

QUICK RATIOS.

The only important thing is cash and cash burn. When the organisation runs out of the stuff is an important consideration for the directors (after all it is illegal to trade recklessly). Just keep asking: Where's the cash?

The monthly financial report should always have a covering page that shows:

- opening and closing bank balances
- cash burn each month
- cash income expected each month
- the quick and liquidity ratios
- a highlight on any month the company drops into the red
- any potential breach of banking or regulatory covenants
- the things that kept the CFO awake at night last month. (These things should have you worried).

A good CFO has two great qualities: One, he/she brings timely and accurate figures to the table and this allows directors and management to make informed decisions with confidence. Two, he/she is all over the current problems of the business at any time – invited or uninvited – and can offer a view and constructive course of action on each issue.

Golden Rule: Watch the cash.

