

Business Health Checks

SMALL BUSINESS GUIDES

Bookkeepers and accountants can assist in assessing the health their client's business by preparing a number of reports and reviews to measure business health. These reports include:

Debtors' days outstanding

- Regular calculation of effective debtors' days outstanding at the end of each month
- Summary of "slow" payers

You then need to have discussions with those debtors who fall outside terms of trade, to ensure you're going to receive a substantial amount of money from them during the forthcoming period of time. If this procedure is carried out regularly, it will assist in reducing the debtors' days outstanding.

General financial information that could be useful if not important

- Key performance indicators, ratios and undertaking benchmark comparisons
- Financial accounts and
- Budgets and cash-flow forecast, available at the end of every month or, at the latest, the end of every quarter throughout the year.
- Preparation of business for sale
- Buying a business

BREAK-EVEN CALCULATION

This is the amount of sales that need to be made each week or each year, so the business is neither trading at a loss nor failed to create a profit. The key components of the calculation of break-even are your business' overhead expenses and the business' gross profit percentage.

WORKING CAPITAL EVALUATION

What is it? Working capital is needed for:

- Buying Inventory
- Investing in equipment
- Building a website
- Hiring staff
- Whatever you need to grow

WHAT YOU CAN DO?

Detailed evaluation of amounts owing for sundry debtors, investment in stock, investment in work in progress, owing to creditors and bank accounts will assist in the calculation of the excess of current assets over the current liabilities or working capital.