03 Finance and Accounting

01 Accounting system and process

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 Does your accounting system match your management organization, management scale, and type of industry?
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 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 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?
- Does the middle executive also share information from the accounting system with the management?
- Are you enforcing to close the monthly accounts speedily? Are the materials for monthly closing effectively used for the daily management?

02 Profit management
01 Profit management
01 Sales revenue
- Are you conducting the profit management that corresponds to the change of sales output?
- Are you maintaining the gross profit to sales, the operating profit and the ordinary profit at a proper level?

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

03 Sales cost and production cost
- Are you fully getting information on sales cost? And, do you conduct cost accounting and accurately grasp the cost?

04 Expense
- Do you grasp the change of the amount and ratio of each expense item to the sales?

02 Profitability
01 Ratio of profit to capital
- Is your ratio of profit to capital maintaining a satisfactory value?

02 Ratio of profit to sales
- Are your gross profit ratio, operating profit ratio, ordinary profit ratio to sales maintaining an adequate level?

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?
- Are you comparing the labor expense ratio, business expense ratio, and administration expense ratio with those of the past?
- Are they maintaining adequate levels?
- Are there any other means to reduce those ratios further?
- Where is a cause that makes the ratios inadequate? Let them examine individual items of sales, costs, and expenses.

02 Productivity
01 Do amounts of sales and profit per employee maintain proper levels?
- Are amounts of sales and profit per employee maintaining proper levels?
- How has the trend in these three years changed? Compare it with those of the other companies in the same industry.
- Where is a cause unable to maintain a proper level? What is the countermeasure?

03 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?
- Are you maintaining a level above average compared with other companies in the same industry on your labor’s relative share and labor cost per individual?
- Confirm if there is any problem in relation to the amount and ratio of profit.
- Check why they cannot achieve the average level and whether there is any dissatisfaction among the employees.

03 Financial 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?
- Compared to your owned capital, isn’t your borrowed capital too much? And, are you trying to increase your owned capital?
- Excessive borrowed capital is dangerous. Let them examine a way to increase the owned capital ratio.

02 Asset structure
01 Are there any bad stocks, bad credits, or idle properties?
- Are there any bad stocks, bad credits, or idle properties?
- These bad assets should be immediately disposed. Let them examine a measure to reduce them.

02 Latent profit/loss
01 Do you use the current cost accounting system thoroughly?
- Do you use the current cost accounting system thoroughly?
- Let them explain how they treat the items concerned. Is there any latent profit/loss borne?
- 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?
- Even if the current ratio is good, is there any bad stock or credit?
- Make the top management understand that watching only the ratios is not enough, and let them examine how to reduce them.

02 Quick ratio
01 Is your quick asset enough? And, is the balance of quick ratio with current ratio adequate?
- Is your quick asset enough? And, is the balance of quick ratio with current ratio adequate?
- 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?
- Is your investment in the fixed assets made by the owned capital?
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 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.
      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?

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.

04 Turnover ratio of fixed assets

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

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?

Check the cash flow chart, terms of withdrawal and payment. 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?

Inspect the cash flow chart and let them improve the improper balance between revenue and expenditure.

02 Working capital necessary

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

Confirm their method of computing and let them study if there is a measure to make more money allowance.

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

Check whether what they have computed is adequate and the premise is proper.

03 Fund operation chart

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

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?

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?

Explain to them how to calculate the marginal profit ratio and make them understand how to use it for profit management.
marginal profit ratio?
- Do you know what constitutes this ratio and how it contributes to the overall profit of your company? 
  - Explain the importance of maintaining a high marginal profit ratio.
- Marginal profit ratio determines the profitability of your business.

03 Is your safety space ratio enough?
- Is your current safety space ratio sufficient for your business needs?
  - Clarify the importance of having a safety space ratio as part of your financial planning.

02 Profit plan
01 Profit plan
01 Is your profit plan based on your management strategy?
- Is your profit plan aligned with your overall business strategy?
  - Confirm the alignment by comparing the two.

02 Target profit
01 Do you set your profit and sales target by using the relations of sales output, expenses, loss and gain?
- Ensure that your profit and sales targets are set based on a thorough analysis of your business.
  - Sales, expenses, profit and loss are interrelated and should be carefully considered.

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?
- Clarify the standards and objectives that guide your profit targets.
  - Explain the importance of setting a profit target as a key objective.

03 Budget system
01 Budget system
01 Is your budget made from your profit plan?
- Is your budget derived directly from your profit plan?
  - Check the correlation between your budgeting and profit planning.

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?
- Ensure that budget control is enforced to maintain accuracy and effectiveness.
  - Explain the importance of monitoring and adjusting budgets to maintain profitability.

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?
- Are you following a structured approach to equipment investment?
  - Ensure that your investment decisions are backed by thorough financial analysis.

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?
- Calculate the additional costs and consider how they will affect your sales output.
  - Explain the importance of incorporating these costs into your profit calculations.

02 Do you include changes of profit plan due to investment for equipment into your process?
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 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 correspond with the schedule of repayment, together with the profit plan.