



Financial Management Questionnaire

The following questions are intended to assess whether your company benefits from strong financial management practices. The questions also are intended to provoke thought and discussion.

The Basics:

- | | <u>Yes/No</u> |
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| 1) Are your historical financial statements completed shortly after the end of the month, quarter or year? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 2) Are the historical financial statements accurate and in clear formats that impart a reasonable understanding of why the results occurred? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3) Do you have Revenue and Order forecasts at the beginning of each quarter and updated at least once during the quarter? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 4) Does your company prepare profit and loss forecasts each quarter and review them with the management team? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 5) Does your company have departmental expense and capital budgets? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 6) Does your company have monthly or quarterly budget versus actual reports? | <input type="checkbox"/> Yes <input type="checkbox"/> No |

Proactive Financial Management: (The importance of each of the following items will vary depending on the size, complexity and growth stage of your company)

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|---|--|
| 7) Are the Revenue and Order forecasts in sufficient detail to know what actions must be taken to achieve the forecast? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 8) Do you have a clear, measured cost of each unit or deliverable for which your company receives revenue? Also known as cost of goods sold. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 9) Are all costs that vary with revenues identified, and their relationship (the pattern in which they change relative to revenue) clearly understood? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 10) Does your company forecast cost of goods sold, expenses and capital spending (and any other uses of cash) at least once per quarter? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 11) Are the profit and loss forecasts prepared and reviewed far enough in advance that actions can be taken to substantially improve the results? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 12) Is a Cash-flow forecast prepared showing all sources and uses of cash? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 13) Are the revenue, P&L and cash flow forecasts linked in a way that variables such as changes in revenue assumptions or hiring can be modified and immediately flow through to P&L and Cash-flow forecasts? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 14) Do you have key metrics for your specific business (such as inventory turnover, staff utilization rates, budget versus actual costs for specific projects) that are regularly reported and monitored? | <input type="checkbox"/> Yes <input type="checkbox"/> No |

- 15) Do you have a clear understanding of what actions would need to be taken if your business' orders/revenues increased or decreased 50% in a short period of time? (Substitute your best case and worst cases scenarios for the 50% assumption) Yes No
- 16) Have you identified the core competitive strengths of your business? Yes No
- 17) Does your team have the fortitude to take the necessary actions, if required, due to a severe drop in revenue while maintaining the core competitive strengths of your business? Yes No
- 18) Has your company defined its annual and three year financial goals? Yes No
- 19) Have you projected the amount and timing of capital that will be needed for your company to reach its goals? Yes No
- 20) Have you identified what relationships will be necessary with external investors, bankers or other parties to reach your financial goals? Yes No
- 21) If another party made you "an offer you can't refuse" to acquire, or merge with, your business, do you know what that offer would have to be in both financial and non-financial terms? Yes No
- 22) Do you have ways to gauge the "non-financial" indicators of a company's health such as your team's responsiveness to customer issues, customer satisfaction, employee loyalty and moral? Yes No

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