



Risk and Value Driver Assessment

How to strategically improve the value of your business

Outcomes:

*A risk score which is a key input into the BCRC
A clear understanding of the business's key risks
A clear understanding of where the business can improve*

Small to Medium Enterprises

NAME.....

BUSINESS.....

Sydney Office: Level 57, MLC Centre 19-29 Martin Place Sydney NSW 200

Phone: (02) 9238-6117 | **Fax:** 1300-952-981

Dubbo Office: Level 1, 187 Brisbane St Dubbo 2830

Phone: (02) 6884-9154 | **Fax:** (02) 6884-9157

Email: accountants@scolaricomerford.com.au | **Website:** www.scolaricomerford.com.au

Circle the most appropriate response to each statement

Industry					
Business operates in a well-established, stable industry					Degree of Concern (H, M, L)
Definitely	Probably	No – Will change slightly	No- Will change moderately	No – will change significantly	
The industry/market is growing					Degree of Concern (H, M, L)
Definitely at a good rate	At a steady rate	Slowly	Marginally/Not really	No – it's contracting	
Business likely to be negatively influenced by industry restructuring					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Business likely to be influenced by negative global trends					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Future industry trends will positively affect the business					Degree of Concern (H, M, L)
Definitely	Probably	Possibly	No – slightly negative	No – significantly negative	

Industry: Three main Observations / Comments	
1	
2	
3	

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Business Performance					
How many years profitable trading does the business have?					Degree of Concern (H, M, L)
> 10	6 to 10	3 to 5	1 to 2	< 1	
Current year increase in sales					Degree of Concern (H, M, L)
> 20%	11 – 20%	6 – 10%	0 – 5%	Either NA or < 0%	
% current year increase in gross margin (\$)					Degree of Concern (H, M, L)
> 20%	11 – 20%	6 – 10%	0 – 5%	Either NA or < 0%	
Current year increase in wages a % of sales					Degree of Concern (H, M, L)
0 – 5%	6 – 10%	11 – 15%	> 15 – 20%	Either NA or > 20%	
Current year increase in adjusted EBIT					Degree of Concern (H, M, L)
> 20%	11 – 20%	6 – 10%	0 – 5%	Either NA or < 0%	
Current year improvement in liquidity (debtors' collection, stock turnover, etc.)					Degree of Concern (H, M, L)
> 20%	11 – 20%	6 – 10%	0 – 5%	Either NA or < 0%	
Business achieving key industry benchmark standards (profit, liquidity, etc.)					Degree of Concern (H, M, L)
Well above	Slightly above	Average	Slightly below	NA, unknown or well below	
Ability of business to control its operating costs					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	

Business Performance: Three main Observations / Comments	
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Business Growth					
Opportunities for business growth exist – existing markets worked harder (and are able and practical to be pursued)					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Opportunities for business growth exist – new products/services (and are able and practical to be pursued)					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Opportunities for business growth exist – new geographical locations (and are able and practical to be pursued)					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Business has continually invested in research and development					Degree of Concern (H, M, L)
Very much so	In quite a few areas	In between	To a small degree	No	
Plant & equipment in good working order and able to meet future demand					Degree of Concern (H, M, L)
Yes	Moderately	Somewhat or “Growth is not influenced by P&E”	To a small degree	No	
Premises – ability to support growth					Degree of Concern (H, M, L)
Yes	Moderately	Somewhat or “Growth is not influenced by premises”	With renovations	Not at all	
Business Planning: Formal Business Plans (including SWOT, Growth, Budgets, Cost Centre analysis, Strategic Plan, Marketing Plan, etc.) exist and are actively managed					Degree of Concern (H, M, L)
Excellent	Good	Fairly Good	Ok	Poor	

Business Growth: Three main Observations / Comments	
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Business Risk					
Cost of supplies is subject to inflationary pressures and/or exchange rates/fuel prices					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Customers are located in depressed geographical region					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Does Government legislation protect the supplies you make?					Degree of Concern (H, M, L)
Totally	Somewhat	Moderately	Slightly	NA or not at all	
Products/ services threatened by imports					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Insurance management – policies are adequate and current (Work Cover, PI, General Insurance, etc.)					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Product/services threatened by new technology, IT or web					Degree of Concern (H, M, L)
Not at all	Slightly	Moderately	In between	Significantly	
Last 5 years: number of legal claims > 1% of that year's income					Degree of Concern (H, M, L)
0	1	2 or 3	4 or 5	> 5	
Premises – where location is important, tenure is secured					Degree of Concern (H, M, L)
Long term	For mid term	In between or "business is not influenced by location"	For short term	No	
How many times has input supply disruption negatively affected your business in the last 12 months					Degree of Concern (H, M, L)
0	1	2 or 3	4 or 5	> 5	
Supply is concentrated to a small number of suppliers					Degree of Concern (H, M, L)
No	To a small degree	In between	In quite a few areas	Very much so	

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How reliant is the business on its major suppliers					Degree of Concern (H, M, L)
Not at all – can substitute suppliers easily	To a small degree	In between	In quite a few areas	Totally	
Do suppliers determine what products and services you offer					Degree of Concern (H, M, L)
Not at all	To a small degree	In between	Moderately	Yes	

Business Risk: Three main Observations / Comments	
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Competition					
Existing competitors are aggressive					Degree of Concern (H, M, L)
Not really	Some are but not in our market	Somewhat but so are we	Moderately	Yes	
Increased competition from national competitors is a real threat					Degree of Concern (H, M, L)
Not at all	Possibly	Somewhat	Moderately	Yes	
Increased competition from overseas competitors is a real threat					Degree of Concern (H, M, L)
Not at all	Possibly	Somewhat	Moderately	Yes	
The market can sustain the current level of competition					Degree of Concern (H, M, L)
Definitely	Probably	Possibly	Unlikely	No – competitors are reducing and/or merging	
New competitors have high financial start up costs					Degree of Concern (H, M, L)
Yes – prohibitive to many	Yes	In between	Moderately	Not at all	
New competitors need special skills/knowledge					Degree of Concern (H, M, L)
Yes – prohibitive to many	Yes	In between	Moderately	Not at all	
Other barriers to entry exist for new competitors					Degree of Concern (H, M, L)
Yes – prohibitive to many	Yes	In between	Moderately	Not at all	
Competitors have access to greater resources than you					Degree of Concern (H, M, L)
Not at all	To a small degree	In between	Moderately	Yes	

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Management Information Systems ("MIS")					
Do you operate computer based accounting and/or management reporting systems?					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	
Do your systems report on sales, cost of goods sold, employee and profit by major product/services category?					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	
Policies and procedures exist for at least monthly reporting					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	
Existence and use of best practice operating system					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	

MIS: Three main Observations / Comments	
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Owners					
Degree of principal/owner reliance					Degree of Concern (H, M, L)
None	Low	Medium	High	Very high	
Easy transfer business knowledge, IP, systems, etc.					Degree of Concern (H, M, L)
Very high	High	Medium	Low	No	
Principal/owner departure will cause loss of key customers					Degree of Concern (H, M, L)
No	To a small degree	In between	Moderately	Yes	
Principal/owner departure will cause loss of key staff					Degree of Concern (H, M, L)
Either NA or not at all	To a small degree	In between	Moderately	Yes	
Business has a culture of balancing work and non-work activities as part of a healthy life balance for owners, principals and staff					Degree of Concern (H, M, L)
Yes	Nearly complete	Started	About to start	No	

Owners: Three main Observations / Comments	
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Customers & Market Demand					
Top 10 Customers: % of Total Income					Degree of Concern (H, M, L)
< 10%	10 – 20%	21 – 30%	31 – 40%	> 40%	
Degree of customer loyalty					Degree of Concern (H, M, L)
Very high	High	Medium	Low	Very low	
Percentage of customers that generate 80% of profits					Degree of Concern (H, M, L)
> 40%	21 – 39%	20%	10 – 19%	<10%	
Strong market demand exists for products/services					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	
Substitutes exist for your products/services					Degree of Concern (H, M, L)
Not at all	To a small degree	In between	Moderately	Yes	
Describe the nature of the products/services that you provide					Degree of Concern (H, M, L)
Absolute necessity	Our customers would struggle without them	Some customers could reduce their use of our products	Quite easy to do without for many of our customers	Luxury goods	
Effect on income if key customers sold their business					Degree of Concern (H, M, L)
None	Small degree	In between	Moderate	Significant	
How would a 10% increase in your prices affect demand for your products/services					Degree of Concern (H, M, L)
Not much	In between	Would drop by up to 10%	In between	Would drop by more than 20%	

Customers & Market Demand: Three main Observations / Comments	
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Staff					
The industry is losing staff to other industries					Degree of Concern (H, M, L)
No – it's the opposite	Yes, but technology improvements negate this	No, it's a steady labour market	Slightly	Yes – significantly	
Staff appraisals confirm commitment to organisation goals and visions					Degree of Concern (H, M, L)
All	Most	Some	Few	None	
Key staff experience and industry knowledge					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Formal strategies for staff recruitment, retention and motivation					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Staff retention history					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	
Formal communication within business					Degree of Concern (H, M, L)
Excellent	Good	Fairly good	OK	Poor	

Staff: Three main Observations / Comments	
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Succession & Estate Planning					
Risk insurance (Life, TPD, Key Person, etc.) for principals/owners and relationship partners					Degree of Concern (H, M, L)
Policies last reviewed < 12 months	Policies last reviewed 1 – 2 years	Policies out of date	Policies incomplete	No policies at all	
Documented business life plan					Degree of Concern (H, M, L)
Yes	Started	Arranged for more information	No – will consider	Don't see the need	
Documented succession plan					Degree of Concern (H, M, L)
Yes	Started	Arranged for more information	No – will consider	Don't see the need	
Documented estate plan					Degree of Concern (H, M, L)
Yes	Started	Arranged for more information	No – will consider	Don't see the need	
Surplus capital exists for future growth and succession					Degree of Concern (H, M, L)
Yes	Moderately	In between	To a small degree	Not at all	
Strategies in place to protect, grow and realise optimal business value					Degree of Concern (H, M, L)
Yes	Started	Arranged for more information	No – will consider	Don't see the need	
Business is easy to sell					Degree of Concern (H, M, L)
Yes	With some modifications	Moderately	Difficult	No	

Succession & Estate Planning: Three main Observations / Comments	
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