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# **BizScore Manufacturing Example**

**For the period ending 12/31/2009**

**Provided By**



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## FINANCIAL REPORT

*This report is designed to assist you in your business' development. Below you will find your overall ranking, business snapshot and narrative write-up.*

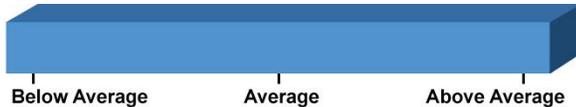
**Snapshot of: Sample Manufacture Corp**

**Industry:** 33911 - Medical Equipment and Supplies Manufacturing

**Revenue:** \$1M - \$10M

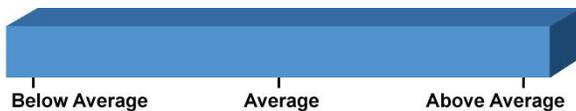
**Periods:** 12 months against the same 12 months from the previous year

### Financial Score for MarketingDocManufacture



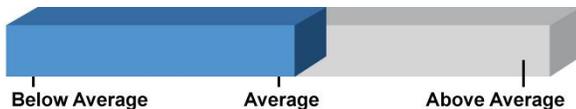
#### LIQUIDITY -

*A measure of the company's ability to meet obligations as they come due.*



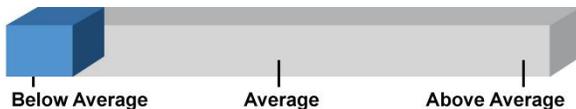
#### PROFITS & PROFIT MARGIN -

*A measure of whether the trends in profit are favorable for the company.*



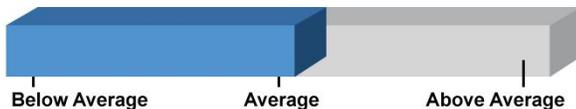
#### SALES -

*A measure of how sales are growing and whether the sales are satisfactory for the company.*



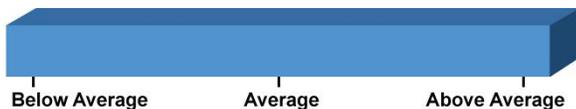
#### BORROWING -

*A measure of how responsibly the company is borrowing and how effectively it is managing debt.*



#### ASSETS -

*A measure of how effectively the company is utilizing its gross fixed assets.*



#### EMPLOYEES -

*A measure of how effectively the company is hiring and managing its employees.*

## INDUSTRY-SPECIFIC PERFORMANCE RATIOS

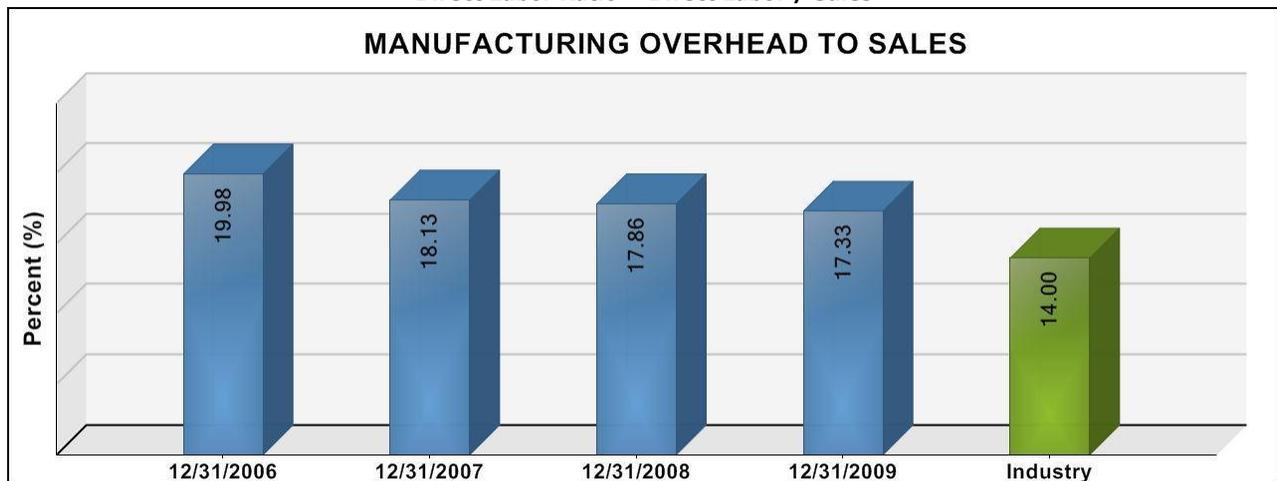
### What are the Key Performance Indicators for the business?

This section of the report provides **Key Performance Indicators** (or KPIs) for the business being analyzed. A KPI can be either a financial or a non-financial metric, but it is typically a number or ratio that is easily obtained and tracked by the business as an early indicator of how well it is performing. The ratio calculations, graphs, and benchmarks displayed below are specific to the particular industry this business operates in. Tracking these KPIs over time as a trend and also as they relate to the industry comparison benchmark can help lead to more effective management of the business, although it is important to be aware that a KPI may

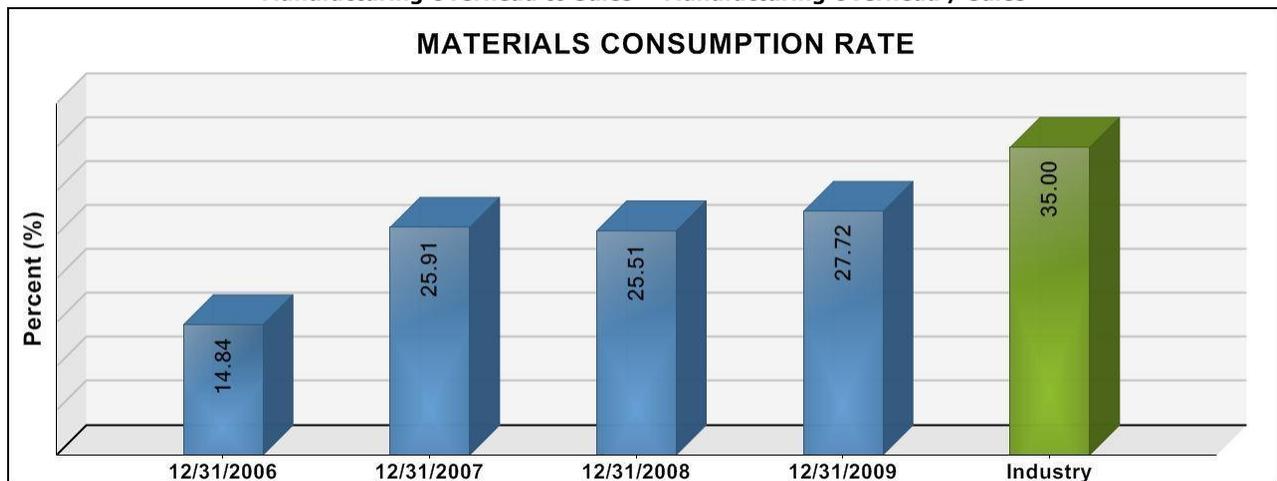
be more of a rough measure of effectiveness than a precise indicator.



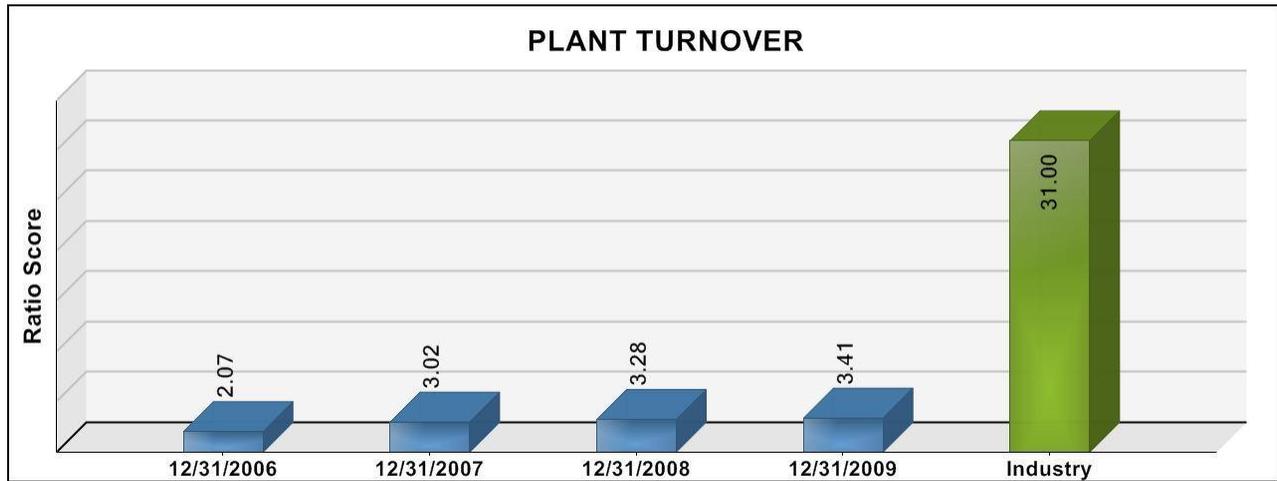
**Direct Labor Ratio = Direct Labor / Sales**



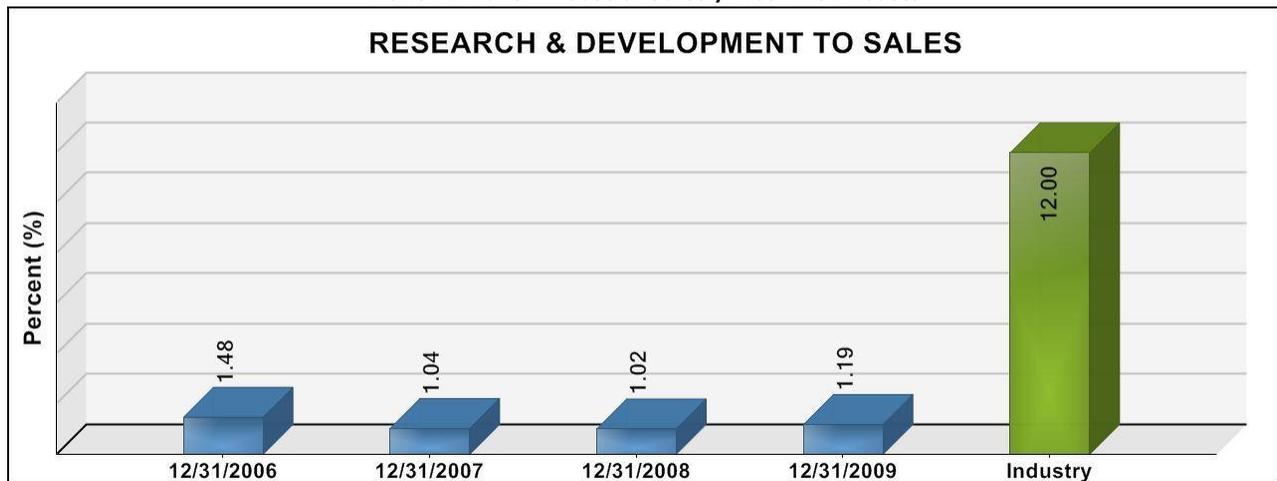
**Manufacturing Overhead to Sales = Manufacturing Overhead / Sales**



**Materials Consumption Rate = Direct Materials / Sales**



**Plant Turnover = Cost of Sales / Net Fixed Assets**

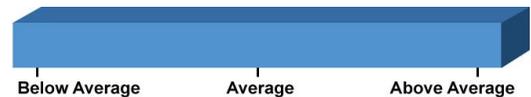


**Research & Development to Sales = Research & Development / Sales**

## ***Financial Analysis for MarketingDocManufacture***

### **LIQUIDITY**

*A measure of the company's ability to meet obligations as they come due.*



#### **Operating Cash Flow Results**

Conditions in this area are strong, currently. The company is generating solid, positive cash flow from operations. It is particularly nice to see this in combination with the overall liquidity results, which are also very good (this will be discussed in more depth below). Ultimately, cash flow drives long-run liquidity for almost every business, so it is good to see a strong relationship between cash flow and profits.

#### **General Liquidity Conditions**

The company's overall liquidity position **is very good and has been maintained since last period**. Considering that sales and profits are about the same as last period, it is positive that the liquidity position is still strong this period. It should be noted that the firm's position is strong relative to the industry. Superior liquidity can be used to fund investments, which can ultimately help the company gain a competitive advantage within its industry.

The company is doing a good job with its liquidity turnover ratios. Both inventory days and accounts payable days are relatively low compared to other companies in this industry. Creditors like to see a low accounts payable days number (over time, it reflects payment strength); and the low inventory days ratio indicates that the company is doing a good job in "turning" its inventory.

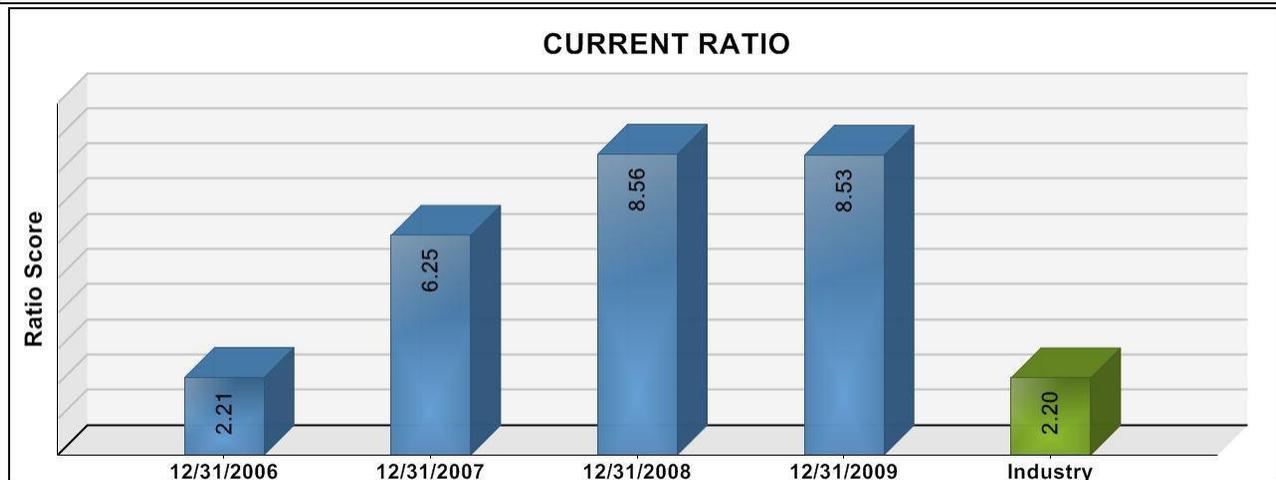
#### **Tips For Improvement**

Here are some possible actions that management might consider if appropriate (these are ideas that might be

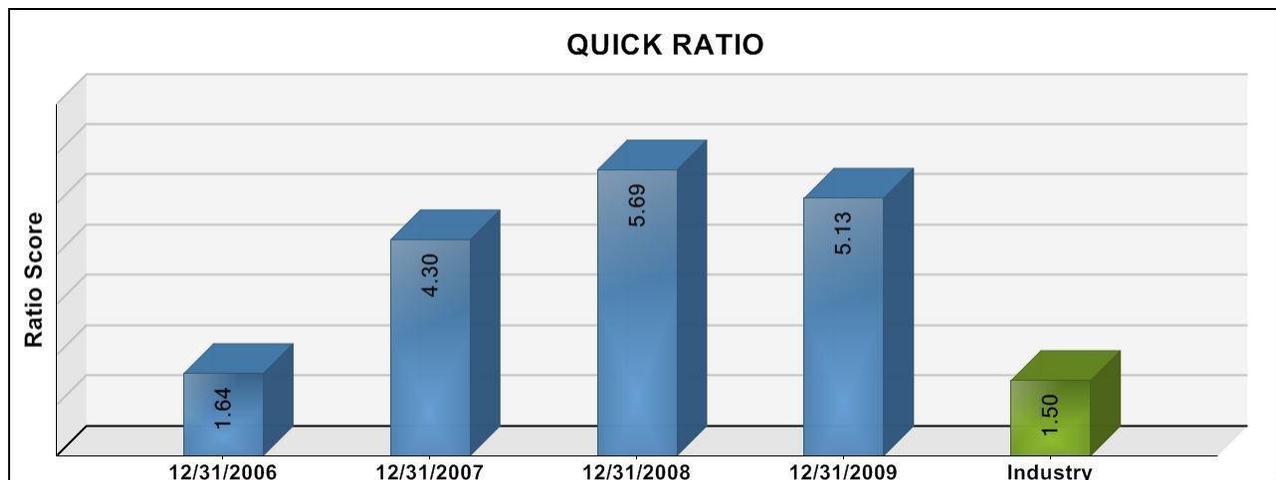
thought about):

- Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or even bi-weekly basis to help predict/prepare for potential future cash shortfalls.
- Discover ways to receive returns on excess cash balances. For example, set up a "sweep" account at the bank so that interest can be earned on any excess funds in the checking account. These accounts allow the business to transfer funds overnight into an account that earns more interest.
- Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice.
- Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets.

**LIMITS TO LIQUIDITY ANALYSIS:** Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.

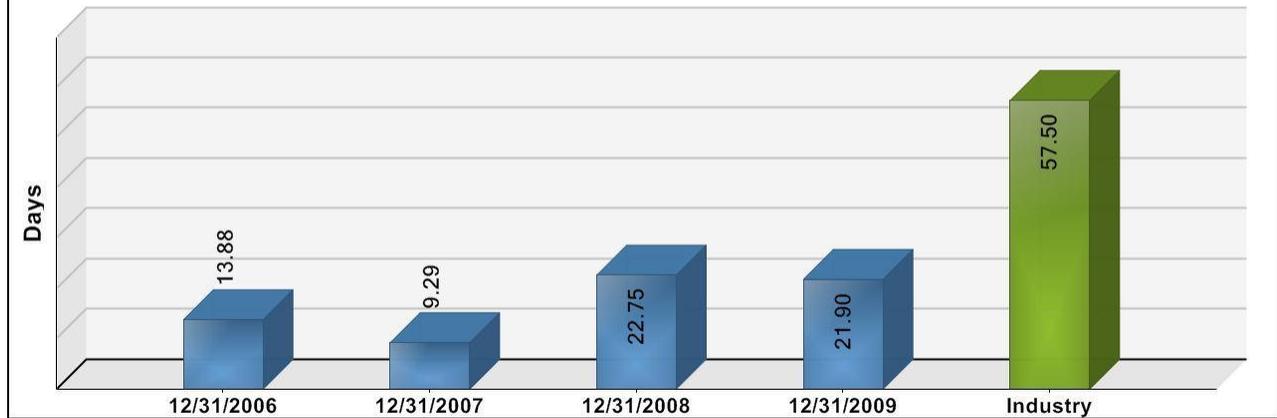


Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.



This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.

### INVENTORY DAYS



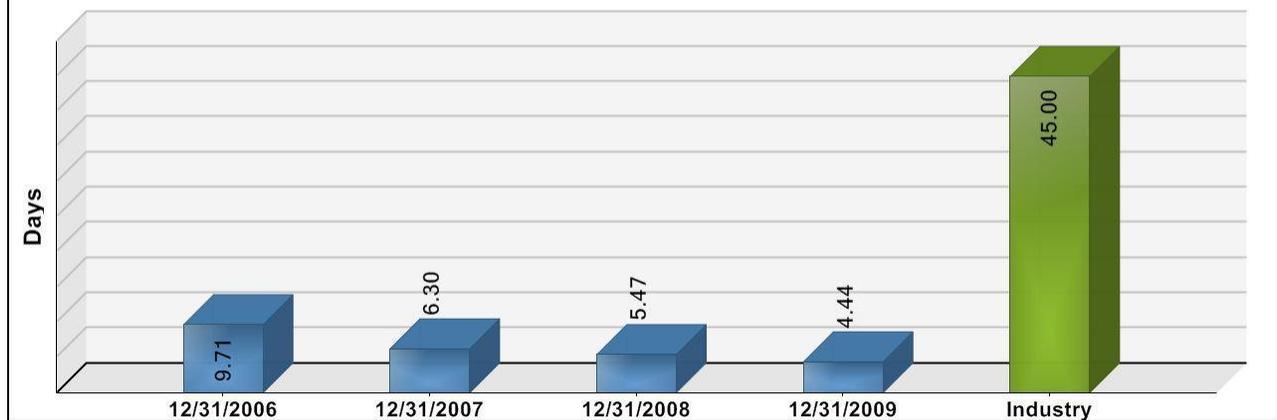
**This metric shows how much inventory (in days) is on hand. It indicates how quickly a company can respond to market and/or product changes. Not all companies have inventory for this metric. The lower the better.**

### ACCOUNTS RECEIVABLE DAYS



**This number reflects the average length of time between credit sales and payment receipts. It is crucial to maintaining positive liquidity. The lower the better.**

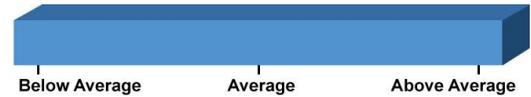
### ACCOUNTS PAYABLE DAYS



**This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely a company is in meeting payment obligations. Lower is normally better.**

## PROFITS & PROFIT MARGIN

*A measure of whether the trends in profit are favorable for the company.*



The company has maintained relatively the same profit position as last period. The net profit margin is about the same as it was last period, and so are sales and net profits. This basically means that conditions have remained about the same, which is actually favorable, because the company was quite strong last period. Specifically, the net profit margins are still strong, and net margins are the most important statistic to focus on. The company's net profit margin is solid generally, and relative to the net margins that are being earned by competing firms; this is highlighted in the graph area of the report. The company is doing solid work in this area, as it was last period as well.

There is one point to think about, however: if the company is not moving sales and profits noticeably higher over time, then this may lead to some difficulty eventually, because expenses tend to grow over time. Even fixed expenses tend to drift upward. The basic rule of business is that if a company is not moving forward, it is falling behind. Of course, this comment is simply a point to consider, and stability for one period is certainly not unfavorable. The bottom line is that net profits are very good as they were last period, and the company is doing quite well overall here.

### Tips For Improvement

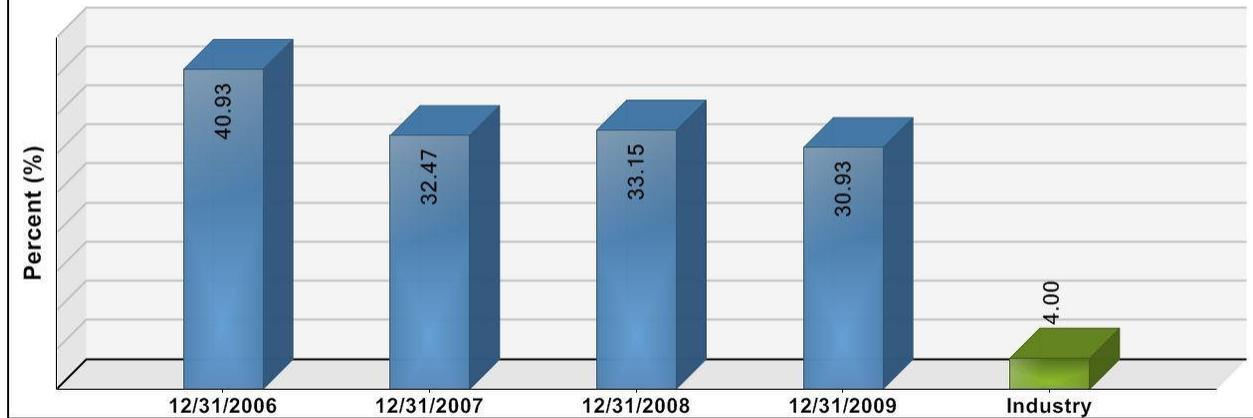
Profit and loss management is all about continually finding ways to change things in the business to improve profits. Managers might think about the following ideas/hints/tips:

- Hire employees with strong technical expertise, because this is particularly important for efficient operations in manufacturing industries.
- Make sure members of the manufacturing team know their responsibilities in order to minimize repair expenditures.
- Take advantage of/negotiate for volume discounts or other concessions with current suppliers.
- Create good monthly budgets with cost reduction goals, broken down by account, that are put right into an accounting system (chart of accounts) allowing management to have the ability to pull "variance reports."



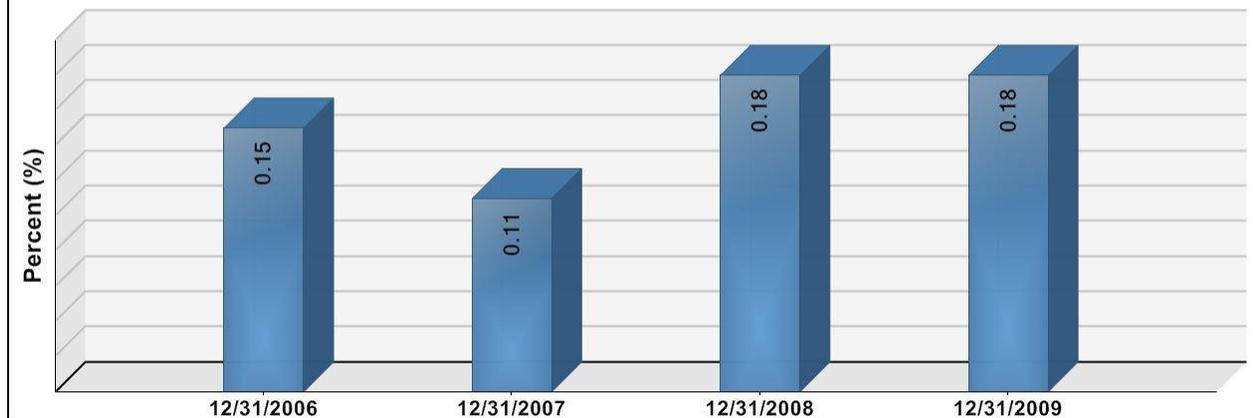
**This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).**

### NET PROFIT MARGIN



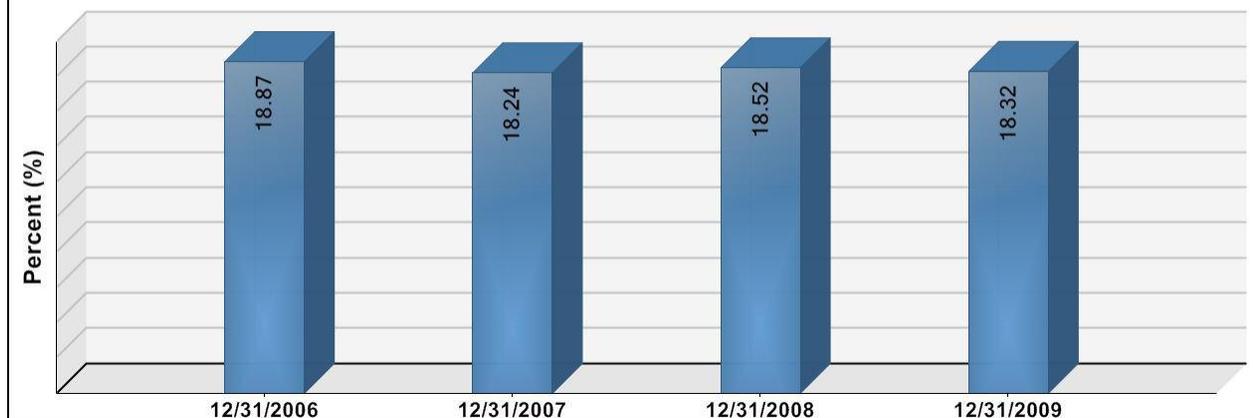
**This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.**

### ADVERTISING TO SALES



**This metric shows G & A payroll expense for the company as a percentage of sales.**

### TOTAL PAYROLL TO SALES



**This metric shows total payroll expense for the company as a percentage of sales.**

### RETURN ON ASSETS

