



## HOW TO USE THE ROAD MAP

- The Road Map is a visual diagnostic tool designed to help identify key causal factors of financial underperformance.
- If your company has symptoms of Low (or declining) Cash, Low (or declining) Gross Margin, and/or Low (or declining) Net Profit, then begin the analysis process in one of those three shaded boxes.
  - Move upwards out of the shaded box, against the direction of the arrow, toward an unshaded box.
  - As you travel against the arrow, say to yourself, "...is caused by..." or "...can be caused by..."
  - For instance, moving from "Low Gross Margin" to "No Cash Discounts," you would say, "Low or Declining Gross Margin is/can be caused by not taking Cash Discounts."
  - Then, ask yourself if that's an issue relevant to your company. What can be done to reduce or eliminate that causal factor?
- Perform a similar brainstorming exercise for each potential cause of your particular symptom(s). Develop specific goals and action plans to treat every causal factor you identify.
- Treating the identified potential causes of the symptom will lead to improved financial performance.

## THE SCORECARD



### Cascade Office Systems Scorecard

		Two Yrs. Ago	One Yr. Ago	Most Recent Year	Trend	Industry Composite	Calculations, Trends, or Observations
<b>BALANCE SHEET RATIOS: Stability (or "Staying Power")</b>							
1. Current	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$						_____
2. Quick	$\frac{\text{Cash} + \text{Accts. Rec.}}{\text{Current Liabilities}}$						_____
3. Debt-to-Worth	$\frac{\text{Total Liabilities}}{\text{Net Worth}}$						_____
<b>INCOME STATEMENT RATIOS: Profitability (or "Earning Power")</b>							
4. Gross Margin	$\frac{\text{Gross Profit}}{\text{Sales}}$						_____
5. Net Margin	$\frac{\text{Net Profit Before Tax}}{\text{Sales}}$						_____
<b>ASSET MANAGEMENT RATIOS: Overall Efficiency Ratios</b>							
6. Sales-to-Assets	$\frac{\text{Sales}}{\text{Total Assets}}$						_____
7. Return on Assets	$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$						_____
8. Return on Investment	$\frac{\text{Net Profit Before Tax}}{\text{Net Worth}}$						_____
<b>ASSET MANAGEMENT RATIOS: Working Capital Cycle Ratios</b>							
9. Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$						_____
10. Inventory Turn-Days	$\frac{360}{\text{Inventory Turnover}}$						_____
11. Accounts Receivable Turnover	$\frac{\text{Sales}}{\text{Accounts Receivable}}$ 270,000						_____
12. Accounts Receivable Turn-Days	$\frac{360}{\text{Accts. Rec. Turnover}}$						_____
13. Accounts Payable Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Accounts Payable}}$						_____
14. Average Payment Period	$\frac{360}{\text{Accts. Pay. Turnover}}$						_____