

## **AECM**

*Association Européenne du Cautionnement Mutuel  
Associaç o Europeia de Cauçionamento M tuo  
Europese Vereniging voor Onderlinge Borgstelling  
Associazione Europea di Garanzia mutua  
Europ ischer Verband der B rgschaftsbanken  
K lcz nar Garanciabistosit k Eur pai Egves lete  
Asociaci n Europea de Cauçi n Mutua  
European Association of Mutual Guarantee Societies<sup>1</sup>*

# **START-UP COMPANY HEALTH QUICK DIAGNOSIS**

*Dear Sir or Madam,  
Dear Entrepreneur,*

*Our Mutual Guarantee Society has embarked upon fruitful co-operation with your company by contributing its guarantee to your investment programme. We have developed a strong relationship of trust as we have expressed our faith in your corporate project.*

*Your company is now therefore in a new financial environment, with new parameters to be taken into account to ensure its necessary profitability and productivity for the growth of your business and your prosperity.*

*Everyday management – purchasing, selling, signing contracts, making and receiving payments, calculating cost prices and so on - is accompanied by supervision tasks that you undoubtedly share with your advisers, but for which you are ultimately responsible.*

*Our considerable experience has taught us that many difficult situations can be avoided by improving the monitoring of certain key parameters. We would like to associate ourselves with this work by offering you this short brochure. Its purpose is to provide you with an appropriate prevention mechanism, thereby reducing your entrepreneurial risk.*

*This guide has initially been designed for you, as a personal control manual. We would like also to make it a medium for dialogue: by means of the response coupon, you can send us the results of your diagnosis. You can ask for our reaction and request our speedy assistance and financial advice.*

*Prolong your relationship of trust with your Mutual Guarantee Society for the enhanced prosperity of your business!*

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## **II METHODOLOGY**

The Mutual Guarantee Societies are offering a company check-up.

This simple yet operational questionnaire can be completed by your own devices.

Its aims are:

- To make a personal diagnosis of a snapshot of time: Where am I? What is going on and why?
- To validate your opinion by means of an external assessment entrusted to an experienced person: our Mutual Guarantee Society offers its services or its intermediation.
- To oversee quarter by quarter the development of the company's parameters as it advances or retreats.

The 35 questions divided into 7 chapters require short, precise answers. Some will perhaps be less relevant for your particular activity.

It is preferable to give approximate but rapid answers to certain questions, rather than waiting to be given the exact answers to all the questions.

The questions require:

- A closed answer (YES, NO, or a number)
- An appreciation in 4 zones ( White – All OK, Light Grey -Point to be looked into , Dark Grey –Difficulty, and Black – Problem requiring an urgent solution).

You may offer a simple conclusion and have a panoramic view of the situation.

If you return to this questionnaire on a regular basis (our advice is that you should take stock once a quarter during the first two years following the launch of the business), you will also have a documentary of its development...

The philosophy of this tool is that it is always easier to resolve an emerging difficulty than to attack a problem that is already causing paralysis...

NAME: .....

COMPANY MANAGER: .....

ADDRESS:.....

TEL ..... FAX ..... E-mail .....

WOULD LIKE TO DISCUSS THE BUSINESS SITUATION WITH THE MUTUAL  
GUARANTEE SOCIETY TEAM

PREFERRED DATE: .....

### III ASSESSMENT QUESTIONNAIRE

#### GENERAL ELEMENTS

1. Official company registration date: .....
2. Effective start date of the activity:.....
3. Precise corporate activity: .....  
.....
4. Company form:
  - Business in personal name (self-employed)
  - Commercial company with a capital of .....
  - Type: co-operative, limited, other .....
5. The new company is the result of
  - A pure and simple creation
  - An assisted creation (franchise, licence...)
  - Taking over the shares of an existing company
  - Acquiring the business assets.
6. People employed by the company:
  - ..... entrepreneur or active associates
  - ..... helpers
  - ..... salary and wage earners
  - ..... external consultants (accountant, tax adviser, insurance broker, other)
7. Are you able to compare the current situation with the company's initial Business Plan and Investment Plan? YES / NO

## **1. INVESTMENT BUDGET DIAGNOSIS**

<p>1.1. Have the administrative and regulatory questions (building permits, operating licences, etc) relating to the investment programme been settled?          YES / NO and WHICH.....</p> <p>1.2. Has your envisaged investment programme been realised...          Completely / Partially ?          - If it has not been possible to realise to the programme completely,          • What is the reason? .....          • When is finalisation envisaged? .....          Does the current state of play enable normal working? YES / NO</p> <p>1.3. In the event of budget overshoots in relation to the programme,          - How large are they? ..... Euros          - In relation to which investment item (e.g. equipment, stock, converting the premises) ? .....          - Have they now been paid to suppliers?          YES / NO and there are ..... Euros outstanding.</p> <p>After the investment, will you have sufficient funds available for the company's working capital?          CONSIDERABLE / ENOUGH / WEAK / INSUFFICIENT</p> <p>1.5. Do you have new investments in view?          • An amount of approximately ..... Euros          • To be realised in ..... months.          • Targeted goal: .....</p>	
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**NOTE**

*Any realisation out of line with the Investment Plan has to be monitored.*

*It could cause*

- *Administrative difficulties (these threaten the company's future).*
- *Disrupted production / sales (you have to look for unplanned additional finance)*
- *Limited working capital (less or too little liquidity and more difficult relations with suppliers and the bank).*

*It is preferable to warn the bank that has financed you and look for a solution without delay.*

*Avoid getting involved in additional investment with your own money...*

<p><b>CONCLUSIONS FOR YOUR BUSINESS:</b></p> <p>.....</p> <p>.....</p> <p>.....</p>
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**3. DIAGNOSIS OF PRODUCTION / SALES TECHNIQUES**

<p>3.1. Are you competent (training, experience, etc) to control all the fields that there are in your business? YES / NO  <b>WOULD YOU LIKE TRAINING ON :</b>          * Marketing &amp; Sales:.....          * Production Techniques.....          * Cost Price Calculation.....          * Accountancy &amp; Finance.....          * Computing .....          * Other .....</p> <p>3.2 – Do you find it difficult to calculate the cost price of your products / services? NO / YES          - What is your profit margin objective (margin in % to be added to the product/service cost price to obtain the net sales price)?          .....%          - Do you think you achieve this target margin (think about the discounts you grant your customers, special offers, the unexpected)?          YES / NO , because.....          .....</p> <p>3.3 Compared with your competitors, are your prices :          ALWAYS HIGHER / USUALLY HIGHER / WELL WITHIN THE MARKET AVERAGE / LOWER?</p> <p>3.4 Have you already had troubles with your customers for your company’s poorly performed sales / services?          NO / YES , ..... TIMES</p>					
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**NOTE**

*Entrepreneurs attach great importance – rightly - to their technical knowledge gleaned from their studies, training and experience: which products and services to use, how to implement them, present them to the customer, establish their prices, etc.  
 But cost and sales prices must also be controlled.  
 These questions are designed to check whether there is any slippage with regard to the Business Plan.*

<p><b>CONCLUSIONS FOR YOUR BUSINESS :</b>          .....          .....          .....</p>
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#### 4. TURNOVER AND MARKETING DIAGNOSIS

<p>4.1. What was the gross monthly turnover envisaged in the Business Plan?..... Euros</p> <p>4.2. What is the gross monthly turnover actually achieved?          - Last month ( Month ..... Year 20.... ) : ..... Euros          - The previous month: ..... Euros          - Two months ago: ..... Euros</p> <p>4.3. For the last three months, turnover from your 3 most important customers represented about..... % of the total.          Do you have regular sales contact with them? YES / NO</p> <p>4.4. Are you late in sending your invoices to your customers?          NO / YES because.....</p> <p>4.5. Value of unpaid sales at this time? ..... Euros</p> <p>4.6. –Your sales are usually paid CASH / AT 8 DAYS / AT 30 DAYS / AT.....          - The oldest payment arrears of ..... Euros dates from ..... days since the sending of the invoice.          Are you sure that it will be paid / Do you have doubts about its payment?          Have you already initiated recovery procedures?</p> <p>4.7. Will the turnover that you think you will achieve in the next 12 months be in keeping with the forecast in the Business Plan?          YES / NO You envisage a DIFFERENCE OF + .....% , OF – ..... %</p>			
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**NOTE**

*Sales payments prime the company's cash flow pump.  
 Invoicing and monitoring payment is an essential task.  
 Again, compare your achievements against your forecasts.  
 If you are producing / selling more, so much the better, but you will perhaps need more stock and working capital.  
 If this is less than forecast, are you not too low for achieving the forecast profitability?  
 Should you perhaps review your initial profitability forecasts?  
 If you make "black" sales, you undoubtedly also have "black" costs. Does this situation leave you with a positive balance? Is it dangerous for your business?*

<p><b>CONCLUSIONS FOR YOUR BUSINESS :</b></p> <p>.....</p> <p>.....</p> <p>.....</p>
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**5. DIAGNOSIS OF THE PURCHASING OF GOODS / SERVICES INTENDED FOR RESALE AND STOCKS**

<p>5.1. What is the amount of your purchasing of goods and services intended for resale or production during the last three months?          ..... Euros</p> <p>5.2. Is this a normal level (you are perhaps in the peak /off-peak season)          NO / YES, because.....</p> <p>5.3. Do you benefit from          * Discounts for paying cash YES / NO          * Terms of payment from your suppliers?          NO / YES (often ..... days end of month).</p> <p>5.4. What amount do you now owe to your suppliers? .....          Do you exceed the suppliers' terms of payment?          NO / YES, for ..... Euros, because.....          Are there any disputes with suppliers?          NO / YES, for ..... Euros, because.....</p> <p>5.5. What is the current amount of your stocks at cost price?          About ..... Euros          In your view, is that: TOO MUCH / A LOT / NORMAL / LOW</p> <p>5.6. -At the current rate of turnover, you stock can cover.....          days of sale.          - Is everything in stock totally sellable?          YES / NO, in the sum of..... Euros</p> <p>5.7. In numbers of items, is your stock:          VERY DIVERSIFIED / HARDLY DIVERSIFIED</p>					
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**NOTE**

*For some businesses, profitability depends upon a good purchasing policy (e.g. fashion sales, fresh produce sales, and so on). One must therefore maintain good relations with ones suppliers. Order, supply and payment terms are criteria to be monitored.  
 High stock rotation is a consequence of a good purchasing policy: it ties up less capital and improves profitability.*

**CONCLUSIONS FOR YOUR BUSINESS :**

.....  
 .....  
 .....

## 6. OVERHEADS DIAGNOSIS

<p>6.1. Which are the main items of overhead?</p> <ul style="list-style-type: none"> <li>- Gross salaries and remuneration</li> <li>- Rent and business premises charges</li> <li>- Advertising, travel and entertainment expenses,</li> <li>- Other .....</li> </ul> <p>6.2. Are overhead costs calculated in the cost price of sales? Is the overhead properly covered by the sales prices and volumes? <b>YES AND IT'S UNDER CONTROL / I DON'T KNOW.</b></p> <p>6.3. Calculate if possible the % of overhead of the last three months in your net sales : .....% What do you think of this calculation? .....</p> <p>6.4. Your relations with :</p> <ul style="list-style-type: none"> <li>• The tax authorities (various duties and taxes) : IN ORDER / AMOUNT IN ARREARS .....Euros since the date of the payment demand ( on.....)</li> <li>• Welfare obligations IN ORDER / AMOUNT IN ARREARS .....Euros since the date of the payment demand ( on.....)</li> </ul> <p>6.5. What is the amount of unpaid overhead at this time? ..... Euros. Are you in dispute with your unpaid suppliers? <b>YES / NO</b></p>				
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### **NOTE**

*Overheads represent money that you spend to make your business work.*

*They represent a double imperative:*

*- a liquidity imperative because they have to be monitored and paid on time*

*- a profitability imperative because they impact the gross profit margin.*

*Regular monitoring of these two aspects is essential.*

### **CONCLUSIONS FOR YOUR BUSINESS :**

<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
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## 7. COMPANY LIQUIDITY DIAGNOSIS

<p>7.1. For your everyday financial relations, you use the 1 or 2 or 3 banking services. Are these relations GOOD AVERAGE BAD?</p> <p>With your main bank, do you have</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">* Transfers for payments</td> <td style="width: 20%;">YES</td> <td style="width: 30%;">NO</td> </tr> <tr> <td>* Cheques with a guarantee card</td> <td>YES</td> <td>NO</td> </tr> <tr> <td>* Credit card</td> <td>YES</td> <td>NO</td> </tr> <tr> <td>* Telephone banking</td> <td>YES</td> <td>NO</td> </tr> <tr> <td>* Electronic banking</td> <td>YES</td> <td>NO</td> </tr> </table> <p>7.2 Has your banker given you a short-term credit line? NO / YES, for ..... Euros. - Has your banker given you an informal overdraft? NO / YES, for about..... Euros - You have no short-term credit line.</p> <p>7.3 Have you lent money to your company from your personal account in order to improve its cash flow? NO / YES, for ..... Euros. It was an exception / It happens a few times.</p> <p>7.2. During these last three months, have you been able to draw down a normal sum from the company for your personal needs? YES / NO If NO, do you receive any financial assistance from the people around you (spouse's salary, parental help, etc) ? YES / NO</p> <p>7.4. Amount of the company's net cash flow at this time:</p> <ul style="list-style-type: none"> <li>• Balance of Account 1 : Debit / credit of ..... Euros</li> <li>• Balance of Account 2 : Debit / credit of ..... Euros</li> <li>• Other account ..... Euros</li> <li>• Overdue payments to be made Debit of..... Euros</li> <li>• Overdue payments to be received Credit of ..... Euros</li> <li>• To be paid within 15 days Debit of ..... Euros</li> <li>• To be received within 15 days Credit of..... Euros</li> </ul> <p style="text-align: right;">BALANCE..... Euros</p>	* Transfers for payments	YES	NO	* Cheques with a guarantee card	YES	NO	* Credit card	YES	NO	* Telephone banking	YES	NO	* Electronic banking	YES	NO					
* Transfers for payments	YES	NO																		
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* Electronic banking	YES	NO																		

### NOTE

*The cash flow situation should be under permanent control with a forward view of the new due dates (15 days, 1 month). It is useful to have spare liquidity at the bank, preferably by contract. The separation of your personal account and your company account must be real.*

### **CONCLUSIONS FOR YOUR BUSINESS :**

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**DIAGNOSIS OF THE SITUATION AT ..... (DD) / ..... (MM).....(YY)**

	++	+	-	---
<u>STRONG POINTS OF MY BUSINESS</u>				
<u>WEAK POINTS OF MY BUSINESS</u>				
<u>COMPARISON WITH INITIAL BUSINESS PLAN</u>				
_____				
<u>COMPARISON WITH THE PREVIOUS DIAGNOSIS</u>				
Date of this diagnosis        ..... (DD) ..... (MM).....(YY)				
Date of previous diagnosis    ..... (DD) ..... (MM).....(YY)				
My information				
<ul style="list-style-type: none"> <li>• has improved</li> <li>• is at the same level and I am monitoring the situation well</li> <li>• is at the same level, which is inadequate</li> <li>• has deteriorated</li> </ul>				
Management points that have improved				
Management points that have deteriorated				
The current situation				
<ul style="list-style-type: none"> <li>• gives me overall satisfaction</li> <li>• is a little disappointing</li> <li>• worries me</li> </ul>				