

## Bossi consulting



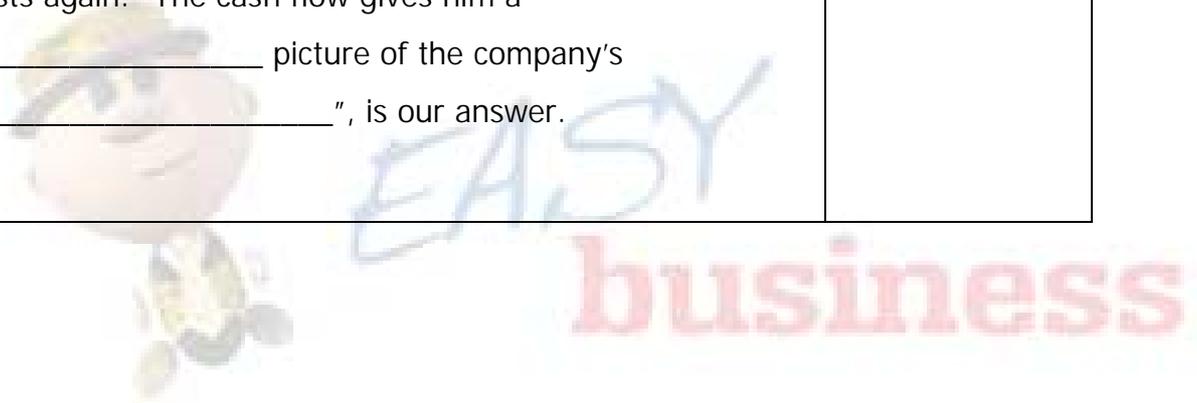
Mr Bossi is the owner of a bar which is so-called “Caribbean Sunsplash” – a cocktailbar.

As many other inkeepers too Mr Bossi is from the professional side of view a very good gastronom but from the buiness-management side of view he has some obvious debilities. Therefore he has a lot of questions. Try to use your knowledge to answer the questions posed by Mr Bossi.

You can find the interactive Bossi-test on the “easy-business” e-learning program (CD-ROM or internet). For further details please visit the following URL: [www.easybusiness.at](http://www.easybusiness.at)

1	<p>Mr Bossi’s restaurant is becoming more and more popular. One day, even the editor of a well-known business journal calls up. He wants to get some information for an article he plans to write.</p> <p>How about your operating result? And have you set up reserves and many more? Mr Bossi can answer all these questions without any problems.</p>	
2	<p>But then the question pops up which Mr Bossi has been afraid of: “And what about your _____ flow?” the editor wants to know.</p> <p>Mr Bossi cannot find this term in his annual financial statements, neither in the _____, nor in the _____.</p>	<p>balance sheet</p> <p>P&amp;L account</p> <p>cash</p>

<p>3</p>	<p>We tell him that he will not find the cash flow anywhere, but that he has to calculate it.</p> <p>To do this, he simply has to take the _____ achieved in this year and add both the _____ calculated for this year as well as all _____ set up in this year.</p> <p>In this way the profit is adjusted, e.g. all the transactions are added that did not lead to an _____ outflow of funds.</p>	<p>provisions</p> <p>profit/loss</p> <p>actual</p> <p>depreciation</p>
<p>4</p>	<p>“And why should I calculate the cash flow at all?” Mr Bossi wants to know.</p> <p>So that you know by how much your _____ surpassed the actual _____ in other words which surplus did you actually achieve in cash last year.</p> <p>“I see”, Mr Bossi says. “That’s why I was rather well off in the first year, although my _____ used to show a minus.”</p> <p>“And why should that be of interest to the editor?”, Mr Bossi insists again. “The cash flow gives him a _____ picture of the company’s _____”, is our answer.</p>	<p>financial</p> <p>statements</p> <p>earning power</p> <p>truer</p> <p>incomes</p> <p>expenses</p>



5	<p>Mr Bossi wants to know how his Caribbean Sunsplash is doing. So he asks us for an analysis of the company. These are the questions he asks us:</p> <p>“Is it worth my efforts to have the company?” To find out, we calculate the _____ of his company.</p> <p>“Is there a danger of not surviving?” To answer this question we’ll calculate the company’s _____.</p> <p>“Will the bank grant me the loan I need for the planned investment of a new counter?” For this we’ll calculate the company’s _____ and debt-equity ratio.</p>	<p>equity ratio</p> <p>return on equity</p> <p>liquidity</p>
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6	<p>The formulas needed to calculate the various ratios and key figures are as follows:</p> <p>return on equity = <math>\frac{\text{_____}}{\text{_____}} \times 100</math></p> <p>cash ratio = <math>\frac{\text{_____}}{\text{_____}} \times 100</math></p> <p>equity ratio = <math>\frac{\text{_____}}{\text{_____}} \times 100</math></p> <p>debt-equity ratio = <math>\frac{\text{_____}}{\text{_____}} \times 100</math></p>	<p>profit</p> <p>total equity and liabilities</p> <p>liquid funds</p> <p>equity capital</p> <p>short-term liabilities</p> <p>borrowed capital</p> <p>equity capital</p>
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<p>7</p>	<p>Together with Mr Bossi we analyse the annual financial statements of the Caribbean Sunsplash:</p> <p>Mr Bossi's return on equity amounts to 35%. With this Mr Bossi can be _____. With other _____ he will find it _____ to achieve a comparable rate of interest.</p> <p>For this reason it is _____ to sell the company and to invest the proceeds from this sale in something else.</p>	<p>not advisable</p> <p>difficult</p> <p>satisfied</p> <p>forms of investment</p>
<p>8</p>	<p>The cash ratio turns out to be 220%. This is an _____ result. It means that the Caribbean Sunsplash is _____ to meet its _____ with its own resources.</p> <p>If the cash ratio was below _____ there would be danger of a _____ which could get the Caribbean Sunsplash into severe troubles.</p> <p>_____ at all times is even more important for the company than the highest possible _____.</p>	<p>liquidity</p> <p>financial obligations</p> <p>liquidity shortage</p> <p>profitability</p> <p>able</p> <p>excellent</p> <p>100%</p>



<p>9</p>	<p>Mr Bossi wants to renovate his restaurant. However, he cannot finance this alone. He needs a loan from the bank.</p> <p>“Will the bank grant me the loan?” he asks us.</p> <p>The equity ratio of the Caribbean Sunsplash amounts to 55%. The debt-equity ratio is _____.</p> <p>This means that 55% of the _____ belong to the owners. In other words, 55% of the total capital was financed by Mr Bossi and not by _____.</p> <p>The _____ the equity ratio and the _____ the debt-equity ratio, the better the _____ of the company.</p> <p>Therefore 55% is a _____ value.</p>	<p>good</p> <p>lower</p> <p>credit-worthiness</p> <p>higher</p> <p>assets</p> <p>45%</p> <p>borrowed capital</p>
<p>10</p>	<p>For this reason Mr Bossi can be confident when he goes to the bank.</p> <p>Before granting the loan, however, the bank will not only examine the equity ratio of the Caribbean Sunsplash, but also the _____ in recent years.</p> <p>In addition, it will also take a close look at Mr Bossi himself. But as Mr Bossi has excellent qualifications both in line of industry and in _____ matters, has always met his _____ on time, and also enjoys a very good _____, there are no obstacles to granting the loan.</p>	<p>earning development</p> <p>reputation</p> <p>commercial</p> <p>financial obligation</p>

<p>11</p>	<p>Mr Bossi wants to know how his company is doing compared with other companies.</p> <p>This comparison with other companies is called _____.</p> <p>For this purpose he calculates several key figures. In particular, he is interested in how much _____ other companies make with the _____ they achieve? The ratio giving him this information is the so-called _____.</p> <p>The _____ the _____ the more productive and competitive the company is.</p> <p>On the internet he finds the ratios for his line of business. The best companies achieve returns on sales of 15%. For his company Mr Bossi calculates 16%. This is a _____ value.</p>	<p>good</p> <p>profit</p> <p>benchmarking</p> <p>return on sales</p> <p>higher</p> <p>return on sales</p> <p>sales revenues</p> <p>worse</p>
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12	<p>His sales per employee are 100,000 euros, that is 2,000 euros more than for the best in his trade. Therefore he can be _____ with his ratio, too. Nevertheless, he knows that standing still means going backwards.</p> <p>In principle Mr Bossi has two possibilities of increasing this ratio: to achieve _____ sales with the _____ number of employees, or to achieve the _____ amount of sales with _____ employees.</p> <p>As Mr Bossi has the best employees available on this planet, he will only look at the first possibility.</p>	<p>same</p> <p>higher</p> <p>satisfied</p> <p>same</p> <p>fewer</p>
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