

Overview: Use the following job aid to inform your assessment of your financial position for:

- Liquidity
- Leverage
- Repayment Capacity (debt coverage).

Current Ratio and Working Capital

Minimum: Current Assets = Current Liabilities

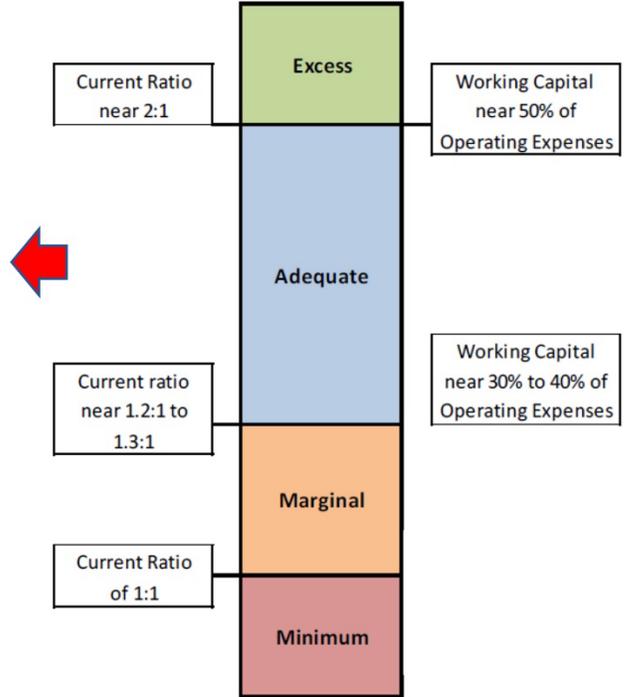
- Working Capital = \$0
- Current Ratio = 1.0

Adequate: Minimum + Risk Bearing Ability

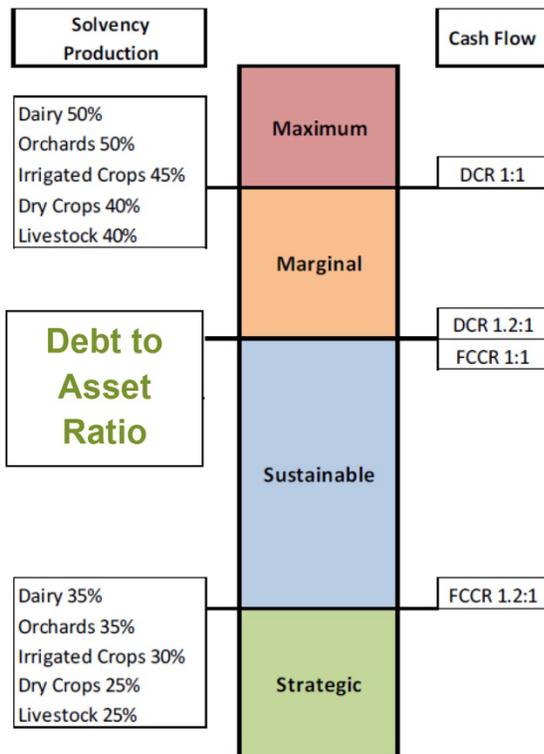
- How much you can afford to lose and stay in business (industry dependent)

Excess: Adequate + Growth Capacity

Adequacy of Liquidity



Balance Sheet Leverage & Coverage



Debt Coverage Ratio (DCR)

Maximum: Cash Flow only sufficient to cover income taxes, living draws/distributions and annual debt service requirements

Sustainable: Cash Flow sufficient to cover annual debt service, ongoing capital expenditures and support secondary repayment sources

Strategic: Sustainable + Cash Flow to grow the top half of the balance sheet or invest for growth