

03 Finance and Accounting

01 Accounting system and process

01 Accounting system

01 Accounting system

01 Does your accounting system match your management organization, management scale, and type of industry? Also, are your accounting rules and procedures being defined in writing?

Y Check whether the contents of the accounting system including the rules and procedures suitable to the present conditions of the enterprise.

N First of all, let them write down how they operate their accounting system. The records will be a key for a step to the stipulation.

02 Is your accounting-book system suitable to the condition of your company?

Y Let them examine to organize an accounting-book system of higher level considering the utilization of IT.

N First, identify which part of their system does not reflect the present conditions of the enterprise. Then, let them examine to change the accounting-book system to make it suitable to the present conditions.

02 Accounting process

01 Self conduct and computerization of accounting process

01 Is the accounting process conducted by your company?

Y Survey if the slips, journals and ledgers are appropriate.

N Check to what extent they consign the procedure to the outside specialist and also check how often they communicate with the specialist.

02 Have you introduced computers for the accounting processing?

Y Is the accounting information sent to all the departments needed?

N What is the reason they have not yet introduced computers? When will they introduce them?

02 Cash management

01 Is the management of cash, check, and bills being made reliably?

Y Confirm the records of the management. Does the amount of cash and the like correspond to the record?

N Appoint a controller and decide a clear method of the record and control.

03 Financial statements

01 Are your financial statements properly made in accordance with the accounting principles, the commercial laws and regulations? Also, is your account closing procedure adequate?

Y Confirm the financial statements. How far does the top management understand them?

N With participation of an accountant, explain a proper system and try to establish adequate procedures.

04 Internal control system

01 Have you established an internal control system? Also, is the system fully functioning?

Y Investigate the actual condition of the system, whether few persons are authorized to control it.

N Explain to them why and what kind of the system is needed, and let them try to establish it.

03 Accounting system

01 Accounting system

01 Are the management ability on figures and interest for accounting of the top management and executives enough?

Y Check to what extent they grasp the meaning and understand the figures for management. Hold a seminar for understanding, if needed.

N Let them understand that the management by figures is indispensable for the modern business management.

02 Is the accounting system designed in such a way that it offers useful information for

the management decision? Is it also useful?

Y What kind of information is supplied from the accounting system and to which department is it supplied? How does the receiver of it use the information?

N Supply of accounting information is indispensable for the management decision.

03 Does the middle executive also share information from the accounting system with the management?

Y Check how the information is supplied to the middle executives. Is it necessary and enough?

N Middle executives who stand at the front of management shall share information needed.

04 Are you enforcing to close the monthly accounts speedily? Are the materials for monthly closing effectively used for the daily management?

Y When will the monthly closing accounts be completed? How do they use the materials?

N Let them start making the monthly closing accounts even if it may take time.

02 Profit management

01 Profit management

01 Sales revenue

01 Are you conducting the profit management that corresponds to the change of sales output?

Y How do they conduct their profit-management corresponding to the changes of sales output? Let them show the examples.

N Increase or decrease of sales directly affect the profit. A quick action is necessary to cope with it.

02 Profit

01 Are you maintaining the gross profit to sales, the operating profit and the ordinary profit at a proper level?

Y Are the amount and ratio of each profit enough for the operation of the enterprise? Are they good enough when compared with those of other companies?

N Establishment of a strategy to secure adequate amount and ratio of profit is indispensable for operation of an enterprise.

03 Sales cost and production cost

01 Are you fully getting information on sales cost? And, do you conduct cost accounting and accurately grasp the cost?

Y How far do they conduct the cost management making use of the standard cost, the direct cost, and the like?

N Let them understand that a cost management leads to the cost down and profit increase.

04 Expense

01 Do you grasp the change of the amount and ratio of each expense item to the sales?

Y When they have grasped the changes, guide them to make effort to reduce each expense item.

N Grasping changes of the amount and ratio of expenses to the sales is indispensable to secure profit.

02 Profitability

01 Ratio of profit to capital

01 Is your ratio of profit to capital maintaining a satisfactory value?

Y Let them set up a target of ROE(Returns On Equity) and examine measures to achieve it.

N What is the reason the ratio is not satisfactory? Is the figure higher than that of other companies in the same industry?

02 Ratio of profit to sales

01 Are your gross profit ratio, operating profit ratio, ordinary profit ratio to sales maintaining an adequate level?

Y Are they reasonable compared with those of other companies in the same industry? Is there any other way to raise the ratios?

N Let them examine causes that make the figures inadequate.

03 Ratio of expenses

01 Do you compare the labor expense ratio, business expense ratio, and administration expense ratio with those of the past? Are they maintaining adequate levels?

Y Aren't there any other means to reduce those ratios further?

N Where is a cause that makes the ratios inadequate? Let them examine individual items of sales, costs and expenses.

03 Productivity

01 Labor productivity

01 Do amounts of sales and profit per employee maintain proper levels?

Y How has the trend in these three years changed? Compare it with those of the other companies in the same industry.

N Where is a cause unable to maintain a proper level? What is the countermeasure?

02 Labor's relative share

01 Are you maintaining a level above average compared with other company in the industry on your labor's relative share and labor cost per individual?

Y Confirm if there is any problem in relation to the amount and ratio of profit.

N Check why they cannot achieve the average level and whether there is any dissatisfaction among the employees.

03 Financial structure

01 Capital structure

01 Capital structure

01 Compared to your owned capital, isn't your borrowed capital too much? And, are you trying to increase your owned capital?

Y Excessive borrowed capital is dangerous. Let them examine a way to increase the owned capital ratio.

N Does the owned capital ratio keep a certain level to secure the safety?

02 Asset structure

01 Asset structure

01 Are there any bad stocks, bad credits or idle properties?

Y These bad assets should be immediately disposed. Let them examine a measure to reduce them.

N Confirm the spot of the assets. How does the tendency of increase in stock and credit change?

02 Latent profit(loss)

01 Do you use the current cost accounting system thoroughly?

Y Let them explain how they treat the items concerned. Is there any latent profit(loss) borne?

N Guide them to use the current cost accounting system thoroughly in order to grasp the actual conditions of assets in the company.

03 Safety

01 Current ratio

01 Even if the current ratio is good, is there any bad stock or credit?

Y Make the top management understand that watching only the ratios is not enough, and let them examine how to reduce them.

N Check the contents of each stock and credit and confirm if there are any bad assets.

02 Quick ratio

01 Is your quick asset enough? And, is the balance of quick ratio with current ratio adequate?

Y Don't you have excessive fund in hand?

N What is a reason why you are short of fund in hand? Is there any bad credit or stock in your liquid assets?

03 Fixed assets to equity ratio

01 Is your investment in the fixed assets made by the owned capital?

Y Confirm the fixed assets to equity ratio. Do you need to increase your own capital?

N Investment in fixed assets should be made by owned capital fundamentally. Problems

of either excessive fixed assets or short of owned capital should be settled.

04 Fixed assets to long-term capital ratio

01 Doesn't your investment in fixed assets exceed the total of the owned capital and long-term loan?

Y There is tendency that your investment in fixed assets is excessive or you depend too much on short term liability. Consider to make a countermeasure.

N Let them look through the tendency of fixed assets to long term capital ratio, if it is declining.

05 Ratio of interest paid to sales

01 Isn't your profit being pressed heavily by your financial cost burden?

Y Let them examine how to reduce the burden of the financial cost and try to increase the sales revenue.

N How is the recent yearly trend of the ratio of interest paid to sales? Is the ratio lower than the standard of the industry?

04 Funds raising and operation

01 Funds raising

01 Financing ability

01 Are you promoting reinforcement of financing ability such as strengthening a trust for the company and the management for introduction outer funds?

Y What measures have they taken for it. Do they have any other measure to strengthen financing ability more?

N Reinforcement of financing ability is important for growth of an enterprise. Let them try to think out all possible measures for increase of the trust to the enterprise.

02 Fund planning

01 Do you forecast long-term capital demand and have an adequate capital plan? And do you properly control the limit of borrowings?

Y Is your capital plan appropriate and suitable to the management policy? The contents of limit of borrowings reasonable?

N A capital plan is not only necessary for business management but for coping with financial institutions. And borrowings should be controlled by setting the limit.

03 Financial institutions

01 Is your relationship with your financial institutions good? Are you using a financial scheme of public financial institutions?

Y What kind of business relationship do you have with financial institutions? Can you make transaction with another institution under better conditions?

N Good business relationship with financial institutions is indispensable to expand an enterprise. Explain to them how to use a loan from public financial institution and cooperate for the application, if needed.

02 Operation of fund and capital

01 Efficiency in operation and safety

01 Does your turnover ratio to gross capital maintain an average value of the industry? Is the relationship between the efficiency of capital operation and safety well balanced?

Y Examine if there is a way to make the turnover ratio better.

N Let them examine to improve the turnover ratio from both sides of the capital amount and sales output. Explain to them that though efficiency and safety are antinomy but coexistence of them is necessary.

02 Turnover ratio of inventory

01 Don't you have any excessive inventory which causes stagnation of your capital?

Y Let them understand the excessive inventory is one of the main causes of decreasing profit and let them make a countermeasure. Let them establish a guideline for proper amount of inventory and try to maintain appropriate inventory.

N Check the warehouses, actual stocks and turnover ratios of materials, goods in process and products.

03 Turnover ratio of sales credit

01 Compared to your sales output, isn't your sales credit excessive? Is there a good balance of the sales credit with the purchase debt?

- Y Examine the causes of excessive sales credit circulation from the withdrawal terms and their actual situation. And explain to them that a balance between sales credit and purchase debt is essential to avoid cash flow difficulty.
- N Check the turnover ratio of sales credit and its trend. How many days is the average period of withdrawal?

04 Turnover ratio of fixed assets

01 Is the level of turnover ratio of fixed assets adequate?

- Y Is it adequate compared with other companies of the same industry and in the time series?
- N Examine whether there are excessive investments on equipment or idle assets compared with the sales revenue.

03 Cash flow management

01 Cash flow schedule

01 Is the timing of receipt and payment of money adequate?

- Y Check the cash flow chart, terms of withdrawal and payment.
- N Let them examine possibility and measures to collect earlier and pay later.

02 Do you use the cash flow chart and analyze the difference between your plan and result?

- Y Inspect the cash flow chart and let them improve the un-proper balance between revenue and expenditure.
- N Explain to them that a bankruptcy is often caused by lack of ability to grasp the cash flow, even if the company is profitable. Then let them make a cash flow chart.

02 Working capital necessary

01 Do you compute the necessary working capital through sales credit, inventory and purchase debt?

- Y Confirm their method of computing and let them study if there is a measure to make more money allowance.
- N Grasp of working capital is a step for safety. Explain to them a method of computing the necessary working capital.

02 Do you grasp an additional working capital in response to the sales increase?

- Y Check whether what they have computed is adequate and the premise is proper.
- N Explain to them the necessity to make a fund plan for the future and with sureness. And let them grasp the necessary working capital.

03 Fund operation chart

01 Do you analyze and examine the balance between the funds raising and funds operation?

- Y Confirm details of the funds operation chart and let them study measures for much safer raising and operation.
- N Explain to them how to make a fund operation chart and use it.

05 Profit plan

01 Break-even analysis

01 Cost classification

01 Is the classification of fixed costs and variable costs adequate?

- Y Check the measure of classification. Does the classification express the actual conditions?
- N Adequate classification is essential to keep a profit management by the break-even point which will be explained in the following items.

02 Break-even analysis

01 Are you taking a measure to increase marginal profit ratio?

- Y How much is the marginal profit ratio? What measures are you taking to increase it?
- N Explain to them how to calculate the marginal profit ratio and make them understand how to use it for profit management.

02 Are you making an effort in decrease of the fixed and valuable costs and improving the

marginal profit ratio?

- Y In your cost saving, which item is emphasized? Do you have a target of increasing the marginal profit ratio?
- N Explain to them the important points of these cost saving and increasing the marginal profit.

03 Is your safety space ratio enough?

- Y Confirm the changes of safety space ratio.
- N Let them make up a plan to get a sufficient safety ratio from both revenue and profit.

02 Profit plan

01 Profit plan

01 Is your profit plan based on your management strategy?

- Y Confirm the conformity by comparing the profit plan with the management strategy.
- N Profit plan is the beginning and end of management strategy. It does not exist independently.

02 Target profit

01 Do you set your profit and sales target by using the relations of sales output, expenses, loss and gain?

- Y Check whether they draw a graph of the target, actual results and so on, so that their relations are easily seen.
- N Sales, expenses, profit and loss are related mutually. And they are also targets to be achieved.

02 Is your target profit set under a certain standard? Is the profit recognized as the most important objective that needs to be tackled by the whole company?

- Y Check whether they have their own method such as calculating by accumulation, from profit needed for dividend, and the like.
- N Explain to them that a target profit should not be decided by a simple idea, but a certain standard is necessary to fix it.

03 Budget system

01 Budget system

01 Is your budget made from your profit plan?

- Y Check the relation between budget and profit plan.
Explain to them the procedure how the budget is made through breakdown of the profit plan.
- N

02 Do you enforce the budget control and compare each budget item with the result in order to devise a step to cope with the difference?

- Y Check the analysis of the budget and result, and the actual measures taken to the difference.
- N Let them understand that it is useless to make a budget without analyzing a cause of the difference and making a provision for it.

06 Investment

01 Investment plan for equipment

01 Investment plan for equipment

01 Are you enforcing to make and execute a plan for equipment investment as well as checking profitability?

- Y Do you examine their profitability calculation, including how to correspond to the changes of foreign exchange rate and the like in the case of overseas investment.
- N Explain to them how to make investment plan and profitability calculation.

02 Profit plan

01 Profit plan

01 Do you calculate an additional amount of fixed costs in response to investment for the equipment and grasp a sales output that will make its retrieval possible?

- Y Check the calculation whether it is reasonable or not, together with its premises.
- N Explain to them that an increase of sales is needed to cope with increase of fixed costs in response to the investment for equipment.

02 Do you include changes of profit plan due to investment for equipment into your

management plan?

Y Check changes of the profit plan before and after the investment.

N Explain to them by concrete examples how investment for equipment affects the profit plan.

03 Cash flow plan

01 Cash flow plan

01 Are you evaluating means to raise fund for equipment? Also, are you conducting a calculation of loss and gain of purchasing or leasing?

Y Check the adequacy of the contents of raising fund whether they are managing with own-fund or borrowing.

N Let them understand how it is important to have a fund plan and make it. Also, let them examine to conduct a calculation of loss and gain of purchasing or leasing together with their tax system.

02 Do you make a cash flow statement?

Y Check whether the procedure of making the cash flow statement is appropriate by reviewing the statement already made.

N Let them make a cash flow statement, explaining that the cash flow is especially important as well as the profit, in business today.

03 Is there any difficulty in refund plan? And, is there a good balance between the schedule for retrieval and the refund plan of the debt?

Y Check their repayment plan and profit plan to cope with the refund.

N Instruct them that the schedule for retrieval should corresponds with the schedule of repayment, together with the profit plan.