

BUSINESS FINANCIAL HEALTH AND PRACTICES TEST

Prepared by Wayne Knoblauch, George Casler, and Stuart Smith
Dept. of Applied Economics and Management
Cornell University

The following test will determine if your business financial health and financial management practices are as strong as possible to survive in this competitive environment. This test will identify areas in your business where attention is warranted. Once areas for attention have been identified, take advantage of the many sources of information and assistance available to you.

The first part of the test measures business financial health and the second part financial management practices. Place the number of your response in the blank for each question. Your score is the total of the numbers of the response for each question.

1. Percent equity (net worth) in my business is _____.
 - (1) 75 percent or more
 - (2) 50 to 74 percent
 - (3) 25 to 49 percent
 - (4) less than 25 percent
 - (5) not known

2. In the past three years, percent equity (net worth) has _____.
 - (1) increased
 - (2) stayed the same
 - (3) decreased
 - (4) don't know

3. Debt payments (principal and interest) are _____ 20 percent of my cash receipts.
 - (1) less than
 - (2) about equal to
 - (3) more than
 - (4) don't know

4. My farm bills are _____.
 - (1) paid on time
 - (2) paid, but some are past due
 - (3) increasingly hard to pay and some are rolled into scheduled payments
 - (4) don't know the status of all my bills

5. My net farm income (operating receipts minus operating expenses, including depreciation has _____ over the past three years.
 - (1) been increasing
 - (2) been constant
 - (3) been decreasing
 - (4) don't know

6. My operating cost of production (not including value of operator and family labor and management, and return on equity capital) is _____.
 - (1) less than the industry average
 - (2) about industry average
 - (3) more than the industry average
 - (4) don't know

7. Within the last year, my lender has rejected _____ my loan request.
 - (1) no portion of
 - (2) part of
 - (3) all of

8. I _____ increased borrowing to cover not only capital purchases, but family living expenses and taxes as well.
 - (1) have not
 - (2) have

Total the numbers of the responses selected for each question in this section of the test and match your score with the following guidelines. "Not known" and "don't know" responses indicate areas for better recordkeeping.

My Score _____

8-12 points: Your business financial health is excellent.

13-20 points: Prioritize areas where financial health can be improved.

21-31 points: Your business financial health is in serious condition; seek professional counseling from your Cooperative Extension agent or financial advisor immediately.

PART II. FINANCIAL MANAGEMENT PRACTICES

1. I've prepared _____ 2002 cash flow projection for my farm business.
 - (1) a detailed monthly
 - (2) a yearly
 - (3) a quick or rough
 - (4) no

2. I've discussed my current financial situation and 1991 operating capital needs with _____.
 - (1) my creditor(s) and financial advisor(s)
 - (2) my creditor's
 - (3) no one

3. I've secured my operating capital needs for 2002.
 - (1) yes
 - (2) no

4. I've prepared a complete listing of all assets and financial obligations (structured debt, dealer credit, open accounts) _____.
 - (1) one a year (every year)
 - (2) when my creditor requests
 - (3) never

5. I _____ participate in an organized farm business analysis and planning program.
 - (1) do
 - (2) sometimes
 - (3) never

6. I _____ do a detailed potential profitability and cash flow analysis of capital purchases before buying.
 - (1) always
 - (2) sometimes
 - (3) never

7. I _____ identified areas where I can cut costs or improve efficiency of my business in 1991.
 - (1) have
 - (2) have not

8. I _____ reviewed interest rates currently being paid on loans and accounts to determine if lower rates are available.
 - (1) have
 - (2) have not

My Score

8-12 points: Your financial management activities are excellent.

13-16 points: Prioritize areas to work on and start to improve your skills.

17-22 points: You've indicated many areas that need Improvement. Start immediately to improve and seek the advice of a financial counselor.

Financial management will be challenging in 1991. To improve your chances for business survival, take advantage of the assistance available to you. Cornell Cooperative Extension will be offering programs to improve your financial management skills. Contact them for more details.