BANKRUPTCY PREDICTION
(AKA ALTMAN'S Z - SCORE)

$$Z = 1.2X1 + 1.4X2 + .6X4 + 1.0X5 + 3.3X3$$

WHERE:

X1 = (CURRENT ASSETS - CURRENT LIABILITIES)/TOTAL ASSETS

X2 = RETAINED EARNING/TA

X4 = MARKET VALUE OF
      EQUITY/TOTAL LIABILITY

X5 = NET SALES/TA

X3 = EARNINGS BEFORE TAXES +
      INTEREST/TA

STRATEGIC FUNDS PROGRAMMING

INTERNAL SOURCES =

PROFIT AFTER TAXES - DIVIDENDS + RETAINED EARNINGS + DEPRECIATION + OTHER NON-CASH EXPENSES = CASH FLOW FROM OPERATIONS

AUGMENTED DEBT =

RETAINED EARNINGS X CURRENT TOTAL DEBT-TO EQUITY RATIO =

FUNDS FROM WITHIN CURRENT STRUCTURE

EXPANDED DEBT CAPACITY =

NEWLY NEGOTIATED LONG-TERM DEBT/EQUITY RATIO - CURRENT LONG-TERM DEBT/EQUITY RATIO = (UNUSED DEBT FACTOR) X SHAREHOLDERS EQUITY = EXPANDED DEBT CAPACITY

TOTAL FUNDS AVAILABLE (MAXIMUM) = CASH FLOW FROM OPERATIONS + FUNDS FROM WITHIN CURRENT STRUCTURE + EXPANDED DEBT CAPACITY

OPERATING CAPITAL

1. TOTAL TRADING CYCLE - ESTIMATED NUMBER OF DAYS FROM DATE OF PURCHASE OF MATERIALS TO BE SOLD TO THE DATE OF THE COLLECTION FOR SALES MADE.

TTC = CASH + RECEIVABLE S+ INVENTORY//AVERAGE SALES PER DAY

2. NET CASH CYCLE - NUMBER OF DAYS THAT CASH IS TIED UP IN CONDUCTING BUSINESS

NCC = TTC - PAYABLES/ASPD

DEGREE OF OPERATING CASH LEVERAGE

THE DOLLAR AMOUNT OF ADDITIONAL SALES REQUIRED TO PUT A DOLLAR OF CASH "IN THE BANK."

DOCL = S//[S-V-(CE+A/R+I-A/P)][1-T]

WHERE:

S = TOTAL SALES

V = VARIABLE COSTS

CE = CASH & EQUIVALENTS

A/R = ACCOUNTS RECEIVABLE

I = INVENTORY

A/P = ACCOUNTS PAYABLE

T = INCOME TAX RATE

STRATEGIC PROFIT MODEL (AKA THE DU PONT CHART)

RATE OF RETURN ON NET WORTH =

NET PROFIT MARGIN = NET PROFIT BEFORE TAX//NET SALES X

RATE OF ASSET TURNOVER = NET SALES//TOTAL ASSETS X

LEVERAGE RATIO = TOTAL ASSETS//NET WORTH

RORNW = NPM X RATO X LR = NPM//NET WORTH

INDEX OF SUSTAINABLE GROWTH (G*)

IF THE PLANNED GROWTH RATE OF SALES EXCEEDS G*, THEN EXTERNAL CAPITAL MUST BE SOUGHT TO FUND THE DESIRED GROWTH RATE.

G* = [P(1-D)(1+L)//T-P(1-D)(1+L)] X 100

WHERE:

P = (NET PROFIT BEFORE
    TAX//NET SALES) X 100

D = TARGET DIVIDENDS//PROFIT
    AFTER TAX

L = TOTAL LIABILITIES//NET WORTH

T = (TOTAL ASSETS//NET SALES) X 100