

How Healthy is Your Business? ©

		Point Scale				
		1	2	3	4	5
Return on Equity Deployed						
1	Cash Usage - Number of days Cash usage in non-interest bearing accounts. (10 days on hand = 1 point, 20 days = 2 points, 30 days = 3 points, 40 days = 4 points, 50 days on hand or more = 5 points)					
2	Accounts Receivable Past Due - Average number of days Accounts Receivable past due. (5 days past due = 1 point, 10 days = 2 points, 15 days = 3 points, 20 days = 4 points, 25 days or more = 5 points)					
3	Inventory Excess - All materials inventory, divided by avg daily cost of materials sold, less avg accounts payable days, less avg conversion time from raw to finished goods. (15 days = 1 point, 30 days = 2 points, 45 days = 3 points, 60 days = 4 points, 75 days or more = 5 points)					
4	Short Term Debt Ratio - Debt due within one-year divided by total Debt, percentage that exceeds 20%. (10% = 1 point, 20% = 2 points, 30% = 3 points, 40% = 4 points, 50% or more = 5 points)					
5	Accounts Payable Past Due - Average number of days Account Payable is past due. (10 days past due = 1 point, 20 days = 2 points, 30 days = 3 points, 40 days = 4 points, 50 days past due or more = 5 points)					
6	Cash Conversion Efficiency - Annual Cash Flow from Operations divided by Annual Sales. (15% and over = 1 point, 13% = 2 points, 11% = 3 points, 9% = 4 points, 7% or less = 5 points)					
7	Working Capital Ratio - Current Assets (Cash + Accounts Receivable + Inventory) divided by Current Liabilities (Current Debt + Accounts Payable + Accrued Exp) equals ratio. (3.0:1 or more = 1 point, 2.5:1 = 2 points, 2.0:1 = 3 points, 1.75:1 = 4 points, 1.5:1 or less = 5 points)					
8	Capital Equipment Growth - Annual percentage growth of Net Capital Equipment (after Depreciation) less percentage of Sales growth. (5% or less = 1 point, 10% = 2 points, 15% = 3 points, 20% = 4 points, 25% or more = 5 points)					
9	Debt to Equity Ratio - All Debt (Debt + Accounts Payable + Accrued Liabilities) divided by Equity (Paid in Capital + Retained Earnings - Intangible Assets) equals ratio. (1.0:1 or less = 1 point, 1.25:1 = 2 points, 1.5:1 = 3 points, 2.0:1 = 4 points, 2.5:1 or more = 5 points)					
10	Financial Reporting Effectiveness - Daily thru annual reports are prompt and complete = 1 point, Prompt but incomplete = 2 points, Late but complete = 3 points, Late & incomplete = 4 points, Worthless in identifying real business issues = 5 points					
Efficiency of Operating Activities						
11	Strategic Planning - Successful, communicated & updated quarterly = 1 point, Known to Sr. mgmt only = 2 points, General idea only = 3 points, Operating on tactical level only = 4 points, Strategic & tactical failure = 5 points					
12	Change Management - Continuous improvement of process & quality thru managed change = 1, Only change when process breaks = 2, Follow competitors in change = 3, Delay making needed change = 4, Protect status quo = 5					
13	Competitive Position - Technology or Brand is unique & protected = 1 point, Trade secrets or know-how is unique = 2 points, Competition is equal = 3 points, Competition is ahead = 4 points, Competition cannot be overtaken = 5 points					
14	Contractual Relationships - In-force as appropriate for all areas of sales, purchases, technology & financing relationships = 1 point, Only 3 of 4 areas = 2 points, Only 2 of 4 areas = 3 points, Only 1 of 4 areas = 4 points, No areas covered = 5 points					
15	Market Penetration Productivity - Average Sales Price % increase less Total Sales % increase. (0% difference or less = 1 point, 1% = 2 points, 2% = 3 points, 3% = 4 points, 4% & above = 5 points)					
16	Materials Productivity - Average Cost of Materials % increase less Average Sales Price % increase. (0% difference or less = 1 point, 1% = 2 points, 2% = 3 points, 3% = 4 points, 4% & above = 5 points)					
17	Internal Control - Reached ISO 9000 certification = 1 point, Policies & internal controls are monitored = 2 points, Some controls = 3 points, No controls but no theft or fraud = 4 points, Experienced or suspect theft or fraud = 5 points					
18	Labor Productivity - Average Salary & Benefits % increase less Average Sales Price % increase. (0% difference or less = 1 point, 1% = 2 points, 2% = 3 points, 3% = 4 points, 4% & above = 5 points)					
19	Employee Relations - State of the art programs & low turnover = 1 point, Some programs & turnover = 2 points, Few programs & high turnover = 3 points, No programs & disgruntled employees = 4 points, Lawsuits & walkouts = 5 points					
20	Operating Productivity - Total Operating Expense % increase less Total Sales % increase. (0% difference or less = 1 point, 1% = 2 points, 2% = 3 points, 3% = 4 points, 4% & above = 5 points)					
Total Points						

Point Key and Analysis

Total Point Range

Business is in good health - initiate Six Sigma, Continuous Improvement and Best Practices programs.	22 points or less
Business is still healthy - initiate programs to improve weak areas.	28 points or less
Business is facing difficulties - firm and decisive changes are needed.	36 points or less
Business is very troubled - extreme corrective measures are required to ensure survival.	50 points or less
Business may not be able to continue in current form - requires immediate and extreme intervention.	51 points or more

This simplified **How Healthy is Your Business?**® is provided courtesy of **Migliozzi & Associates, Inc.** and is for identifying problem areas in your business.

We would be pleased to provide personal assistance to identify and correction of areas of concern to you. Contact us at (914) 737-3532 or info@migliozzi.org