Design Company Example
Design Company Statement

Liquidity

Brought to you by **Eric Degen, CPA, CGMA, LPBC, CMEC**

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TITAN
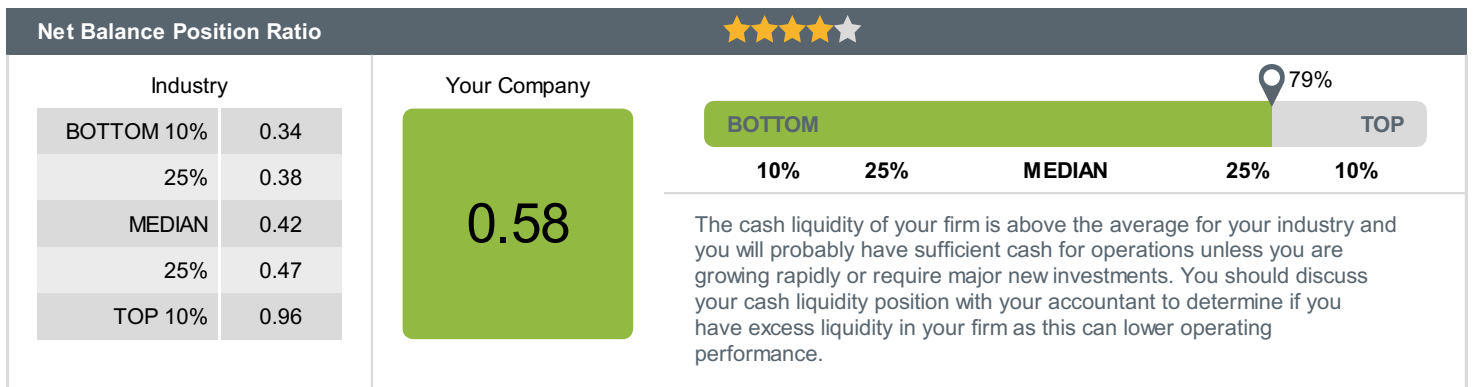**Business Development Group, LLC**
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NET BALANCE POSITION INDICATORS

Your cash Net Balance Position is composed as follows:

Working Capital Available	**$890,947**
Less:	
Working Capital Required	**$1,524,430**
Equals:	
Net Balance Position	**($633,483)**

Your cash liquidity position is negative for the next operating period. Corrective actions may be necessary or you risk being unable to meet short-term obligations. You should review the recommendations on the next two pages to help you develop a strategy to improve your cash liquidity position.

Taking the ratio of Working Capital Available to Working Capital Required, your Net Balance Position compares to that of your peers in the industry as follows:

Net Balance Position Ratio ★★★★☆

Industry		Your Company
BOTTOM 10%	0.34	
25%	0.38	
MEDIAN	0.42	**0.58**
25%	0.47	
TOP 10%	0.96	

79%

BOTTOM				TOP
10%	25%	MEDIAN	25%	10%

The cash liquidity of your firm is above the average for your industry and you will probably have sufficient cash for operations unless you are growing rapidly or require major new investments. You should discuss your cash liquidity position with your accountant to determine if you have excess liquidity in your firm as this can lower operating performance.

Note that the Net Balance Position of 0 which translates into the Net Balance Ratio of 1 is ideal if your company is not growing, while a positive value or ratio higher than 1 may be needed if your company is in a growth phase.

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NBP CORRECTION WORKSHEET I

Method 1   **Age Of Inventory Reduction**

Age of Inventory
❌ Age of Inventory does not apply to companies with no inventory.

Method 2   **Collection Period Reduction**

10.78 days	**Results in Collection Period Reduction**	**97.0** days		**And NBP of**	**($473,891)**

Collection Period	⭐☆☆☆☆

	Target ⬇ New ⬇ Now				
COMPANY CURRENT **107.8**	BOTTOM				TOP
	10%	**25%**	**MEDIAN**	**25%**	**10%**
TARGET (FOR NBP = 0) **65.0**					
Industry Indicator	59.59	50.89	45.72	42.42	35.51
Reduction needed	48.2	56.9	62.1	65.4	72.3
Resulting NBP	$80,790	$209,491	$286,038	$334,893	$437,209

Your company is waiting considerably longer to collect payment after sales have been made than the average firm in your industry. You should determine if you can collect faster through better invoicing and collections as you may be tying up cash needlessly in your accounts receivable balance.

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NBP CORRECTION WORKSHEET II

Method 3   **Payment Deferral Period Increase**

| 1.07 | days | **Results in Payment Deferral Period Increase** | 11.8 | days | | **And NBP of** | ($618,829) |

Payment Deferral Period ★★☆☆☆

		Now New					Target

COMPANY CURRENT
10.7

TARGET (FOR NBP = 0)
56.9

	10%	25%	MEDIAN	25%	10%
Industry Indicator	7.12	11.53	15.87	20.20	29.63
PDP Increase needed		0.9	5.2	9.5	19.0
Resulting NBP		($621,560)	($562,112)	($502,890)	($373,703)

Your Payment Deferral Period is shorter than the levels shown by some of the least payment deferral management effective companies in your industry and this may be consuming excessive cash. Refer to the display above to help you estimate the cash liquidity position improvement you could attain were you to increase the Payment Deferral Period to that of more efficient in that respect companies in your industry.

The following display shows your company's current position in Cash Conversion Cycle (CCC) in relation to your reference industry resulting from your performance in the above indicators and the new position that your company could attain, provided all three of the above methods are implemented at the rates specified.

Cash Conversion Cycle ★☆☆☆☆

Industry		Your Company
BOTTOM 10%	50.07	
25%	44.40	**CURRENT** **97.17**
MEDIAN	41.06	
25%	37.65	**NEW** **85.4**
TOP 10%	34.55	

New Now				
10%	25%	MEDIAN	25%	10%

Your Cash Conversion Cycle is well above the average for your industry and you should take actions, such as Methods 1 through 3 above, to reduce it to gain additional cash liquidity for your business. CCC measures the amount of time it takes for $1 invested in your working capital to return in the form of revenue and it is an important indicator of cash management effectiveness.

OVERALL EFFECT

The results of the methods of NBP correction shown above are based on the assumption that each of them is applied separately, whereas a combination of them could be both more realistic and effective. If you find it possible to implement all of the above methods at the rates specified, the overall effect of that will be as follows:

Resulting NBP   ($459,237)