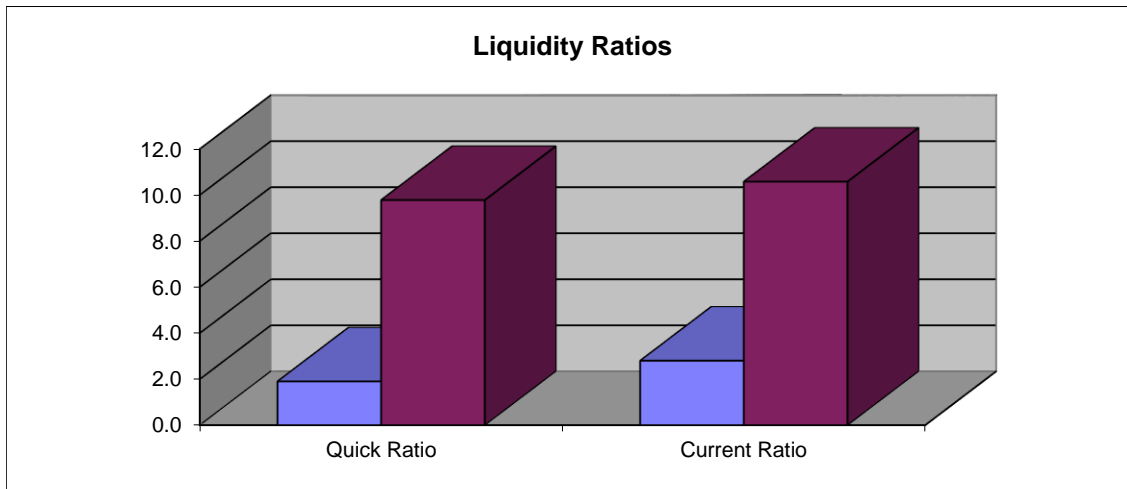
Financial Business Assessment™

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Solvency Analysis

Liquidity Ratios:

Measure short-term solvency of the firm, or the quality and adequacy of current assets to meet current obligations.



CURRENT RATIO

Current assets divided by current liabilities. This shows a company's ability to pay its current obligations from current assets: current assets per \$1.00 in current liabilities. Generally, a company that has a high inventory turnover and collectable accounts receivable can operate safely with a lower current ratio. Values of 1.0 or greater are preferred. Values less than 1.0 indicate the firm is insolvent due to liquidity.

Assessment:

Current assets are sufficient to cover current liabilities: the firm is solvent.

Relative to Industry:

Industry comparison is favorable: liquidity condition is better than industry average.

QUICK RATIO

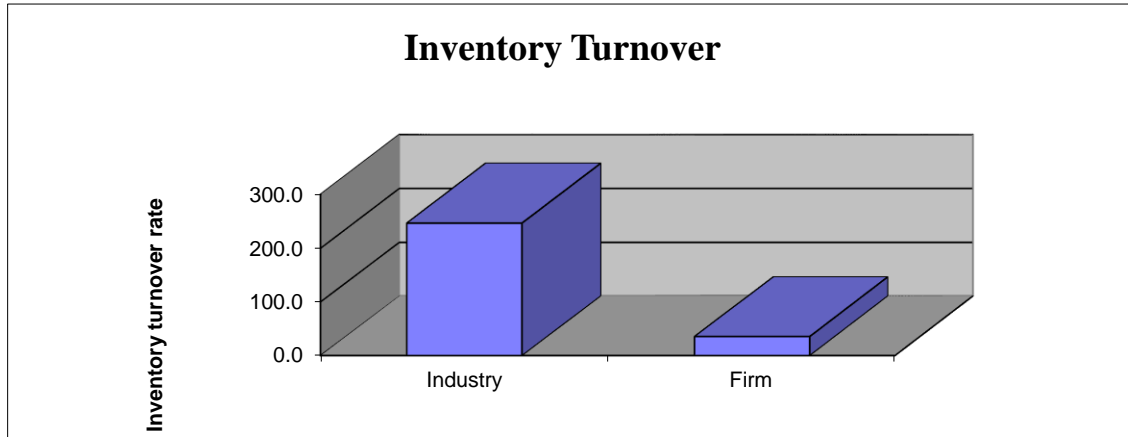
QR = cash, marketable securities and accounts receivable divided by current liabilities. This is a more conservative measure of liquidity than the Current Ratio because this ratio focuses on the firm's most liquid assets (i.e. by excluding inventory): cash (equivalents) per \$1.00 in current liabilities. This helps answer the question, "if sales drop, could this firm meet its current obligations?" Values of 1.0 or greater are preferred. A value of less than 1.0 indicates a dependency on inventory or other non-cash current assets to payoff short term debt. (Also known as acid-test, and quick asset ratio)

Assessment:

Quick (most liquid) assets are sufficient to cover current liabilities.

Relative to Industry:

Industry comparison is favorable: liquidity condition is better than industry average.

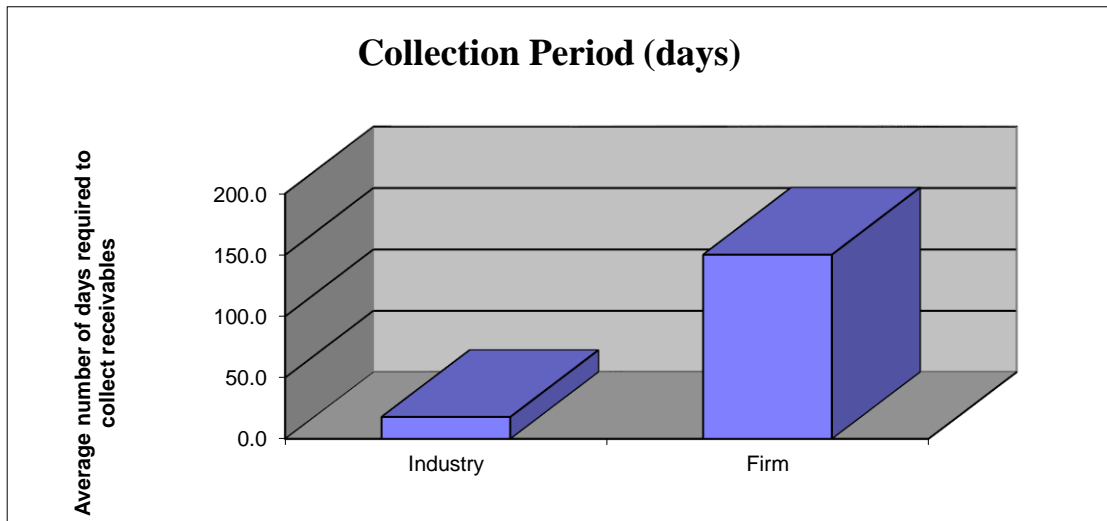


INVENTORY TURNOVER

Sales or Cost of goods sold divided by inventory. This shows how many times the inventory of a firm is sold and replaced during an accounting period. Larger values are preferred. When compared to an industry average, a low turnover tends to indicate that the company is carrying excess inventory; a problem because excess inventory represents an investment with a low, or zero, rate of return. Decreasing values over time have a negative effect on cash flow. (This ratio is calculated as sales divided by inventory by financial analysts such as Dunn & Bradstreet. Thus, the use of sales vs. COGS in the numerator should be identified before comparing performance across firms. Also known as Inventory Utilization Ratio)

Assessment Relative to Industry:

Industry comparison is not favorable: Inventory efficiency is worse than industry average.



COLLECTION PERIOD (Days)

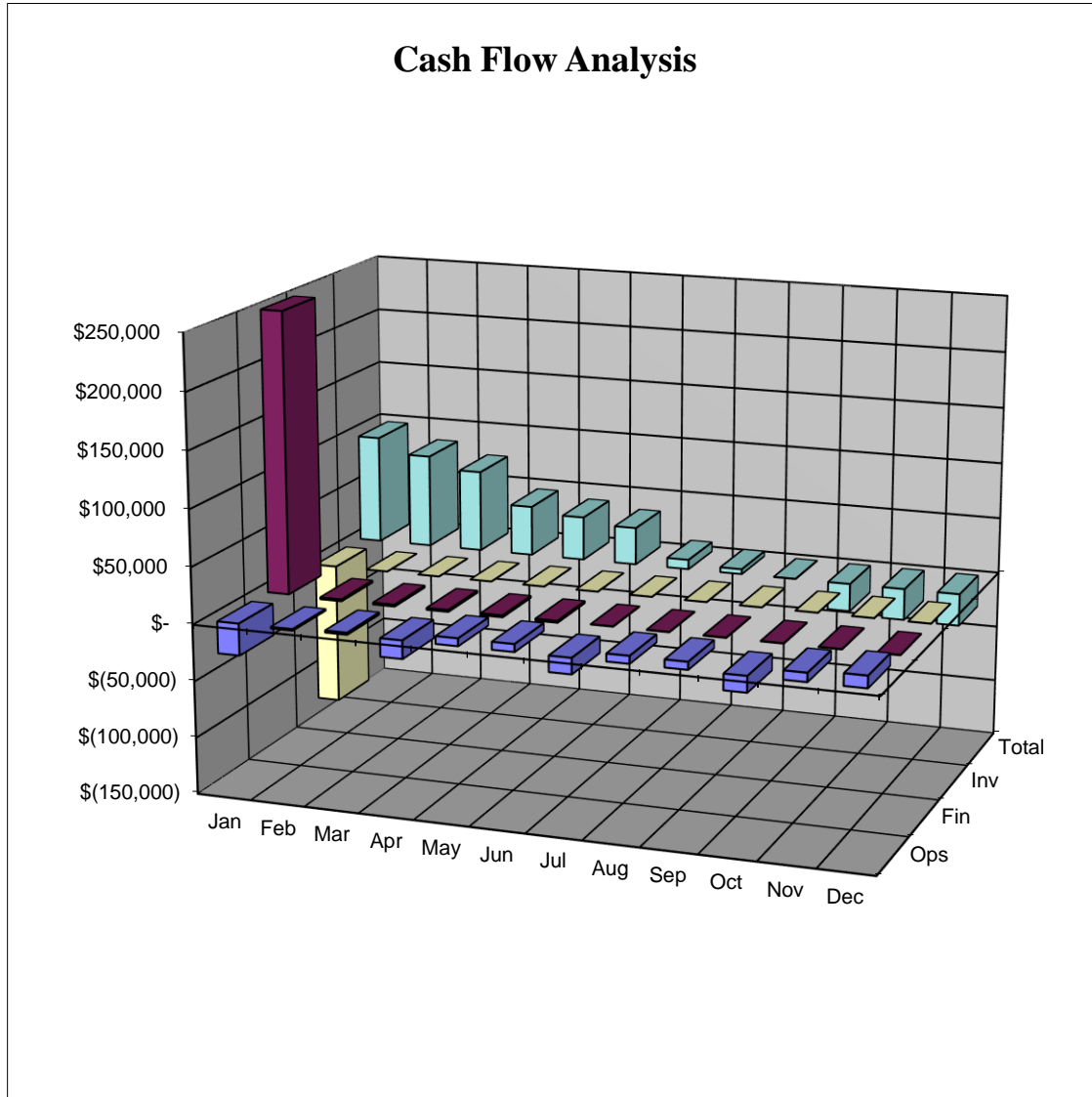
Accounts receivable divided by average daily sales. This indicates the average number of days it takes the firm to convert receivables into cash. Large values indicate generous credit (which may attract sales), or lack of control over collections. Increasing values have a negative effect on cash flow. (Also known as Collection Ratio and Average Collection Period)

Assessment Relative to Industry:

Industry comparison is not favorable: Receivables collection efficiency is worse than industry.

CASH FLOW

A positive total cash flow is necessary for the long-run survival of the firm. Total cash flow is a function of three sources of cash: operations, investing, and financing. In the short run, one source may off-set negative cash flow from another source. However, the long-run solvency of the business requires positive cash flow from operations because investing and financing activities alone cannot generate cash indefinitely.



Cash Flow from Operating Activities

Operating cash flow is negative: indicates the firm has consumed cash in its on-going operations.

Cash Flow from Financing Activities

Financing cash flow is positive: the firm has generated cash by borrowing or selling equity.

Cash Flow from Investing Activities

Investing cash flow is negative: the firm has consumed cash by purchasing assets (firm is growing).

Total Cash Flow (cumulative)

The firm has consumed more cash than it has generated: this is not a sustainable condition.

Expense Composition

Example Practice

(in dollars)

*Percent
of Sales*

SALES

| | |
|------------------------|---------------|
| Patient Revenue Billed | 100.0% |
| TOTAL REVENUES | 100.0% |

COSTS

| | |
|----------------------------------|-------|
| Cost of Goods Sold | 10.0% |
| Selling & General Administrative | 1.7% |
| Occupancy | 7.1% |
| Employee Expense | 17.1% |
| Phone | 1.4% |
| Professional & Legal Fees | 1.2% |
| Office Maintenance | 1.8% |
| Insurance: malpractice | 5.9% |
| Insurance: medical | 1.4% |
| Pension | 3.5% |
| Other | 0.0% |
| Depreciation & Amort. | 4.1% |
| Interest Expense | 5.1% |

| | |
|--------------------|--------------|
| TOTAL COSTS | 60.3% |
|--------------------|--------------|

| | |
|-----------------------------------|--------------|
| Earnings Before Income Tax | 39.7% |
|-----------------------------------|--------------|

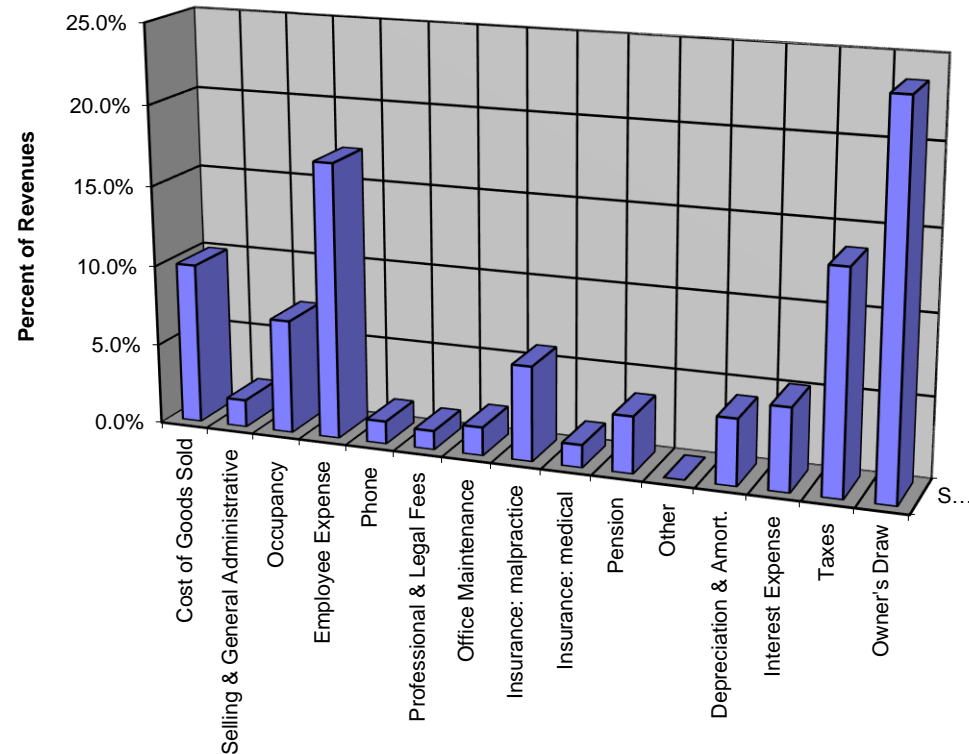
| | |
|-------|-------|
| Taxes | 13.7% |
|-------|-------|

| | |
|-------------------|--------------|
| NET INCOME | 26.0% |
|-------------------|--------------|

| | |
|--------------|-------|
| Owner's Draw | 23.5% |
|--------------|-------|

| | |
|------------------------|-------------|
| Retained Income | 2.5% |
|------------------------|-------------|

Expense Composition Analysis



Asset Composition

Example Practice (in dollars)

*Percent
of Sales*

ASSETS

| | |
|-----------------------------|---------------|
| Cash | -10.6% |
| Accounts Receivable | 65.8% |
| Inventory | 4.5% |
| TOTAL CURRENT ASSETS | 59.6% |
| Equipment | 47.0% |
| Other | 0.0% |
| Other | 0.0% |
| Accumulated Depreciation | 6.6% |
| TOTAL FIXED ASSETS | 40.4% |
| TOTAL ASSETS | 100.0% |

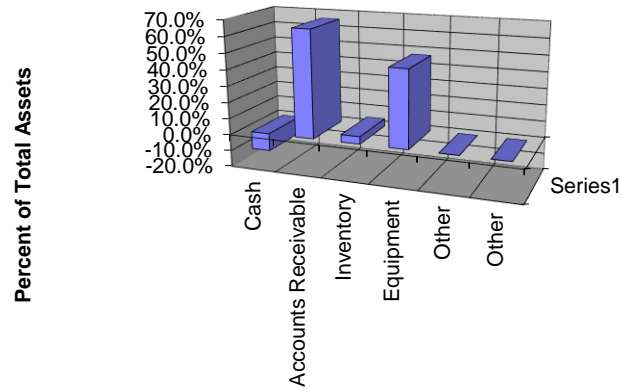
LIABILITIES

| | |
|------------------------------|--------------|
| Accounts Payable | 5.6% |
| Short Term Debt | 0.0% |
| Other Current Liabilities | 0.0% |
| TOTAL CURRENT LIAB. | 5.6% |
| Long-Term Debt | 62.3% |
| Other Long-term Liabilities | 0.0% |
| TOTAL LONG-TERM LIAB. | 62.3% |
| TOTAL LIABILITIES | 67.9% |

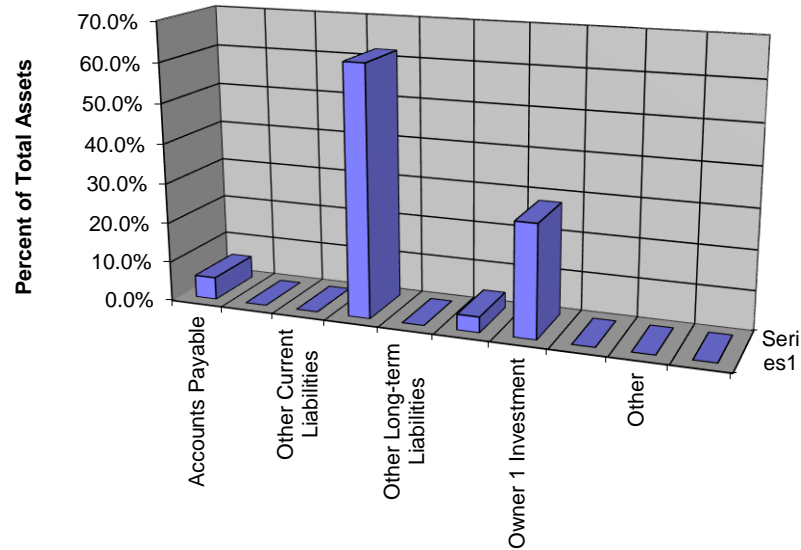
EQUITY

| | |
|---------------------------------|---------------|
| Retained Earnings | 3.9% |
| Owner 1 Investment | 28.2% |
| Other | 0.0% |
| Other | 0.0% |
| Other | 0.0% |
| NET WORTH | 32.1% |
| TOTAL LIAB. & EQUITY | 100.0% |

Asset Composition Analysis



Liabilities & Equity Composition Analysis



Loan Analysis

| | |
|------------------------|--------------|
| Amount Borrowed | 200,000 |
| Annual Percentage Rate | 7.50% |
| Monthly % Rate | 0.63% |
| Number of Years | 20 |
| Number of Months | 240 |
| Start Period | 1 |
| End Period | 240 |
| Ending Balance | 0 |
| Monthly Payment | (\$1,611.19) |

| Month | Interest Paid | Principle Paid | Monthly Payment |
|-------|---------------|----------------|-----------------|
| 1 | (\$1,250.00) | (\$361.19) | (\$1,611.19) |
| 2 | (\$1,247.74) | (\$363.44) | (\$1,611.19) |
| 3 | (\$1,245.47) | (\$365.72) | (\$1,611.19) |
| 4 | (\$1,243.19) | (\$368.00) | (\$1,611.19) |
| 5 | (\$1,240.89) | (\$370.30) | (\$1,611.19) |
| 6 | (\$1,238.57) | (\$372.62) | (\$1,611.19) |
| 7 | (\$1,236.24) | (\$374.94) | (\$1,611.19) |
| 8 | (\$1,233.90) | (\$377.29) | (\$1,611.19) |
| 9 | (\$1,231.54) | (\$379.65) | (\$1,611.19) |
| 10 | (\$1,229.17) | (\$382.02) | (\$1,611.19) |
| 11 | (\$1,226.78) | (\$384.41) | (\$1,611.19) |
| 12 | (\$1,224.38) | (\$386.81) | (\$1,611.19) |
| 13 | (\$1,221.96) | (\$389.23) | (\$1,611.19) |
| 14 | (\$1,219.53) | (\$391.66) | (\$1,611.19) |
| 15 | (\$1,217.08) | (\$394.11) | (\$1,611.19) |
| 16 | (\$1,214.62) | (\$396.57) | (\$1,611.19) |
| 17 | (\$1,212.14) | (\$399.05) | (\$1,611.19) |
| 18 | (\$1,209.64) | (\$401.54) | (\$1,611.19) |
| 19 | (\$1,207.13) | (\$404.05) | (\$1,611.19) |
| 20 | (\$1,204.61) | (\$406.58) | (\$1,611.19) |
| 21 | (\$1,202.07) | (\$409.12) | (\$1,611.19) |
| 22 | (\$1,199.51) | (\$411.68) | (\$1,611.19) |
| 23 | (\$1,196.94) | (\$414.25) | (\$1,611.19) |
| 24 | (\$1,194.35) | (\$416.84) | (\$1,611.19) |
| 25 | (\$1,191.74) | (\$419.44) | (\$1,611.19) |
| 26 | (\$1,189.12) | (\$422.06) | (\$1,611.19) |
| 27 | (\$1,186.48) | (\$424.70) | (\$1,611.19) |
| 28 | (\$1,183.83) | (\$427.36) | (\$1,611.19) |
| 29 | (\$1,181.16) | (\$430.03) | (\$1,611.19) |
| 30 | (\$1,178.47) | (\$432.72) | (\$1,611.19) |
| 31 | (\$1,175.77) | (\$435.42) | (\$1,611.19) |
| 32 | (\$1,173.05) | (\$438.14) | (\$1,611.19) |
| 33 | (\$1,170.31) | (\$440.88) | (\$1,611.19) |
| 34 | (\$1,167.55) | (\$443.64) | (\$1,611.19) |
| 35 | (\$1,164.78) | (\$446.41) | (\$1,611.19) |
| 36 | (\$1,161.99) | (\$449.20) | (\$1,611.19) |
| 37 | (\$1,159.18) | (\$452.01) | (\$1,611.19) |
| 38 | (\$1,156.36) | (\$454.83) | (\$1,611.19) |
| 39 | (\$1,153.51) | (\$457.67) | (\$1,611.19) |
| 40 | (\$1,150.65) | (\$460.53) | (\$1,611.19) |
| 41 | (\$1,147.77) | (\$463.41) | (\$1,611.19) |
| 42 | (\$1,144.88) | (\$466.31) | (\$1,611.19) |
| 43 | (\$1,141.96) | (\$469.22) | (\$1,611.19) |
| 44 | (\$1,139.03) | (\$472.16) | (\$1,611.19) |
| 45 | (\$1,136.08) | (\$475.11) | (\$1,611.19) |
| 46 | (\$1,133.11) | (\$478.08) | (\$1,611.19) |
| 47 | (\$1,130.12) | (\$481.06) | (\$1,611.19) |
| 48 | (\$1,127.12) | (\$484.07) | (\$1,611.19) |
| 49 | (\$1,124.09) | (\$487.10) | (\$1,611.19) |

Loan Analysis

| | | | |
|-----|--------------|------------|--------------|
| 50 | (\$1,121.05) | (\$490.14) | (\$1,611.19) |
| 51 | (\$1,117.98) | (\$493.20) | (\$1,611.19) |
| 52 | (\$1,114.90) | (\$496.29) | (\$1,611.19) |
| 53 | (\$1,111.80) | (\$499.39) | (\$1,611.19) |
| 54 | (\$1,108.68) | (\$502.51) | (\$1,611.19) |
| 55 | (\$1,105.54) | (\$505.65) | (\$1,611.19) |
| 56 | (\$1,102.38) | (\$508.81) | (\$1,611.19) |
| 57 | (\$1,099.20) | (\$511.99) | (\$1,611.19) |
| 58 | (\$1,096.00) | (\$515.19) | (\$1,611.19) |
| 59 | (\$1,092.78) | (\$518.41) | (\$1,611.19) |
| 60 | (\$1,089.54) | (\$521.65) | (\$1,611.19) |
| 61 | (\$1,086.28) | (\$524.91) | (\$1,611.19) |
| 62 | (\$1,083.00) | (\$528.19) | (\$1,611.19) |
| 63 | (\$1,079.69) | (\$531.49) | (\$1,611.19) |
| 64 | (\$1,076.37) | (\$534.81) | (\$1,611.19) |
| 65 | (\$1,073.03) | (\$538.16) | (\$1,611.19) |
| 66 | (\$1,069.67) | (\$541.52) | (\$1,611.19) |
| 67 | (\$1,066.28) | (\$544.90) | (\$1,611.19) |
| 68 | (\$1,062.88) | (\$548.31) | (\$1,611.19) |
| 69 | (\$1,059.45) | (\$551.74) | (\$1,611.19) |
| 70 | (\$1,056.00) | (\$555.19) | (\$1,611.19) |
| 71 | (\$1,052.53) | (\$558.66) | (\$1,611.19) |
| 72 | (\$1,049.04) | (\$562.15) | (\$1,611.19) |
| 73 | (\$1,045.53) | (\$565.66) | (\$1,611.19) |
| 74 | (\$1,041.99) | (\$569.20) | (\$1,611.19) |
| 75 | (\$1,038.43) | (\$572.75) | (\$1,611.19) |
| 76 | (\$1,034.85) | (\$576.33) | (\$1,611.19) |
| 77 | (\$1,031.25) | (\$579.93) | (\$1,611.19) |
| 78 | (\$1,027.63) | (\$583.56) | (\$1,611.19) |
| 79 | (\$1,023.98) | (\$587.21) | (\$1,611.19) |
| 80 | (\$1,020.31) | (\$590.88) | (\$1,611.19) |
| 81 | (\$1,016.62) | (\$594.57) | (\$1,611.19) |
| 82 | (\$1,012.90) | (\$598.29) | (\$1,611.19) |
| 83 | (\$1,009.16) | (\$602.03) | (\$1,611.19) |
| 84 | (\$1,005.40) | (\$605.79) | (\$1,611.19) |
| 85 | (\$1,001.61) | (\$609.57) | (\$1,611.19) |
| 86 | (\$997.80) | (\$613.38) | (\$1,611.19) |
| 87 | (\$993.97) | (\$617.22) | (\$1,611.19) |
| 88 | (\$990.11) | (\$621.08) | (\$1,611.19) |
| 89 | (\$986.23) | (\$624.96) | (\$1,611.19) |
| 90 | (\$982.32) | (\$628.86) | (\$1,611.19) |
| 91 | (\$978.39) | (\$632.79) | (\$1,611.19) |
| 92 | (\$974.44) | (\$636.75) | (\$1,611.19) |
| 93 | (\$970.46) | (\$640.73) | (\$1,611.19) |
| 94 | (\$966.45) | (\$644.73) | (\$1,611.19) |
| 95 | (\$962.42) | (\$648.76) | (\$1,611.19) |
| 96 | (\$958.37) | (\$652.82) | (\$1,611.19) |
| 97 | (\$954.29) | (\$656.90) | (\$1,611.19) |
| 98 | (\$950.18) | (\$661.00) | (\$1,611.19) |
| 99 | (\$946.05) | (\$665.13) | (\$1,611.19) |
| 100 | (\$941.90) | (\$669.29) | (\$1,611.19) |
| 101 | (\$937.71) | (\$673.47) | (\$1,611.19) |

Loan Analysis

| | | | |
|-----|------------|------------|--------------|
| 102 | (\$933.50) | (\$677.68) | (\$1,611.19) |
| 103 | (\$929.27) | (\$681.92) | (\$1,611.19) |
| 104 | (\$925.01) | (\$686.18) | (\$1,611.19) |
| 105 | (\$920.72) | (\$690.47) | (\$1,611.19) |
| 106 | (\$916.40) | (\$694.78) | (\$1,611.19) |
| 107 | (\$912.06) | (\$699.13) | (\$1,611.19) |
| 108 | (\$907.69) | (\$703.50) | (\$1,611.19) |
| 109 | (\$903.29) | (\$707.89) | (\$1,611.19) |
| 110 | (\$898.87) | (\$712.32) | (\$1,611.19) |
| 111 | (\$894.42) | (\$716.77) | (\$1,611.19) |
| 112 | (\$889.94) | (\$721.25) | (\$1,611.19) |
| 113 | (\$885.43) | (\$725.76) | (\$1,611.19) |
| 114 | (\$880.89) | (\$730.29) | (\$1,611.19) |
| 115 | (\$876.33) | (\$734.86) | (\$1,611.19) |
| 116 | (\$871.74) | (\$739.45) | (\$1,611.19) |
| 117 | (\$867.11) | (\$744.07) | (\$1,611.19) |
| 118 | (\$862.46) | (\$748.72) | (\$1,611.19) |
| 119 | (\$857.78) | (\$753.40) | (\$1,611.19) |
| 120 | (\$853.08) | (\$758.11) | (\$1,611.19) |
| 121 | (\$848.34) | (\$762.85) | (\$1,611.19) |
| 122 | (\$843.57) | (\$767.62) | (\$1,611.19) |
| 123 | (\$838.77) | (\$772.41) | (\$1,611.19) |
| 124 | (\$833.94) | (\$777.24) | (\$1,611.19) |
| 125 | (\$829.09) | (\$782.10) | (\$1,611.19) |
| 126 | (\$824.20) | (\$786.99) | (\$1,611.19) |
| 127 | (\$819.28) | (\$791.91) | (\$1,611.19) |
| 128 | (\$814.33) | (\$796.86) | (\$1,611.19) |
| 129 | (\$809.35) | (\$801.84) | (\$1,611.19) |
| 130 | (\$804.34) | (\$806.85) | (\$1,611.19) |
| 131 | (\$799.30) | (\$811.89) | (\$1,611.19) |
| 132 | (\$794.22) | (\$816.96) | (\$1,611.19) |
| 133 | (\$789.12) | (\$822.07) | (\$1,611.19) |
| 134 | (\$783.98) | (\$827.21) | (\$1,611.19) |
| 135 | (\$778.81) | (\$832.38) | (\$1,611.19) |
| 136 | (\$773.61) | (\$837.58) | (\$1,611.19) |
| 137 | (\$768.37) | (\$842.82) | (\$1,611.19) |
| 138 | (\$763.10) | (\$848.08) | (\$1,611.19) |
| 139 | (\$757.80) | (\$853.38) | (\$1,611.19) |
| 140 | (\$752.47) | (\$858.72) | (\$1,611.19) |
| 141 | (\$747.10) | (\$864.08) | (\$1,611.19) |
| 142 | (\$741.70) | (\$869.49) | (\$1,611.19) |
| 143 | (\$736.27) | (\$874.92) | (\$1,611.19) |
| 144 | (\$730.80) | (\$880.39) | (\$1,611.19) |
| 145 | (\$725.30) | (\$885.89) | (\$1,611.19) |
| 146 | (\$719.76) | (\$891.43) | (\$1,611.19) |
| 147 | (\$714.19) | (\$897.00) | (\$1,611.19) |
| 148 | (\$708.58) | (\$902.60) | (\$1,611.19) |
| 149 | (\$702.94) | (\$908.25) | (\$1,611.19) |
| 150 | (\$697.26) | (\$913.92) | (\$1,611.19) |
| 151 | (\$691.55) | (\$919.63) | (\$1,611.19) |
| 152 | (\$685.80) | (\$925.38) | (\$1,611.19) |
| 153 | (\$680.02) | (\$931.17) | (\$1,611.19) |

Loan Analysis

| | | | |
|-----|------------|--------------|--------------|
| 154 | (\$674.20) | (\$936.99) | (\$1,611.19) |
| 155 | (\$668.34) | (\$942.84) | (\$1,611.19) |
| 156 | (\$662.45) | (\$948.73) | (\$1,611.19) |
| 157 | (\$656.52) | (\$954.66) | (\$1,611.19) |
| 158 | (\$650.56) | (\$960.63) | (\$1,611.19) |
| 159 | (\$644.55) | (\$966.64) | (\$1,611.19) |
| 160 | (\$638.51) | (\$972.68) | (\$1,611.19) |
| 161 | (\$632.43) | (\$978.76) | (\$1,611.19) |
| 162 | (\$626.31) | (\$984.87) | (\$1,611.19) |
| 163 | (\$620.16) | (\$991.03) | (\$1,611.19) |
| 164 | (\$613.96) | (\$997.22) | (\$1,611.19) |
| 165 | (\$607.73) | (\$1,003.45) | (\$1,611.19) |
| 166 | (\$601.46) | (\$1,009.73) | (\$1,611.19) |
| 167 | (\$595.15) | (\$1,016.04) | (\$1,611.19) |
| 168 | (\$588.80) | (\$1,022.39) | (\$1,611.19) |
| 169 | (\$582.41) | (\$1,028.78) | (\$1,611.19) |
| 170 | (\$575.98) | (\$1,035.21) | (\$1,611.19) |
| 171 | (\$569.51) | (\$1,041.68) | (\$1,611.19) |
| 172 | (\$563.00) | (\$1,048.19) | (\$1,611.19) |
| 173 | (\$556.45) | (\$1,054.74) | (\$1,611.19) |
| 174 | (\$549.86) | (\$1,061.33) | (\$1,611.19) |
| 175 | (\$543.22) | (\$1,067.96) | (\$1,611.19) |
| 176 | (\$536.55) | (\$1,074.64) | (\$1,611.19) |
| 177 | (\$529.83) | (\$1,081.36) | (\$1,611.19) |
| 178 | (\$523.07) | (\$1,088.11) | (\$1,611.19) |
| 179 | (\$516.27) | (\$1,094.91) | (\$1,611.19) |
| 180 | (\$509.43) | (\$1,101.76) | (\$1,611.19) |
| 181 | (\$502.54) | (\$1,108.64) | (\$1,611.19) |
| 182 | (\$495.61) | (\$1,115.57) | (\$1,611.19) |
| 183 | (\$488.64) | (\$1,122.55) | (\$1,611.19) |
| 184 | (\$481.62) | (\$1,129.56) | (\$1,611.19) |
| 185 | (\$474.57) | (\$1,136.62) | (\$1,611.19) |
| 186 | (\$467.46) | (\$1,143.73) | (\$1,611.19) |
| 187 | (\$460.31) | (\$1,150.87) | (\$1,611.19) |
| 188 | (\$453.12) | (\$1,158.07) | (\$1,611.19) |
| 189 | (\$445.88) | (\$1,165.30) | (\$1,611.19) |
| 190 | (\$438.60) | (\$1,172.59) | (\$1,611.19) |
| 191 | (\$431.27) | (\$1,179.92) | (\$1,611.19) |
| 192 | (\$423.90) | (\$1,187.29) | (\$1,611.19) |
| 193 | (\$416.48) | (\$1,194.71) | (\$1,611.19) |
| 194 | (\$409.01) | (\$1,202.18) | (\$1,611.19) |
| 195 | (\$401.49) | (\$1,209.69) | (\$1,611.19) |
| 196 | (\$393.93) | (\$1,217.25) | (\$1,611.19) |
| 197 | (\$386.33) | (\$1,224.86) | (\$1,611.19) |
| 198 | (\$378.67) | (\$1,232.52) | (\$1,611.19) |
| 199 | (\$370.97) | (\$1,240.22) | (\$1,611.19) |
| 200 | (\$363.22) | (\$1,247.97) | (\$1,611.19) |
| 201 | (\$355.42) | (\$1,255.77) | (\$1,611.19) |
| 202 | (\$347.57) | (\$1,263.62) | (\$1,611.19) |
| 203 | (\$339.67) | (\$1,271.52) | (\$1,611.19) |
| 204 | (\$331.72) | (\$1,279.46) | (\$1,611.19) |
| 205 | (\$323.73) | (\$1,287.46) | (\$1,611.19) |

Loan Analysis

| | | | |
|-----|------------|--------------|--------------|
| 206 | (\$315.68) | (\$1,295.51) | (\$1,611.19) |
| 207 | (\$307.58) | (\$1,303.60) | (\$1,611.19) |
| 208 | (\$299.44) | (\$1,311.75) | (\$1,611.19) |
| 209 | (\$291.24) | (\$1,319.95) | (\$1,611.19) |
| 210 | (\$282.99) | (\$1,328.20) | (\$1,611.19) |
| 211 | (\$274.69) | (\$1,336.50) | (\$1,611.19) |
| 212 | (\$266.33) | (\$1,344.85) | (\$1,611.19) |
| 213 | (\$257.93) | (\$1,353.26) | (\$1,611.19) |
| 214 | (\$249.47) | (\$1,361.72) | (\$1,611.19) |
| 215 | (\$240.96) | (\$1,370.23) | (\$1,611.19) |
| 216 | (\$232.40) | (\$1,378.79) | (\$1,611.19) |
| 217 | (\$223.78) | (\$1,387.41) | (\$1,611.19) |
| 218 | (\$215.11) | (\$1,396.08) | (\$1,611.19) |
| 219 | (\$206.38) | (\$1,404.81) | (\$1,611.19) |
| 220 | (\$197.60) | (\$1,413.59) | (\$1,611.19) |
| 221 | (\$188.77) | (\$1,422.42) | (\$1,611.19) |
| 222 | (\$179.88) | (\$1,431.31) | (\$1,611.19) |
| 223 | (\$170.93) | (\$1,440.26) | (\$1,611.19) |
| 224 | (\$161.93) | (\$1,449.26) | (\$1,611.19) |
| 225 | (\$152.87) | (\$1,458.32) | (\$1,611.19) |
| 226 | (\$143.76) | (\$1,467.43) | (\$1,611.19) |
| 227 | (\$134.58) | (\$1,476.60) | (\$1,611.19) |
| 228 | (\$125.36) | (\$1,485.83) | (\$1,611.19) |
| 229 | (\$116.07) | (\$1,495.12) | (\$1,611.19) |
| 230 | (\$106.73) | (\$1,504.46) | (\$1,611.19) |
| 231 | (\$97.32) | (\$1,513.86) | (\$1,611.19) |
| 232 | (\$87.86) | (\$1,523.33) | (\$1,611.19) |
| 233 | (\$78.34) | (\$1,532.85) | (\$1,611.19) |
| 234 | (\$68.76) | (\$1,542.43) | (\$1,611.19) |
| 235 | (\$59.12) | (\$1,552.07) | (\$1,611.19) |
| 236 | (\$49.42) | (\$1,561.77) | (\$1,611.19) |
| 237 | (\$39.66) | (\$1,571.53) | (\$1,611.19) |
| 238 | (\$29.84) | (\$1,581.35) | (\$1,611.19) |
| 239 | (\$19.95) | (\$1,591.23) | (\$1,611.19) |
| 240 | (\$10.01) | (\$1,601.18) | (\$1,611.19) |