

THE SMALL BUSINESS FINANCIAL AUDIT

| 1. General Bookkeeping and Accounting | Yes | No |
|---|-------|-------|
| A. The company has a book-keeping or accounting system | _____ | _____ |
| 1. The owner understands the how and why of the Financial system | _____ | _____ |
| 2. The owner understands financial statements | _____ | _____ |
| B. The company reconciles bank statements monthly | _____ | _____ |
| C. The company keeps income and expense statements accurate and prepares statements monthly | _____ | _____ |
| The owner: | | |
| 1. Understands purpose of financial statements | _____ | _____ |
| 2. Compares monthly statements for trends | _____ | _____ |
| 3. Compares statements against industry averages | _____ | _____ |
| 4. Knows current financial status of business | _____ | _____ |
| D. The company has a credit policy | _____ | _____ |
| The company: | | |
| 1. Ages bills monthly | _____ | _____ |
| 2. Writes off bad debts | _____ | _____ |
| 3. Has good collection policies | _____ | _____ |
| 4. Has a series of increasingly pointed letters to collect From late customers | _____ | _____ |
| E. The company files all tax returns in a timely manner | _____ | _____ |
| The owner: | | |
| 1. Considers tax implications | _____ | _____ |
| 2. Does not pay tax penalties | _____ | _____ |

2. Financial Planning and Loan Proposals**Yes No**

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|--|-------|-------|
| A. The company has adequate cash flow | _____ | _____ |
| B. The company projects cash-flow needs | _____ | _____ |
| C. The company understands the role of financial planning In today's highly competitive lending markets | _____ | _____ |
| 1. The owner's personal résumé is prepared and current | _____ | _____ |
| 2. Personal financial statements have been prepared | _____ | _____ |
| 3. Business has a written business plan | _____ | _____ |
| 4. An accurate balance sheet exists for the past two years and includes a projection for the next two years | _____ | _____ |
| 5. The owner has a good working relationship with a Banker | _____ | _____ |