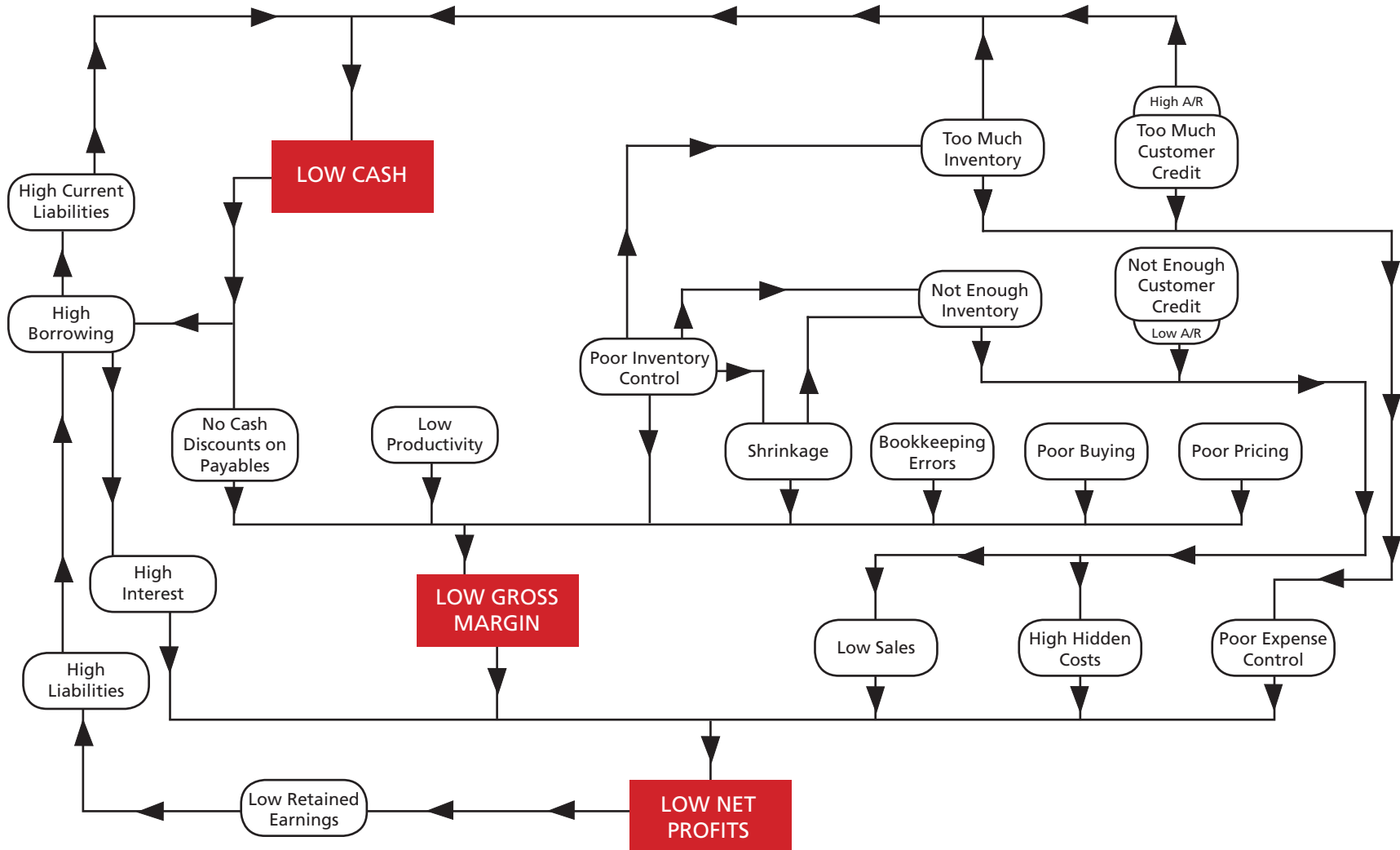


Cause-and-Effect Relationships Leading to Financial Distress



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
BALANCE SHEET RATIOS: Stability (or "Staying Power")							
1. Current	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$						_____
2. Quick	$\frac{\text{Cash} + \text{Accts. Rec.}}{\text{Current Liabilities}}$						_____
3. Debt-to-Worth	$\frac{\text{Total Liabilities}}{\text{Net Worth}}$						_____
INCOME STATEMENT RATIOS: Profitability (or "Earning Power")							
4. Gross Margin	$\frac{\text{Gross Profit}}{\text{Sales}}$						_____
5. Net Margin	$\frac{\text{Net Profit Before Tax}}{\text{Sales}}$						_____
ASSET MANAGEMENT RATIOS: Overall Efficiency Ratios							
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	$\frac{\text{Net Profit Before Tax}}{\text{Net Worth}}$						_____
ASSET MANAGEMENT RATIOS: Working Capital Cycle Ratios							
9. Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$						_____
10. Inventory Turn-Days	$\frac{360}{\text{Inventory Turnover}}$						_____
11. Accounts Receivable Turnover	$\frac{\text{Sales}}{\text{Accounts Receivable}}$						_____
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	$\frac{360}{\text{Accts. Pay. Turnover}}$						_____