

Complimentary Manufacturer's Balance Sheet Audit

prepared especially for

Sample Manufacturing Co., Inc.

Month XX, 202X

prepared by



We help busy manufacturing owners save time, money and stress with a framework to transition their most important dreams and objectives to expand their freedom, success and happiness.

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Complimentary Manufacturer's Balance Sheet Audit Report

Date: 4/27/2023

To: Mr. & Mrs. Sample, Owners of Sample Manufacturing Company, Inc.

From: Patrick Bradley, Manufacturing Owner Transitionist @ Manufacture10x

Re: Your Manufacturer's Balance Sheet Audit Report

Thank you for your request for your free Balance Sheet Audit. We trust you will discover some unknown opportunities that will help you improve your business.

The information you shared is as of the 12 months ending 12/31/202X	Revenue	Gross Margin	Net Profit
	\$ 10,000,000	\$ 3,750,000	\$ 625,000
	Receivables	Inventory (or WIP)	Payables
	\$ 2,100,000	\$ 1,300,000	\$ 1,500,000

The **Worst-Average-Best** range is based on randomly selected manufacturing financial statements from 2016-2021. Using sophisticated banking technology designed by Cash Flow Story, LLC, we convert your key balance sheet metrics to "Days" & then calculate the value of each day. For every day you could improve, but you don't, it's costing you money.

Metric	Current # Days	Improve # Days	Cash Flow \$ Impact	Observations
Account Receivable Days	76	1	27,397	You may generate this much more cash flow by collecting money owed 1-day faster.
		4	109,588	If you improved this many days, you may have this much more cash flow in 12 months!

Question: What might your manufacturing peers be doing to collect receivables sooner than you? See next page for "Action items" to consider.

Inventory Days	78	1	17,123	You may generate this much more cash flow by selling inventory 1-day sooner.
		6	102,738	If you improved this many days, you may have this much more cash flow in 12 months!

Question: What might your manufacturing peers be doing to reduce inventory sooner than you? See next page for "Action items" to consider.

Account Payable Days	84	1	17,123	You may generate this much more cash flow by paying your suppliers 1-day slower.
		6	102,738	If you improved this many days, you may have this much more cash flow in 12 months!

Question: Would your suppliers mind if you consistently paid your bills on the 90th day instead of 84? See next page for "Action items" to consider.

Action items to consider to improve your metrics. Select the top 1-2 items to implement now!			
Account Receivable Days	Who "owns" receivable days in your business?	Investigate prospective customers thoroughly.	Build stronger relationships with your creditors.
	Invoice accurately, sooner & more often	Be proactive, follow up regularly.	Clearly communicate payment terms & fees.
	Automate: Reminders 10 days in advance of due date, on due date.	Incentivize early payers & penalize late ones.	Require a deposit.
	Report late payers to credit bureaus.	Revoke credit terms.	
Inventory Days	Who "owns" inventory days in your business?	Improve your data/inventory management.	Minimize/eliminate production mistakes.
	Address capacity issues.	Reduce: order sizes, supplier lead times, manufacturing lead times.	Improve supplier reliability.
	Eliminate questionable practices.	Recycle & reuse.	Re-evaluate your inventory suppliers.
	Get rid of obsolete/excess inventory.	Automate inventory control/bar codes.	
Account Payable Days	Who "owns" payable days in your business?	Track \$value of payable days for variances.	Have keen understanding of vendor's terms.
	Reduce # of check runs per month.	Build stronger alliance between Finance & Purchasing.	Negotiate longer terms with suppliers.
	Refuse to pay inaccurate invoices. Send them back.	Tighten procurement processes.	Only pay invoices when they are due.
	Match discounts w/\$value of payable days.	Use payment methods that minimize bank charges.	

Definitions

Metric	What is it?	Why is it important?
Revenue (aka Gross Sales)	The total amount of income your business receives for all sales of your product(s).	An accurate accounting of your revenue is essential because it affects the integrity of your company's financial reporting.
Cost of Goods Sold (aka Cost of Goods)	Your direct expense paid for the "goods" (i.e. inventory) acquired in your manufacturing process	High Cost of Goods yields lower gross margin (aka gross profit)
Overhead Expenses	Your cost of operating your business. Fixed costs remain the same month after month. Variable costs fluctuate with business activity.	High Overhead yields lower Operating Profit. Lower Overhead yields higher Operating Profit.
Account Receivable Days (Receivable Days)	The number of days from when you sold your inventory to when you were paid for it.	Each Receivable Day has a dollar value. Collecting money faster means more money in your bank account sooner.
Inventory Days	The number of days from when your inventory arrives to when it is sold.	Each Inventory Day has a dollar value. Selling inventory faster means more money in your bank account sooner.
Account Payable Days (aka Payable Days)	The number of days from when your inventory arrives to when you pay for it.	Each Payable Day has a dollar value. Paying vendors slower means more money in your bank account longer.

