

TURNAROUND PROBLEM DEFINITION CHECKLIST

Company:	Date:
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<input type="checkbox"/>	Problem	Severity		
		H	M	L

BALANCE SHEET

1 Assets

1.1 Accounts Receivable

<input type="checkbox"/>	1.1.1	Selling to customers who can't pay - weak or nonexistent credit policy (<i>pre-sale</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.1.2	Overall Accounts Receivable process is poorly defined; weak or nonexistent collections policy and actions (<i>post-sale</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.1.3	Days Sales Outstanding (DSO) much longer than normal credit terms (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.1.4	Large amount of barter that cannot be converted to cash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.1.5	Accounts Payable and Accounts Receivable are not being offset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.1.6	Excess number of returns, credit requests, and disputed invoices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.2 Inventory

<input type="checkbox"/>	1.2.1	Inventory very large relative to sales rate (Inventory Turns low) (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.2.2	Too many different products or product lines in inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>	1.2.3	Significant quantities of obsolete or damaged inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.2.4	Inventory growing more rapidly than sales (buying or producing to stock)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.2.5	Insufficient inventory of needed raw materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.3 Fixed Assets

<input type="checkbox"/>	1.3.1	Fixed Asset utilization very low (<i>pre-loan assets</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.2	Over-investment in fixed assets (<i>assets purchased with BDP loan proceeds</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.3	Some facilities are idle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.4	Some facilities are in poor condition, causing production and quality problems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.5	Investment not complete	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.6	Some assets have no direct relationship to the business being conducted (investment in unrelated activities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	1.3.7	Some facilities are not most appropriate for the job being done (there is better equipment available to do the job)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Liabilities

2.1 Accounts Payable

<input type="checkbox"/>	2.1.1	Large overdue payable to key supplier endangers future supply (or supply has already been cut off)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	2.1.2	Terms and conditions for purchases place excessive burden on company (cash in advance often required, terms too short, conditions restrictive, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.1.3	No policy in place to manage payables	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.1.4	Payment by barter valued at unfavorable prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.1.5	Payables are in dispute, old, or potentially reversible	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.2 Debts

<input type="checkbox"/>	2.2.1	High delinquency on interest payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.2	High outstanding loan balances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.3	Recent short-term borrowing with high interest rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.4	Number, distribution, and terms of loans are not well organized – potential exists for restructuring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.5	Overall debt level high relative to business value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.6	Large amount of unpaid taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	2.2.7	High debts to (or from) related parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INCOME STATEMENT

3 Sales

<input type="checkbox"/>	3.1	Sales plan is overly optimistic (large negative variance from plan) (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.2	Sales Trend is decreasing (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.3	Seasonal business problems (missed season, sales don't generate enough cash to get through low season)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.4	Prices not competitive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.5	Sales backlog (contracts, open orders, etc.) is low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.6	Excessive dependence on a limited number of customers or markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.7	No new customers or new markets are being added	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.8	Inadequate sales force (number of salespeople, effectiveness of salespeople)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.9	Sales force is not focused, does not have short-term plans or goals (or no marketing plan at all)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.10	Sales force does not know which products or customers are most profitable; does not direct efforts to areas of highest return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	3.11	Sales force does not know how to differentiate company's products from the competition (products are sold as commodities and price is the only important factor)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4 Operating Costs

<input type="checkbox"/>	4.1	Gross Margin is below breakeven (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.2	Some product lines are unprofitable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.3	Productivity is low (Sales/Employee) (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.4	Headcount is higher than needed to support level of business (make-work just to keep people busy; carrying inactive or wait-listed employees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.5	Fixed expenses are high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.6	Production downtime is high (equipment is down a great deal for maintenance, changeover, lack of materials, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.7	Quality is poor – high scrap/waste/rework/return rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.8	Excessive dependence on a limited number of suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	4.9	Some operations/services provided within the company might be available at lower cost outside	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5 Cash Flow

<input type="checkbox"/>	5.1	Quick Ratio ((Cash + AR)/AP) is less than 1.0 (KMR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	5.2	Cash flow is negative before debt service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	5.3	Cash flow is decreasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>	5.4	Account frozen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	5.5	Unaccountable cash sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	5.6	Working capital is being converted to fixed assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	5.7	Unrestrained growth (growth in excess of available working capital)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

MANAGEMENT AND ORGANIZATIONAL ISSUES

<input type="checkbox"/>	6.1	Management lacks required skills to perform their responsibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.2	An effective business planning and budgeting process is not in place	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.3	Daily cash management is poor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.4	Lack of supply chain planning – is production making what sales is selling?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.5	Organizational structure does not support business needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.6	Existing reporting system does not provide needed information in a timely way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.7	Management team does not work cooperatively externally (with BC, BF, banks, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>	6.8	Management team does not work cooperatively internally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	6.9	Poor customer service (e.g., frequent order cancellations due to late delivery)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>