

Prepared by:

Date:

**Observe cash**

**Current assets** - cash, bank accounts, collectible accounts receivable

\$

**Current liabilities** - bills are paid, recurring expenses this month

\$

**Worst-case liabilities** - all long term debts are "called" - must be immediately paid

\$

**Liquid net worth** - all your "current" business and personal assets less your liabilities

\$

**Burn rate** = baseline expenses per month including your family's basic living expenses

\$

**Cash receipts** - conservative estimate per month

\$

**Time = t**

months until "normal" market conditions return for **your** organization

**Analysis and orientation**

**Current ratio**

Current assets/Current liabilities

Current Ratio	Meaning
<.7	Collapse soon
.8-1.5	Troubled
1.5-2.5	Strong
>2.5	Inefficient use of cash

**Enrichment rate** - per month

Cash receipts - Burn rate

**Total survival burn**

(Enrichment rate) x t

**Survival investment & Return on Investment** - how much of your net worth will be at risk

Liquid net worth / Total survival burn	ROI = Expected profits/Total survival burn
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**Worst-case current ratio -**

$$\frac{(\text{All current assets} + (\text{Cash receipts} \times t))}{(\text{All current and long term liabilities} + (\text{Burn rate} \times t))}$$

**Decisions**

- Is my current ratio sustainable?
- How can I improve my enrichment rate (cash receipts and expenses)?
- Is this opportunity worth the survival investment required?
- Shall I investigate an exit process?

**Actions**

- Expense reductions - fixed and variable
- Increase cash receipts from new:
  - Customers
  - Geographies served
  - Offerings
  - Price points
  - Promotions - quantity and quality
  - Channels of promotion
- Prepare to make the survival investment
- Investigate all options

**Action Plans**

Task	Who	Due	Done	Notes

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