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**CULTURE
PARTNERS**

ZODIAK®: THE GAME OF BUSINESS FINANCE AND STRATEGY

Zodiak Services *Learner Guide*

PRINT SPECIFICATION RECOMENDATIONS

NUMBER OF PAGES

- 100 pages / Includes covers
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SIZE & COLOR

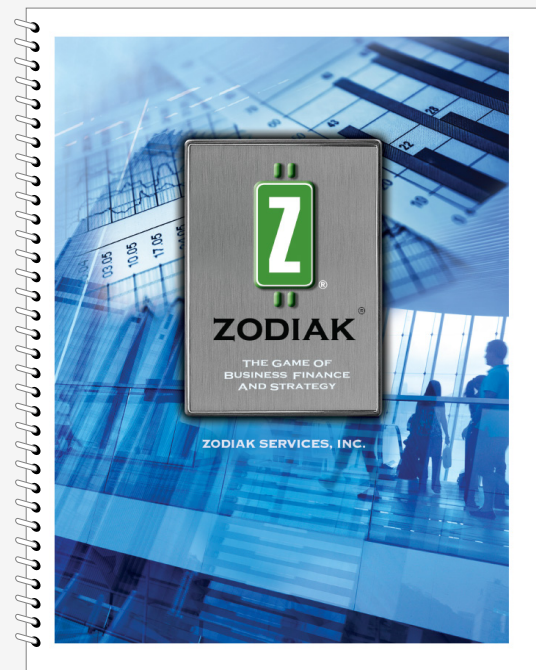
- Letter / 8.5"x11"
- 4/4 (Full color / double-sided)

PAPER

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Do not use glossy or synthetic stocks
- 28-32 lb Uncoated Text
(110-120 GSM)

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2. For a more **cost effective** solution:
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ZODIAK®

THE GAME OF
BUSINESS FINANCE
AND STRATEGY

ZODIAK SERVICES, INC.

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LATEST HEADLINE:

ZODIAK FOR SALE



Zodiak Services, a prestigious organization offering accounting and business advisory services, is for sale. Founder and owner Malcolm Zodiak is seeking new owners capable of carrying on his company's legacy of success. Qualified investors should direct all inquiries in confidence to:

Mitchell Ferguson & Associates, P.O. Box 0852-T, New York, NY 10164 www.zodiakinc.com



TRAVELERS BE WARNED!

[Read More »](#)

A warning has been issued by IAS to travelers about a significant increase in pickpocketing incidents around airports. High-tech devices such as smartphones and handheld computers seem to top criminals' lists. Kenzie Prince, Director of International Airport Security, reports these types of incidents have tripled in the last 6 months.

Market

OVERV

DJIA*

Nasdaq*

S&P 500

Global D

FTSE 10

Nikkei A

* at close



Picture

CONGRATULATIONS!

YOU ARE NOW A BUSINESS OWNER

You and your partners are buying Zodiak Services, Inc. for \$40 million. The company was started by Malcolm Zodiak more than 40 years ago and has loyal customers, excellent products and services, talented employees, and a seasoned pool of external contract resources.



Mr. Zodiak is eager to begin enjoying his retirement. He is confident that you have the business savvy to carry on his legacy.

A few years ago, Mr. Zodiak added a business advisory service to his successful tax preparation business. However, with new competitors and without updating its basic products and services, Zodiak's sales have been flat and market share has slipped. You believe you can build on the company's reputation by creating new services and targeting new markets.

This is an incredible opportunity for the right owners.

Are you up for the challenge?

Zodiak Services, Inc. offers its clients the following services in two lines of business:

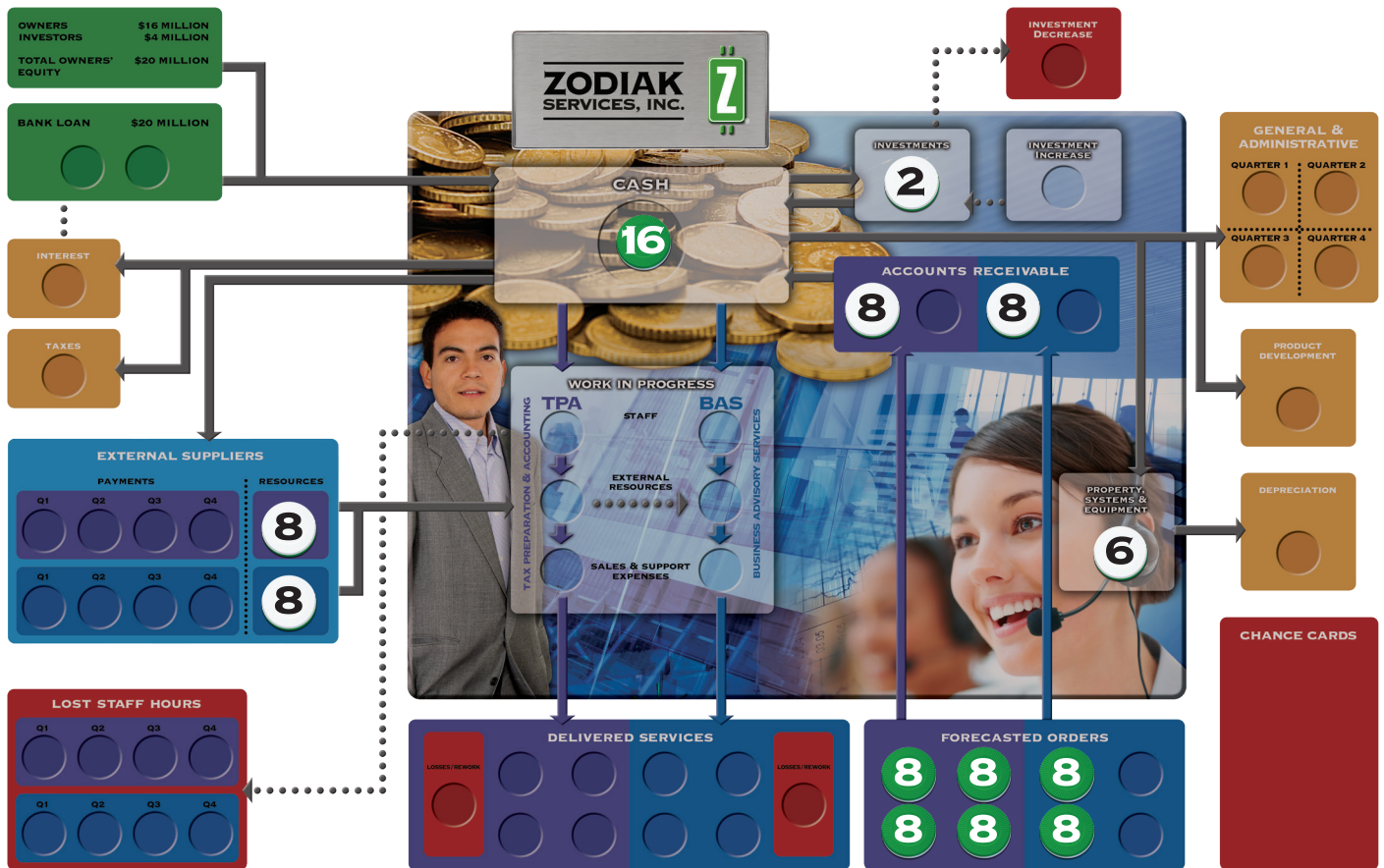
Tax Preparation & Accounting (TPA)

- Bookkeeping and payroll
- Monthly, quarterly and yearly financial statements
- Local, state, and federal tax preparation and filing
- Other accounting and tax work as required
- The E-ccounting™ suite of electronic tax preparation and accounting products

Business Advisory Services (BAS)

- Merger, acquisition and reorganization consulting
- Compensation, benefit and retirement plans
- Litigation support services (business damages, lost profits, etc.)
- Personal financial planning (taxes, investment planning)

Set up the Zodiac Services, Inc. board as shown below. Each chip represents \$1 million.



GREEN AND WHITE CHIPS



- When the green side of the chip is up, it represents **CASH**.
- When the white side of the chip is up, it represents **NON-CASH ITEMS** such as equipment and accounts receivable.
- These chips represent **assets**. Your team is purchasing the assets within the walls of Zodiac for \$40 million.

RED CHIPS



- These chips represent **liabilities**.
- They are not needed at this time; you will use them later in the game.

OWNERS' INVESTMENT:



\$16 MILLION

Your team has to come up with \$16 million. You will each contribute equally to this amount by filling out your personal check below.

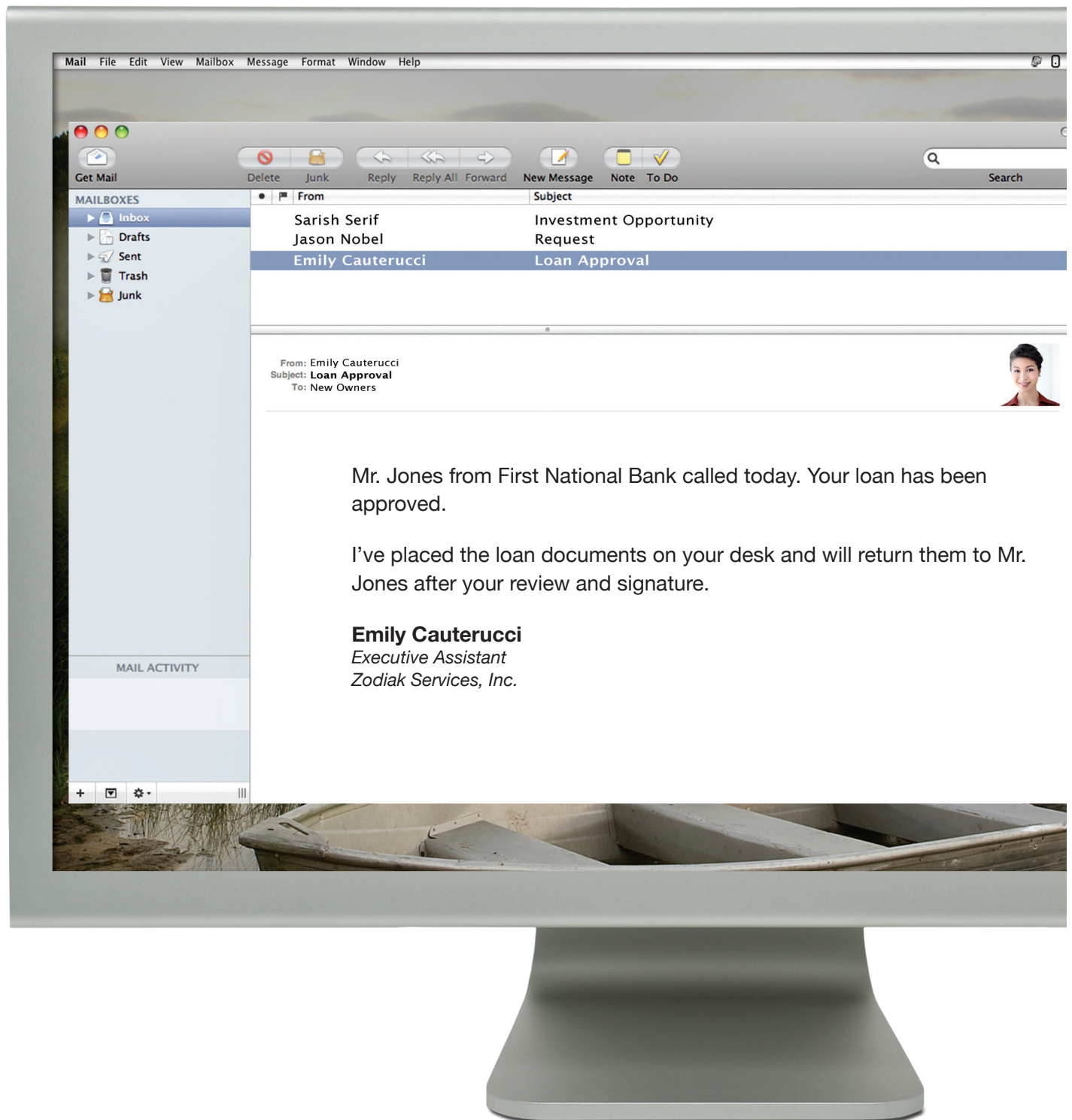
This amount represents your **equity** (ownership) in the company.

When your check is complete, tear it out and place it with your partners' checks under the upper left corner of the game board.



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PAY TO THE ORDER OF	<u>Malcolm Zodiak</u>	\$	<input type="text"/>
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FOR	_____		
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A BANK LOAN



FIRST NATIONAL BANK



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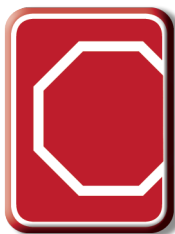
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\$20,000,000 at 10% Interest

Signature _____

Owner, Zodiac, Inc.



STOP

Action Needed!

Remove 20 red liability chips from the chip box and place them on the *Bank Loan* box. This represents the \$20 million that you now owe the bank.

YOU ARE \$4 MILLION SHORT!

You have been able to identify eight people who are each willing to invest \$1 million in your vision for Zodiac Services, Inc.

Choose four investors now. Write an investor's name on the stock certificate below and sign as an owner of Zodiac Services, Inc.

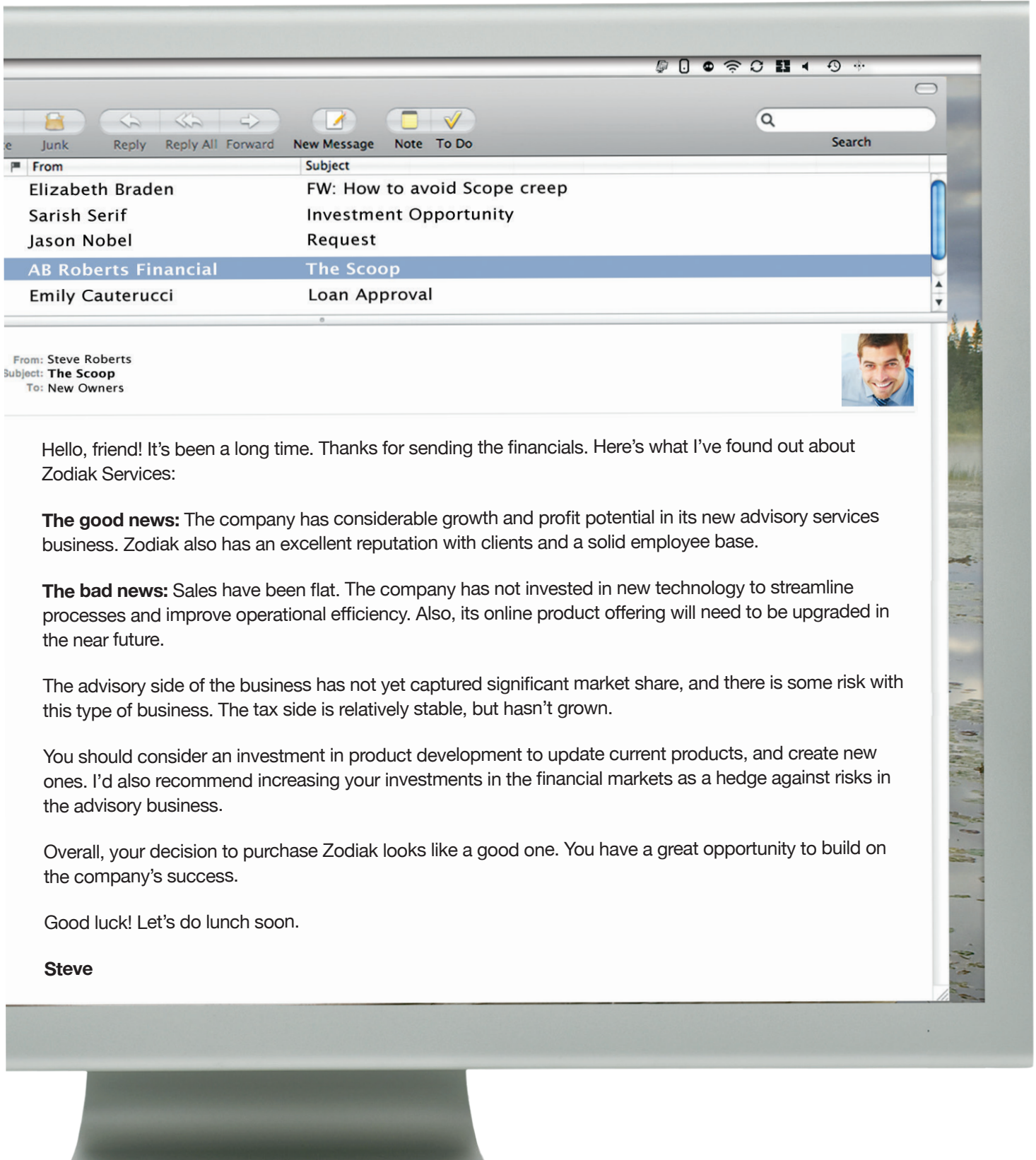


TIME OUT

You now have the last \$4 million you need to complete the purchase of Zodiac. What percentage of the company do your four investors, as a group, now own? _____%

Your investors are going to be very interested in how well you manage the company and their investments.

THE INSIDE SCOOP



INCOME STATEMENT (IN MILLIONS \$)		PREVIOUS OWNER
TOTAL NET SALES/REVENUE (TPA & BAS)		48
TAX PREPARATION & ACCOUNTING (TPA)		
Net sales/revenue		32
Cost of sales	-	24
Losses/rework	-	3
Lost staff hours	-	0
TPA gross profit	=	5
BUSINESS ADVISORY SERVICES (BAS)		
Net sales/revenue		16
Cost of sales	-	9
Losses/rework	-	0
Lost staff hours	-	2
BAS gross profit	=	5
TOTAL GROSS PROFIT (TPA & BAS)		10
General & administrative	-	4
Depreciation	-	2
Product development	-	0
Operating profit/loss	=	4
Investment increase/decrease	+/-	1
Earnings before interest & taxes (EBIT)	=	5
Interest	-	0
Earnings before taxes	=	5
Taxes	-	2
NET EARNINGS/LOSS	=	3
BALANCE SHEET (IN MILLION \$)		PREVIOUS OWNER
ASSETS		
Cash		16
Accounts receivable	+	16
Total current assets	=	32
Other assets (investments, including increases)	+	2
Fixed assets (property, systems & equipment)	+	6
TOTAL ASSETS	=	40
LIABILITIES & EQUITY		
LIABILITIES		
Bank loans		0
Accounts payable	+	0
Income tax due	+	2
Total liabilities	=	2
EQUITY		
Original investment		20
Retained earnings	+	15
Earnings/loss this year	+/-	3
Total equity	=	38
TOTAL LIABILITIES & EQUITY	=	40
Return on Equity (ROE)	$\frac{\text{Net Earnings/Loss}}{\text{Total Equity}}$	= 8 %
Return on Assets (ROA)	$\frac{\text{EBIT}}{\text{Total Assets}}$	= 13 %
TPA Gross Profit Margin (GPM)	$\frac{\text{TPA Gross Profit}}{\text{TPA Net Sales/Revenue}}$	= 16 %
BAS Gross Profit Margin (GPM)	$\frac{\text{BAS Gross Profit}}{\text{BAS Net Sales/Revenue}}$	= 31 %
Return on Sales (ROS)	$\frac{\text{Net Earnings/Loss}}{\text{Total Net Sales/Revenue}}$	= 6 %
Capacity Utilization	$\frac{\text{Total Staff Cost} - \text{Lost Staff Hours}}{\text{Total Staff Cost}}$	= 90 %

YEAR 1

It's time to begin your first year of operating Zodiak. Other than your team's decision to fund additional reserves (in case of lawsuits or other business disruptions) and to invest in new product development, you will run Zodiak as it has always been run until you gain a better understanding of the business.

The sales forecast for Tax Preparation & Accounting (TPA) is \$32 million (\$8 million each quarter). TPA is represented in purple on the game board.

The sales forecast for Business Advisory Services (BAS) is \$16 million. It is uncertain when these orders will come in. BAS is represented in blue.

Follow the instructions below, and check the boxes as you complete each step.

QUARTER 1

- ☐ File taxes for last year. Since Mr. Zodiak owned the company last year, he is filing and paying for any taxes owed.
- ☐ Fund the development of a new product.
 - Move \$2 million from *Cash* to *Product Development*.
- ☐ Invest in the financial markets to provide more long-term growth and protection against future risk.
 - Move \$1 million from *Cash* to *Investments*. Flip chip to white (indicating that long-term investments are not as liquid as cash).

You have \$8 million in orders for TPA, and just received great news: You also have \$8 million in orders for BAS this quarter! Fulfilling these orders includes paying for your internal staff, any external resources (people) needed, and sales and support expenses.

- ☐ Pay \$5 million in wages for the staff and professional employees who do work for your clients.
 - Move \$4 million from *Cash* to *Work in Progress (WIP) Staff TPA* (purple).
 - Move \$1 million from *Cash* to *Work in Progress (WIP) Staff BAS* (blue).
 - Flip the chips to white, indicating that this is no longer cash but is now personnel time/hours.

- ☐ Purchase \$1 million of TPA external resources for temporary specialists who help provide tax preparation.
 - Move \$1 million (one white chip) from *External Supplier Resources TPA* (purple) to *Zodiak's External Resources TPA* (purple).
 - Move \$1 million from *Cash* to *External Supplier Payments TPA, Q1* (purple).

- ☐ Purchase \$2 million of BAS external resources for temporary specialists who help provide business advice.
 - Move \$2 million (two white chips) from *(External) Supplier Resources BAS* (blue) to *Zodiak's External Resources BAS* (blue).
 - Move \$2 million from *Cash* to *(External) Supplier Payments BAS, Q1* (blue).

- ☐ Pay \$2 million to sales and support for payments of sales commissions, materials and all other non-personnel expenses related to doing client work.
 - Move \$1 million from *Cash* to *WIP Sales & Support Expenses TPA* (purple).
 - Move \$1 million from *Cash* to *WIP Sales & Support Expenses BAS* (blue).
 - Flip the chips to white, indicating that this is no longer cash, but is now personnel time/hours.

- ☐ Check to see if there is a **CHANCE CARD** this quarter. Read, and take action if necessary.

- ☐ Deliver your TPA services to clients.
 - Move all the chips in *WIP TPA* (purple) into one stack.
 - Place a container over the stack of chips and move it to *Delivered Services TPA* (purple).
- ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA* (purple) to *Accounts Receivable TPA* (purple) and flip the chips to white.
- ☐ Collect the prior receivables from TPA clients who were invoiced last quarter.
 - Move the previous stack (\$8 million) from *Accounts Receivable TPA* (purple) to *Cash* and flip to green, showing that customer payments have been received.
- ☐ Deliver your BAS services to clients.
 - Move all the chips in *WIP BAS* (blue) into one stack.
 - Place a container over the stack of chips and move it to *Delivered Services BAS* (blue).
- ☐ Invoice your BAS clients.
 - Move a stack of \$8 million from *Forecasted Orders BAS* (blue) to *Accounts Receivable BAS* (blue) and flip the chips to white.
- ☐ Collect the prior receivables from BAS clients who were invoiced last quarter.
 - Move the previous stack (\$8 million) from *Accounts Receivable BAS* (blue) to *Cash* and flip to green, showing that customers' payments have been received!



TIME OUT

At this point, how much have clients paid you for services you delivered this quarter? \$ _____

How much have you invoiced your TPA clients this quarter? \$ _____

How much did these services cost you to provide? \$ _____

How much have you invoiced your BAS clients this quarter? \$ _____

How much did these services cost you to provide? \$ _____

-
- ☐ Pay overhead expenses for the quarter.
 - Move \$1 million from *Cash* to *General & Administrative*.
 - ☐ Sometimes staff hours are “lost” when revenue is not high enough to fully allocate all wages to client projects. Your internal personnel have been paid, even if you did not have sufficient sales during the quarter to support their available hours.
 - Account for these wages by transferring any chips left in *Staff TPA* or *Staff BAS* to the corresponding area in *Lost Staff Hours*.



STOP

This concludes Quarter 1. Stop to make certain your game board is correct by comparing it to the one shown by your facilitator.

YEAR 1, QUARTERS 2 & 3

You have \$8 million in orders for TPA, but have no orders for BAS in the 2nd or 3rd quarters. No external resources or sales and support expenses are needed for BAS.

Q2 Q3

- ☐ ☐ Pay your staff \$5 million.
 - Move \$4 million from *Cash* to *WIP Staff TPA*; flip the chips to white.
 - Move \$1 million from *Cash* to *WIP Staff BAS*; flip the chips to white.
- ☐ ☐ Purchase \$1 million of TPA external resources for temporary specialists who help provide tax preparation.
 - Move \$1 million (one white chip) from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Move \$1 million from *Cash* to *Supplier Payments TPA* in the appropriate quarter.
- ☐ ☐ Pay \$1 million for sales and support.
 - Move \$1 million from *Cash* to *WIP Sales & Support Expenses TPA* and flip the chip to white.
- ☐ ☐ Check to see if there is a **CHANCE CARD** this quarter. Read, and take action if necessary.
- ☐ ☐ Deliver your TPA services to clients.
 - Move all the chips in *WIP TPA* into one stack.
 - Place a container over the stack of chips and move it to *Delivered Services TPA*.
- ☐ ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA* to *Accounts Receivable TPA* and flip the chips to white.
- ☐ ☐ Collect the prior receivables from TPA clients who were invoiced last quarter.
 - Move the previous stack (\$8 million) from *Accounts Receivable TPA* to *Cash* and flip to green.

Q2 Q3

- ☐ Collect the prior receivables from BAS clients who were invoiced last quarter.
 - Move the previous stack (\$8 million) from *Accounts Receivable BAS* to *Cash* and flip to green (Quarter 2 only).

- ☐ ☐ Pay overhead expenses for the quarter.
 - Move \$1 million from *Cash* to *General & Administrative*.

- ☐ ☐ Sometimes staff hours are lost when revenue is not high enough to fully allocate all wages to client projects.
 - Account for these wages by transferring any chips left in *Staff TPA* or *Staff BAS* to the corresponding area in *Lost Staff Hours*.

Be sure to complete steps for both quarters before moving on to the next page.

YEAR 1, QUARTER 4

You have \$8 million in orders for TPA, and just received word that the remaining BAS orders of \$8 million have arrived.

- ☐ Pay your staff \$5 million.
 - Move \$4 million from *Cash* to *WIP Staff TPA*; flip chips to white.
 - Move \$1 million from *Cash* to *WIP Staff BAS*; flip chips to white.
- ☐ Purchase \$1 million of TPA external resources for temporary specialists who help provide tax preparation.
 - Move \$1 million (one white chip) from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Move \$1 million from *Cash* to *Supplier Payments TPA, Q4*.
- ☐ Purchase \$2 million of BAS external resources for temporary specialists to help provide business advice.
 - Move \$2 million (two white chips) from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Move \$2 million from *Cash* to *Supplier Payments BAS, Q4*.
- ☐ Pay \$2 million for sales and support.
 - Move \$1 million from *Cash* to *WIP Sales & Support Expenses TPA*; flip the chips to white.
 - Move \$1 million from *Cash* to *WIP Sales & Support Expenses BAS*; flip the chips to white.
- ☐ Check to see if there is a CHANCE CARD this quarter.

-
- ☐ Deliver your TPA services to clients.
 - Move all the chips in *WIP TPA* into one stack; place a container over the stack and move it to *Delivered Services TPA*.
 - ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA* to *Accounts Receivable TPA*; flip the chips to white.
 - ☐ Collect the prior receivables from TPA clients who were invoiced last quarter.
 - Move the previous stack (\$8 million) from *Accounts Receivable TPA* to *Cash*; flip the chips to green.
 - ☐ Deliver your BAS services to clients.
 - Move all the chips in *WIP BAS* into one stack; place a container over the stack of chips and move it to *Delivered Services BAS*.
 - ☐ Invoice your BAS clients.
 - Move a stack of \$8 million from *Forecasted Orders BAS* to *Accounts Receivable BAS*; flip the chips to white.
 - ☐ Pay overhead expenses for the quarter.
 - Move \$1 million from *Cash* to *General & Administrative*.
 - ☐ Sometimes staff hours are lost when revenue is not high enough to fully allocate all wages to client projects.
 - Account for these wages by transferring any chips left in *Staff TPA* or *Staff BAS* to the corresponding area in *Lost Staff Hours*.

YEAR 1, END-OF-YEAR CLOSING

You now need to “close the books” on Year 1 by taking the following actions:

- ☐ Pay 10% interest on your \$20 million bank loan.
 - Calculate the interest amount.
 - Move that amount from *Cash* to *Interest* on the board.
- ☐ The financial markets were good to you this year—your investments gained \$1 million.
 - Take one additional chip from the chip box and place it white side up in *Investment Increase*.
- ☐ Depreciate property, systems and equipment.
 - Move \$2 million from *Property, Systems & Equipment* to *Depreciation*.

Ensure that your game board is correct by comparing it to the one shown by your facilitator, and then continue below.

IDEAS FOR YEAR 2

You’ve run Zodiac for a year. What changes should you consider for Year 2?

NOTES



STOP

Do not continue until instructed to by your facilitator.

YEAR 1 FINANCIAL STATEMENTS

How well have you done? On the last page of this guide you will fill out Year 1 financial statements.

- ☐ Complete the **INCOME STATEMENT**.
 - Figure taxes at 33% of Earnings Before Taxes, and round to the nearest million.
 - For any taxes owed, get the appropriate number of red liability chips from the extra chip box and place them in *Taxes* on the game board.
- ☐ Complete the **BALANCE SHEET**.
 - Make sure that your Balance Sheet balances! ($\text{Assets} = \text{Liabilities} + \text{Equity}$)
- ☐ Calculate **RATIOS** (percentages).
 - You will need a calculator.



STOP

Do not continue until instructed to by your facilitator.

YEAR 1

INVESTOR MEETING PREPARATION

Your investors want some answers! Turn your investor cards over and work as a team to respond to each Year 1 question. Be prepared to share your responses with other teams. Use the space below for notes.



NOTES





MAKING A LINK

How does your organization compare to Zodiak in these areas?

1. What type of external resources or materials do you purchase from suppliers?

2. What other costs are part of providing your products or services?

3. How do your clients order and pay for your products and services (payment processes)?

NOTES

YEAR 2 – BREAKING NEWS

MEMO

FROM THE DESK OF TED RILEY
VP OF SALES

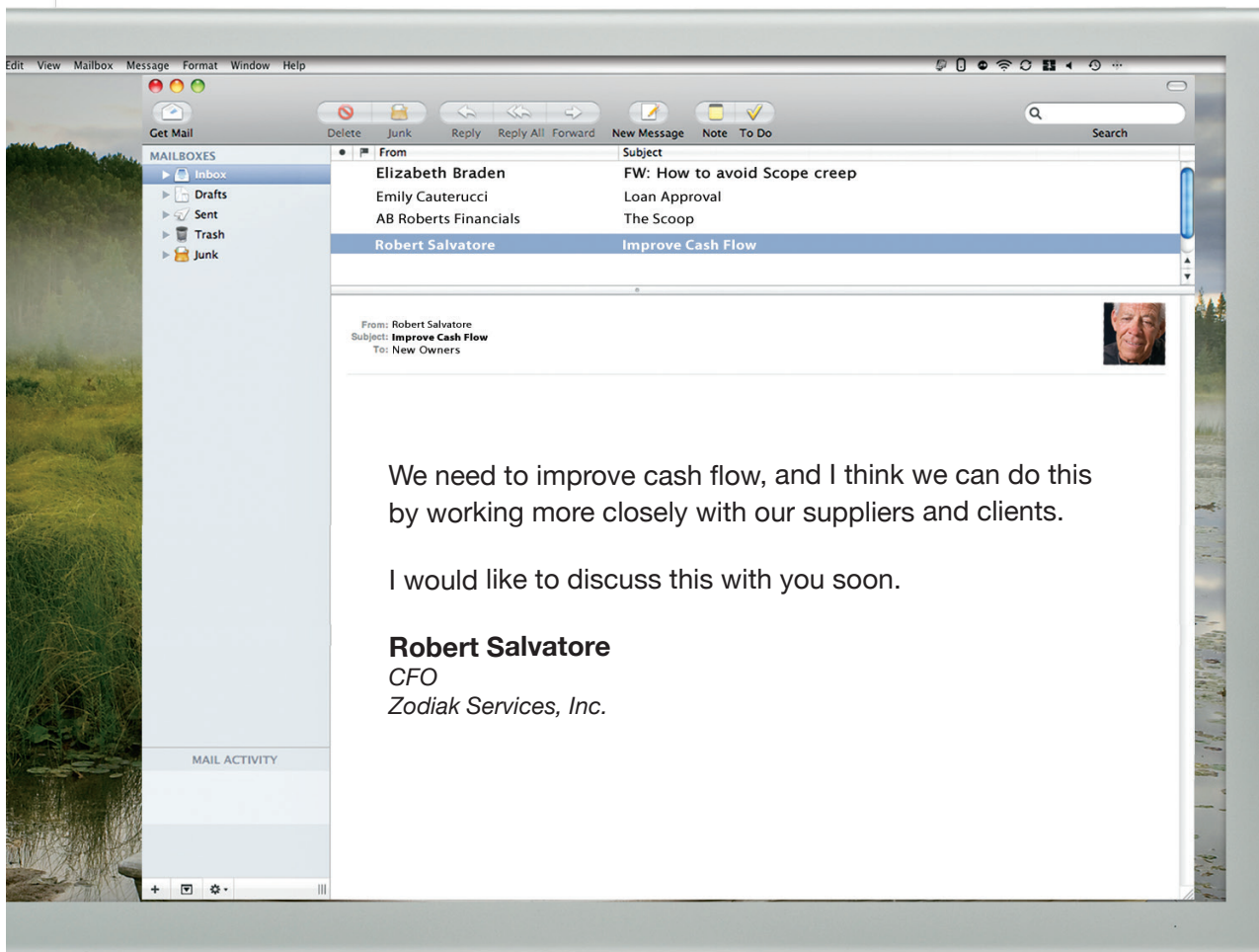
Attached is a detailed spreadsheet for the Year 2 sales outlook.

I'm projecting sales at \$48 million again this year (including \$16 million from BAS).

Acme Global gave some of its business to a competitor, but we have recently acquired several new customers and have a strong opportunity with a fast-growing mid-market company in the Northeast.

By the way, I think we need to significantly increase marketing for BAS in order to let more prospects know about the high-value services we offer.

Are we still on track to launch the next generation of E-ccounting later in the year? A lot of clients are asking about it.



YEAR 2 POSSIBLE STRATEGIES

YEAR 2 STRATEGIES



Changes are needed to **make money** and **generate cash**. Based on planning meetings with key personnel, you have decided on the following strategies:

1. Pay down debt.

You will pay off half of the bank loan. Your interest rate will remain 10%, and interest owed will be reduced by \$1 million.



2. Implement new payment terms with clients and suppliers.

Clients: Because of your history of service and strong relationships, clients accept your need to invoice as you start working on a project. Clients will now pay 50% cash upon receipt of an invoice; the 50% balance will be held in *Accounts Receivable*.

External Suppliers: You have successfully negotiated partnerships with key external suppliers who will each be receiving larger orders from you. You will now pay invoices the quarter after products or services are received.

3. Invest in client relationship technology.

You will invest \$1 million to upgrade your information technology (IT) capabilities in order to improve internal and external communications; this will positively impact delivery efficiency and client responsiveness.

NOTE: *This latest-generation technology will also be critical for the successful development and launch of the next generation of E-ccounting.*

4. Invest in three important strategies to increase efficiency and attract new clients.

You will spend an additional \$1 million quarterly for:

- **Additional marketing and advertising.** This will be focused on acquiring new BAS clients and building Zodiac Services' image in the marketplace.
- **Cross-training of employees.** In order to increase productivity and reduce lost staff hours, you will initiate immediate cross-training of personnel. This will result in greater flexibility to use employees across the TPA and BAS product lines. Since some Zodiac employees are nearing retirement, it will also help ensure full staff utilization and reduce hiring and training expenses.
- **Process improvement initiatives.** Newly formed teams of employees will review service delivery systems in both product lines to identify and implement more effective operating processes. These teams will also be tasked with developing environmentally friendly approaches and systems.

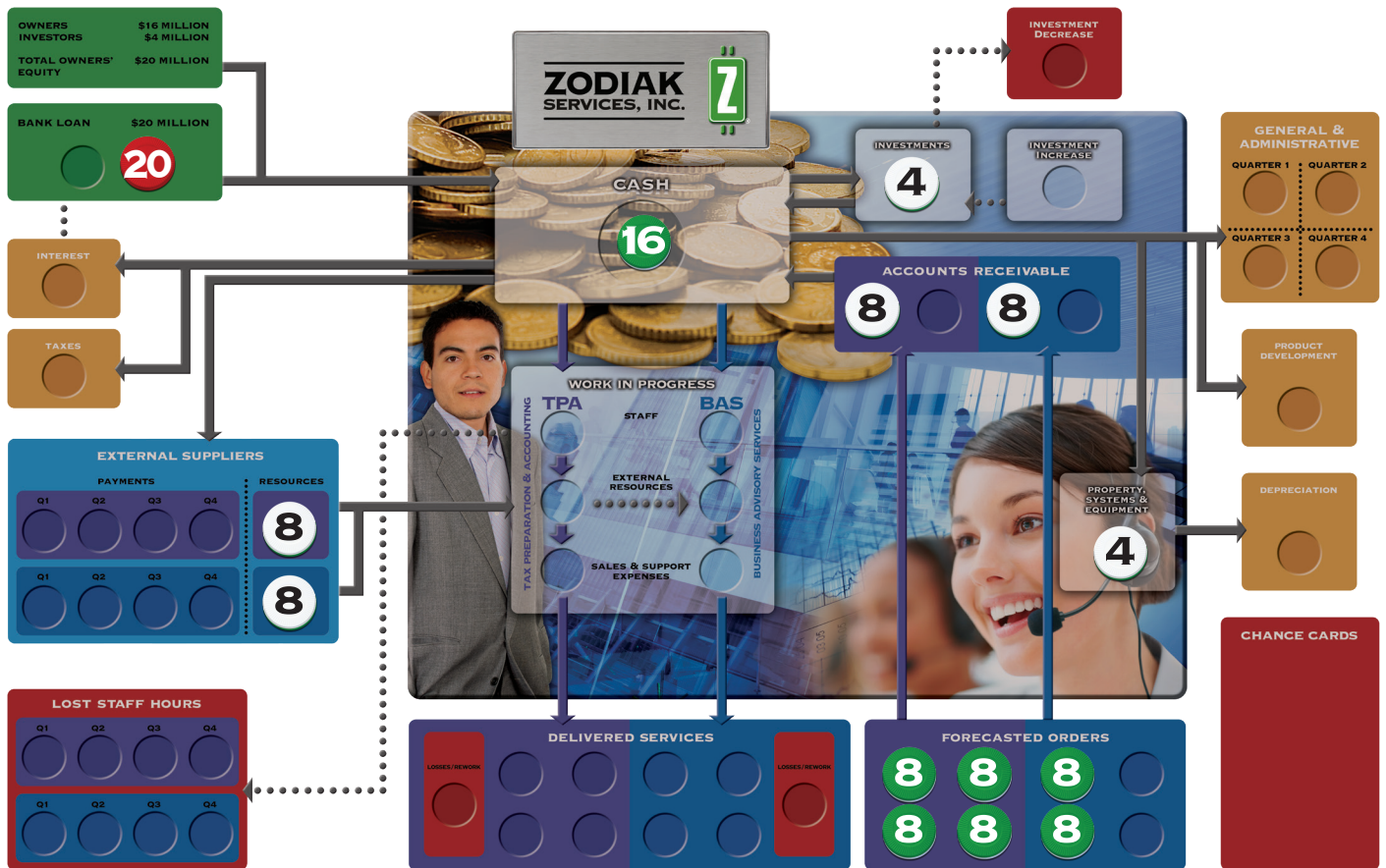
5. Continue the commitment to new product development, especially the next generation of E-ccounting products.

Client requests for new and more efficient applications of E-ccounting are increasing, and several competitors are introducing new online products and services. Your continued Product Development investment is important for both client retention and future growth.

YEAR 2 SETUP

Reset your board.

Move chips in Investment Increase to the Investments box. Everything else “inside” Zodiac stays the same. Reset the external green/white chips only; leave all red liability chips in place.



IMPLEMENT YEAR 2 STRATEGIES

Before beginning Zodiac's quarterly operations, take the following actions based on the strategies you have decided to implement:

- ☐ Pay off \$10 million of the bank loan.
 - Move \$10 million from *Cash* to *Bank Loan*.
 - Take \$10 million in red liability chips from *Bank Loan* and put in the chip box.
- ☐ Invest \$1 million in property, systems and equipment for new IT capabilities.
 - Move \$1 million from *Cash* to *Property, Systems & Equipment*; flip the chip to white.
- ☐ Invest \$2 million in product development.
 - Move \$2 million from *Cash* to *Product Development*.
- ☐ Invest \$1 million in the financial markets, as they are still going strong.
 - Move \$1 million from *Cash* and place on top of chips in *Investments*; flip the chip to white.

YEAR 2, QUARTER 1

You have \$8 million in orders for TPA and \$8 million in orders for BAS this quarter. Begin using your new billing and payment terms!

- ☐ File taxes for last year, and pay any amount due (refer to your Year 1 financial statements).
- ☐ Invoice your TPA clients as you begin work on their projects (recall your new payment terms).
 - Move a stack of \$8 million from *Forecasted Orders TPA*; place \$4 million in *Accounts Receivable TPA* (flip to white) and place the remainder in *Cash*.
- ☐ Invoice your BAS clients as you begin work.
 - Move a stack of \$8 million from *Forecasted Orders BAS*; place \$4 million in *Accounts Receivable BAS* (flip to white) and place the remainder in *Cash*.
- ☐ Take \$5 million from *Cash* to pay your staff.
 - Place \$4 million in *Staff TPA*; flip the chips to white.
 - Place \$1 million in *Staff BAS*; flip the chips to white.
- ☐ Purchase external resources needed for TPA, using your new supplier payment terms.
 - Move \$1 million (one white chip) from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Take one red liability chip from the chip box and place in *Supplier Payments TPA, Q1* to represent what you owe the supplier (accounts payable).
- ☐ Purchase external resources needed for BAS, using your new supplier payment terms. Efficiencies gained from cross-training and process improvement initiatives have reduced the need for external BAS resources by \$1 million.
 - Move \$1 million (one white chip) from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Take one red liability chip from the chip box and place in *Supplier Payments BAS, Q1* to represent what you owe the supplier (accounts payable).
- ☐ Pay for sales and support.
 - Move \$1 million from *Cash* to *Sales & Support Expenses TPA* and flip to white.
 - Move \$1 million from *Cash* to *Sales & Support Expenses BAS* and flip to white.

-
- ☐ Check to see if there is a CHANCE CARD this quarter.
 - ☐ Deliver your TPA services.
 - Move all the chips in *WIP TPA* into one stack; place a container over the stack and move to *Delivered Services TPA*.
 - ☐ Collect prior receivables for TPA.
 - Move the previous stack (\$8 million) from *Accounts Receivable TPA* to *Cash* and flip to green.
 - ☐ Deliver your BAS.
 - Move all the chips in *WIP BAS* into one stack; place a container over the stack and move to *Delivered Services BAS*.
 - ☐ Collect prior receivables for BAS.
 - Move the previous stack (\$8 million) from *Accounts Receivable BAS* to *Cash* and flip to green.
 - ☐ Pay overhead expenses for the quarter.
 - Move \$2 million from *Cash* to *General & Administrative*; your marketing, advertising, training and process improvement initiatives have doubled G&A costs.
 - ☐ Account for any lost staff hours.
 - Transfer any chips left in *Staff* to *Lost Staff Hours*.

YEAR 2, QUARTER 2

You have \$8 million in orders for TPA, and also some great news! The forecasted orders for BAS have closed earlier than expected.

- ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA*; place \$4 million in *Accounts Receivable TPA* (white) and place the remainder in *Cash* (green).
- ☐ Invoice your BAS clients.
 - Move a stack of \$8 million from *Forecasted Orders BAS*; place \$4 million in *Accounts Receivable BAS* (white) and place the remainder in *Cash* (green).
- ☐ Pay suppliers for all external resources used last quarter (in Quarter 1).
 - Replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ Pay your staff. Your new IT capabilities, combined with training and process improvement efforts, have resulted in reduced internal labor costs. Fewer direct staff members are needed for TPA. These savings coincide with several staff retirements. In addition, some employees have been reallocated to G&A and Product Development.
 - Move \$3 million from *Cash* to *Staff TPA* and flip to white.
 - Move \$1 million from *Cash* to *Staff BAS* and flip to white.
- ☐ Purchase external resources needed for TPA, using your new supplier payment terms.
 - Move one white chip from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Take one red liability chip from the chip box and place in *Supplier Payments TPA*, Q2 to represent what you owe the supplier (accounts payable).
- ☐ Purchase external resources needed for BAS, using your new supplier payment terms.
 - Move \$1 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Take one red liability chip from the chip box and place in *Supplier Payments BAS*, Q2 to represent what you owe the supplier (accounts payable).

-
- ☐ Pay for sales and support.
 - Move \$1 million from *Cash* to *Sales & Support Expenses TPA* and flip to white.
 - Move \$1 million from *Cash* to *Sales & Support Expenses BAS* and flip to white.
 - ☐ Check to see if there is a CHANCE CARD this quarter.
 - ☐ Deliver your TPA services.
 - Move all the chips in *WIP TPA* into one stack; place a container over the stack and move to *Delivered Services TPA*.
 - ☐ Collect prior receivables for TPA.
 - Move the previous stack (\$4 million) from *Accounts Receivable TPA* to *Cash* and flip to green.
 - ☐ Deliver your BAS services.
 - Move all the chips in *WIP BAS* into one stack; place a container over the stack and move to *Delivered Services BAS*.
 - ☐ Collect prior receivables for BAS.
 - Move the previous stack (\$4 million) from *Accounts Receivable BAS* to *Cash* and flip to green.
 - ☐ Move \$2 million from *Cash* to *General & Administrative* to pay expenses for the quarter.
 - ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

YEAR 2, QUARTER 3

You have \$8 million in orders for TPA this quarter, but all forecasted orders for BAS have been processed.

- ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA*; place \$4 million in *Accounts Receivable TPA* and place the remainder in *Cash*.
- ☐ Pay suppliers for all external resources used last quarter.
 - Replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ Pay your staff.
 - Move \$3 million from *Cash* to *Staff TPA* and flip to white.
 - Move \$1 million from *Cash* to *Staff BAS* and flip to white.
- ☐ Obtain additional resources. To reduce lost staff hours and take advantage of your cross-training efforts, you have reallocated employees from BAS to help with TPA. This totally eliminates your need for external resources this quarter for TPA!
 - Move the chip in *Staff BAS* to *Staff TPA*.
- ☐ Pay for TPA sales and support.
 - Move \$1 million from *Cash* to *Sales & Support Expenses TPA* and flip to white.
- ☐ Check to see if there is a CHANCE CARD this quarter.
- ☐ Deliver your TPA services.
 - Move all the chips in *WIP TPA* into one stack; place a container over the stack and move to *Delivered Services TPA*.
- ☐ Collect prior receivables for TPA.
 - Move the previous stack (\$4 million) from *Accounts Receivable TPA* to *Cash*.
- ☐ Collect prior receivables for BAS.
 - Move the previous stack (\$4 million) from *Accounts Receivable BAS* to *Cash*.
- ☐ Move \$2 million from *Cash* to *General & Administrative* to pay expenses for the quarter.
- ☐ Account for any lost staff hours. Congratulations on your efforts to reduce lost staff hours by cross-training and reallocating employees!

NEW STRATEGY TO INCREASE SALES FOR BAS



You have been effective in managing expenses, but sales growth is key to long-term profitability. After meeting with you about this issue, VP of Sales Ted Riley investigated several possible strategies. He and his sales team feel that either of the options below could have quick results.

Choose one of the following now: _____

☐ **Option A: You will focus on additional BAS opportunities within high-growth companies in your traditional market segments.**

This strategy will require an investment of \$1 million to do the following:

- Identify the highest-growth companies in Zodiac's existing market segments, and target clients and prospects for increased BAS sales and marketing activities.
- Hire additional salespeople for these target accounts. They will receive bonuses on additional sales they generate.
- Upgrade the features and capabilities of your existing customer relationship management (CRM) software.
- Provide sales training on relationship building, business acumen and major account management.

☐ **Option B: You will focus on BAS opportunities in a new market segment: the fast-growing and highly profitable healthcare market.**

This strategy will require an investment of \$1 million to do the following:

- Partner with an experienced, reputable company to sell BAS services in the healthcare market. This partner will tap into its established client networks to identify opportunities for Zodiac products and services, receiving bonuses for new sales. It will also manage administrative and regulatory details and help to service clients.
- Train the partner's sales force in BAS services and create healthcare-specific marketing materials and internal service delivery processes.
- Design a Zodiac healthcare team dedicated to supporting and communicating with partnership personnel.

After your team has made a choice, continue with Quarter 4 on the next page.

YEAR 2, QUARTER 4

- ☐ Invest in your chosen BAS sales growth strategy.
 - Move \$1 million from *Cash* to *General & Administrative*.
- ☐ Invoice your TPA clients.
 - Move a stack of \$8 million from *Forecasted Orders TPA*; place \$4 million in *Accounts Receivable* and the remainder in *Cash*.
- ☐ Pay your staff.
 - Place \$3 million in *Staff TPA*.
 - Place \$1 million in *Staff BAS*.
- ☐ Check to see if there is a **CHANGE CARD**.

Complete the steps below only for TPA at this time.

- ☐ Purchase external resources needed for TPA, using your new supplier payment terms. Since you now expect a sale for BAS, BAS employees cannot be reallocated to TPA.
 - Move one white chip from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Take one red liability chip from the chip box and place in *Supplier Payments TPA, Q4*.
- ☐ Pay for TPA sales and support.
 - Move \$1 million from *Cash* to *Sales & Support Expenses TPA*.
- ☐ Deliver your TPA services.
 - Move all the chips in *WIP TPA* into one stack; place a container over the stack and move to *Delivered Services TPA*.
- ☐ Collect prior receivables for TPA.
 - Move the previous stack (\$4 million) from *Accounts Receivable TPA* to *Cash*.

Congratulations on the new client for BAS! Sales VP Ted Riley is very excited about this high-profile customer and is hoping to establish a long-term relationship. However, it will require additional help to deliver on time.

- ☐ Invoice your new BAS client.
 - Move the stack of \$8 million from *Forecasted Orders BAS*; place \$4 million in *Accounts Receivable* and the remainder in *Cash*.
- ☐ Purchase external resources to supply highly specialized personnel within a very tight timeline.
 - Move four white chips (\$4 million) from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Take four red liability chips and place in *Supplier Payments BAS, Q4*.
- ☐ Pay for BAS sales and support. Significant expenses were incurred to land this contract, including special industry accreditation and licensing to become a preferred vendor for the client.
 - Move \$3 million from *Cash* to *Sales & Support Expenses BAS*; flip to white.
- ☐ Deliver your BAS services.
 - Move all the chips in *WIP BAS* into one stack; place in a container and move to *Delivered Services BAS*.
- ☐ Move \$2 million from *Cash* to *General & Administrative* to pay expenses.
- ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

YEAR 2, END-OF-YEAR CLOSING

Close the books on Year 2.

- ☐ Pay 10% interest on your \$10 million bank loan.
 - Calculate the interest amount and move that amount from *Cash* to *Interest*.
- ☐ Financial markets continued to do well, and your investments have gained \$1 million. Take one additional chip from the chip box and place, white side up, in *Investment Increase*.
- ☐ Depreciate property, systems and equipment.
 - Move \$2 million from *Property, Systems & Equipment* to *Depreciation*.

Ensure that your game board is correct by comparing it to the one shown by your facilitator, and then continue below.

YEAR 2 FINANCIAL STATEMENTS

- ☐ Complete the INCOME STATEMENT.
 - Figure taxes at 33% of Earnings Before Taxes, and round to the nearest million.
 - For any taxes owed, place the appropriate number of red liability chips in the *Taxes* box on the game board.
- ☐ Complete the BALANCE SHEET.
 - Make sure that your Balance Sheet balances! (Assets = Liabilities + Equity)
- ☐ Calculate RATIOS (percentages).

YEAR 2

INVESTOR MEETING PREPARATION

Congratulations on a good year! Your investors have questions. Be ready to share your responses with the other teams.



NOTES





MAKING A LINK

What are some examples of strategies that address the following in your own organization?

1. Sales growth

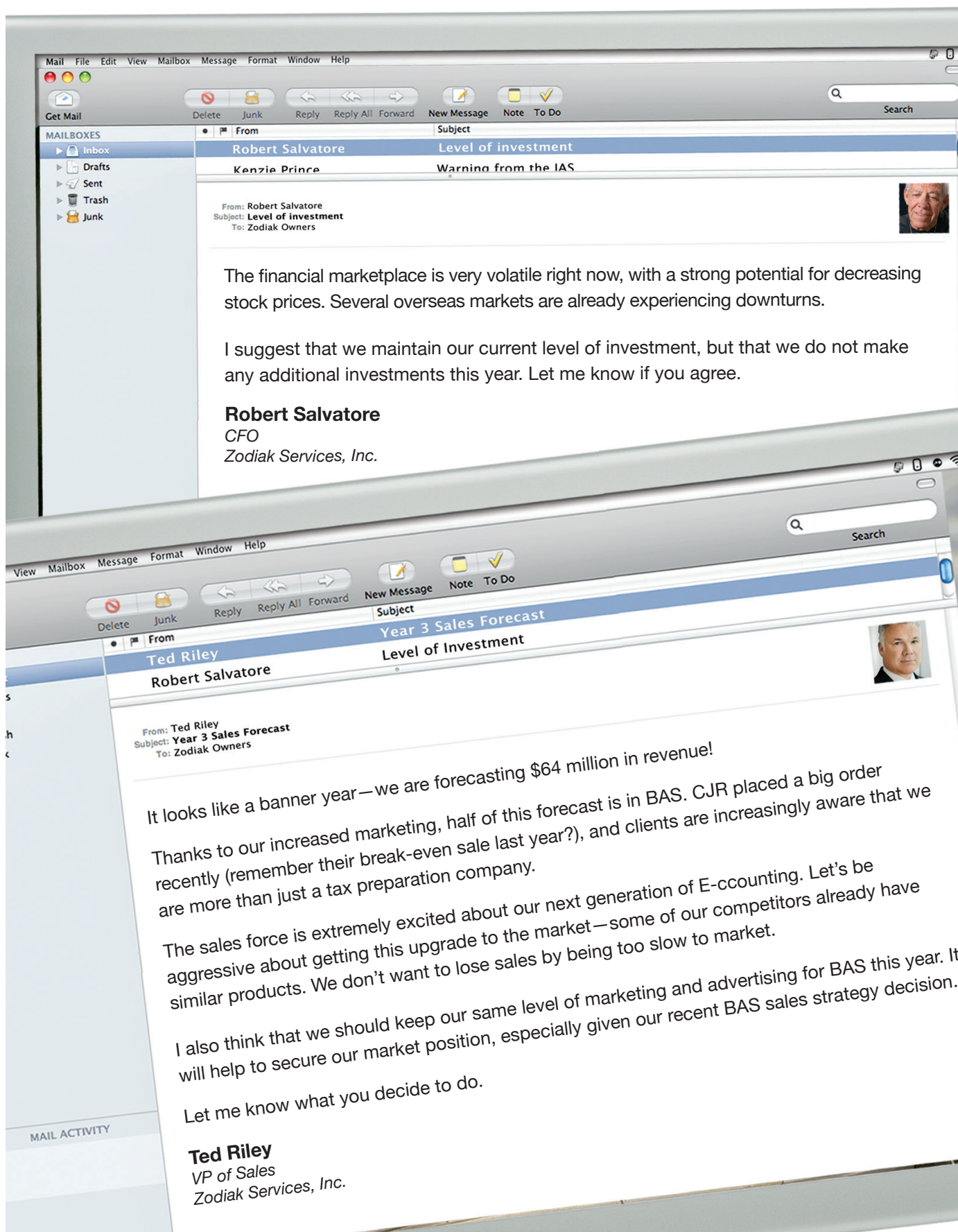
2. Process improvement

3. Supplier and client relations

4. Zodiac tracks ROE, ROA, GPM and ROS. What financial metrics does your organization monitor?

NOTES

BREAKING NEWS



MEMO

MIKO TANAKA
VP OF PRODUCT DEVELOPMENT

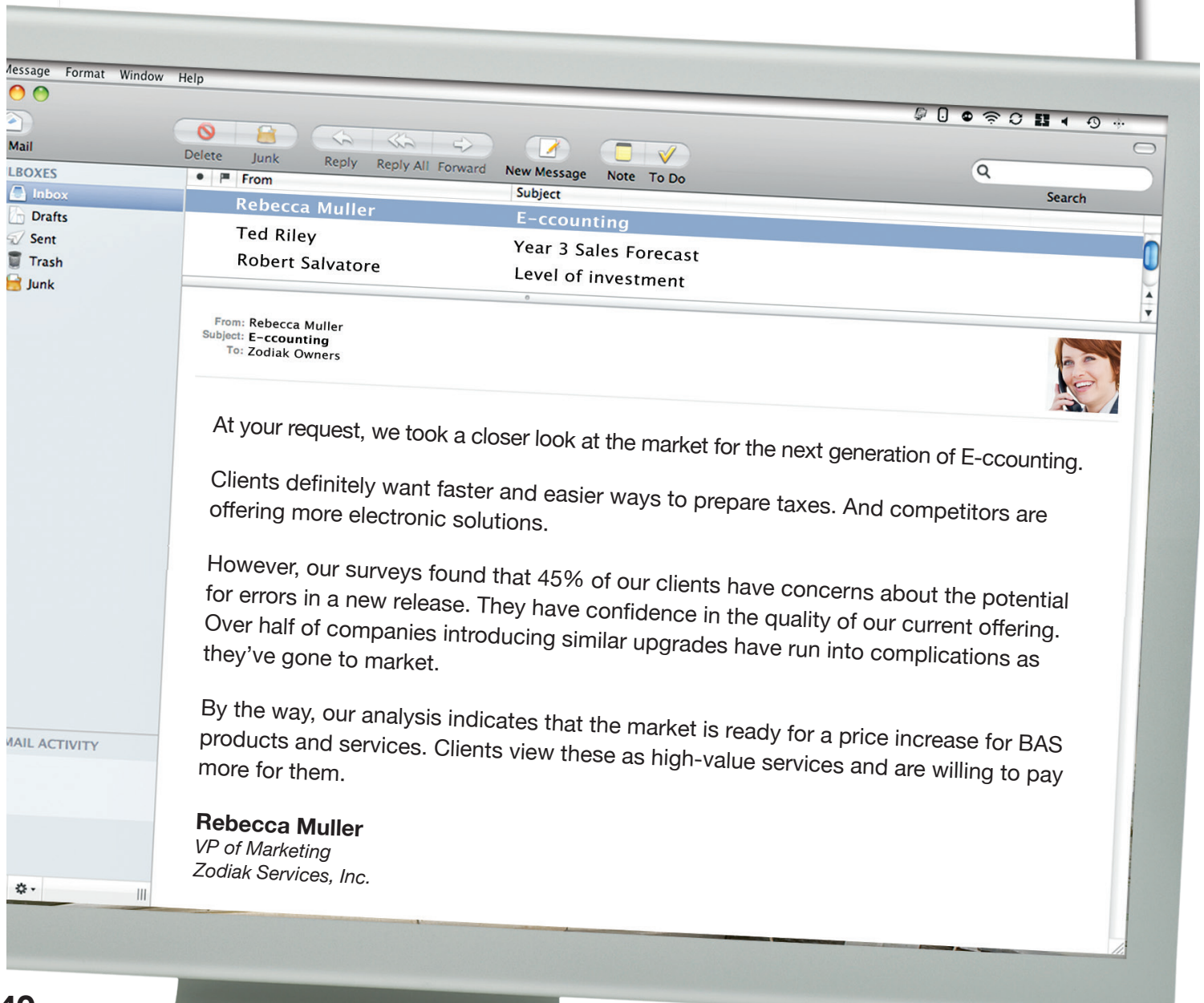
The next-generation E-ccounting upgrade has completed the beta test cycle!

The good news: Based on evaluations and feedback, our test clients love it. Also, our initial projections indicate that it will save \$2 million in quarterly labor costs once we get the bugs out.

The not-so-good news: It's definitely more complex than we anticipated. We found a number of problems that we are working to resolve.

I strongly believe that we need further validity testing. We don't want to lose loyal customers by providing an unreliable product. I'm recommending we launch in the first quarter of next year.

FYI, we are bursting with new product ideas that would vault us past competitors. I'll fill you in later!



YEAR 3 STRATEGIES



Your planning meetings have resulted in the strategies below:

1. **Continue a strong investment in advertising and marketing to support BAS and new products.** This will give Zodiac's full range of services more visibility in the marketplace and promote the Zodiac brand image.
2. **Take the advice of your CFO and maintain your current position in the financial markets.** You feel you have sufficient reserves to cover business risks and decide not to increase investments this year.
3. **Increase product development to \$3 million.** This will allow Zodiac to explore a wide range of new product ideas that can give the company a competitive edge.
4. **Continue your commitment to identifying and implementing environmentally friendly initiatives.** You will focus on reducing waste and conserving energy.

In addition to the above strategies, your team has decisions to make regarding the following strategies for Year 3:

5. Launch the next generation of E-counting.

Launching this major upgrade will require \$3 million in new equipment and \$1 million in additional marketing and advertising. As a team, select between Option A or B.

☐ Option A:

Launch the upgrade now, and satisfy increasing client demand for technology-based solutions. This will keep you solidly ahead in the competitive marketplace and will ensure the retention of current clients. The upgrade is also expected to reduce labor costs; those cost savings can be invested back into the company.

☐ Option B:

Delay launching the upgrade until next year. This will give you more time for reliability testing, and will ensure that you go to market with a high-quality, competitive product. You can concentrate on serving your clients with current products and services, implementing new efficiencies realized in Year 2. This decision will also delay your \$4 million launch costs.

6. Manage your debt.

☐ Option A: Pay off the remaining bank loan.

- You will save \$1 million in interest and improve bottom-line profit.
- You'll strengthen your reputation in the banking community for future financing; being debt-free may also appeal to investors.
- Your new billing procedures and high sales forecast will keep cash flow strong; this loan is no longer needed.

☐ Option B: Keep the \$10 million loan and pay \$1 million in interest.

- You will have a cushion against economic downturns or other impacts on cash flow.
- You'll continue to have a strong banking relationship for later financing needs.
- You may need the cash to invest in other strategies.

7. Reconsider your pricing strategy for Business Advisory Services (BAS).

☐ Option A: Raise the quarterly price of BAS services to \$9 million.

- You will immediately increase top-line revenue.
- BAS is now a proven value-added line of business, with satisfied clients and pent-up demand; a price increase is justified.
- Many of your senior sales personnel believe that this price increase is expected by clients and will be accepted well.
- If you choose Option A, do the following when setting up the board for Year 3:
 - Place a ninth chip on each of the four stacks in *Forecasted Orders*.
 - Write “\$9” on self-stick notes and put one on top of each container.
 - When invoicing, place \$4 million in *Accounts Receivable* and the remainder in *Cash*.

☐ Option B: Do not raise your price.

- Keep the quarterly price of BAS services at \$8 million, and eliminate the risk of damaging client relationships or losing sales to competitors.
- Keeping prices at their current levels will help ensure that this year’s sales forecast is realized.
- A significant number of your sales personnel believe that current prices are competitive and appropriate and that business could be lost with price increases.

8. Determine litigation exposure.

Zodiak Services is facing a lawsuit!

RE: Recent Legal Proceedings

Brandon B. Barrington III
Attorney at law

I received a petition filed this week by Quentin Industries, a former client of Zodiak Services. They claim advice rendered by Zodiak caused them severe economic loss, and are suing for \$6 million.

I contacted their legal staff, and they would be open to a \$2 million out-of-court settlement now. I think the case has a few holes, but it could be worth settling just to get the issue behind you. Based on the jury, you might be exposed regardless of the merits of the case.

In court, the judge could award any or all of the \$6 million to Quentin. Even so, we could get the case thrown out during the appeal process. The case and the appeal would probably not be decided until the end of the year.

More details on the claim are enclosed. I will contact you next Thursday to discuss this matter.

☐ Option A: Settle the lawsuit out of court for \$2 million.

- You'll minimize negative publicity that could damage Zodiak's reputation.
- You'll be able to focus on the launch of your new product instead of a lawsuit.

☐ Option B: Fight the lawsuit and defend Zodiak's reputation.

- Zodiak's brand image is at stake.
- Settling out of court could be seen as an admission of guilt.

STRATEGY SUMMARY AND TEAM FORECAST

- Mark your decisions below and estimate Year 3 results.
- Have one team member tear out the Summary/Forecast and place it on your table.

5. Launch E-ccounting upgrade



- ☐ A. Launch now.
- ☐ B. Delay the launch.

6. Management of Debt



- ☐ A. Pay off the \$10 million loan.
- ☐ B. Keep the \$10 million loan.

7. Pricing Strategy for BAS



- ☐ A. Raise prices to \$9 million.
- ☐ B. Keep prices at \$8 million.

8. Determine Litigation Exposure



- ☐ A. Settle out of court for \$2 million.
- ☐ B. Fight the lawsuit.

Team
Number

Team Forecast
Net Sales/Revenue:

Net Earnings:

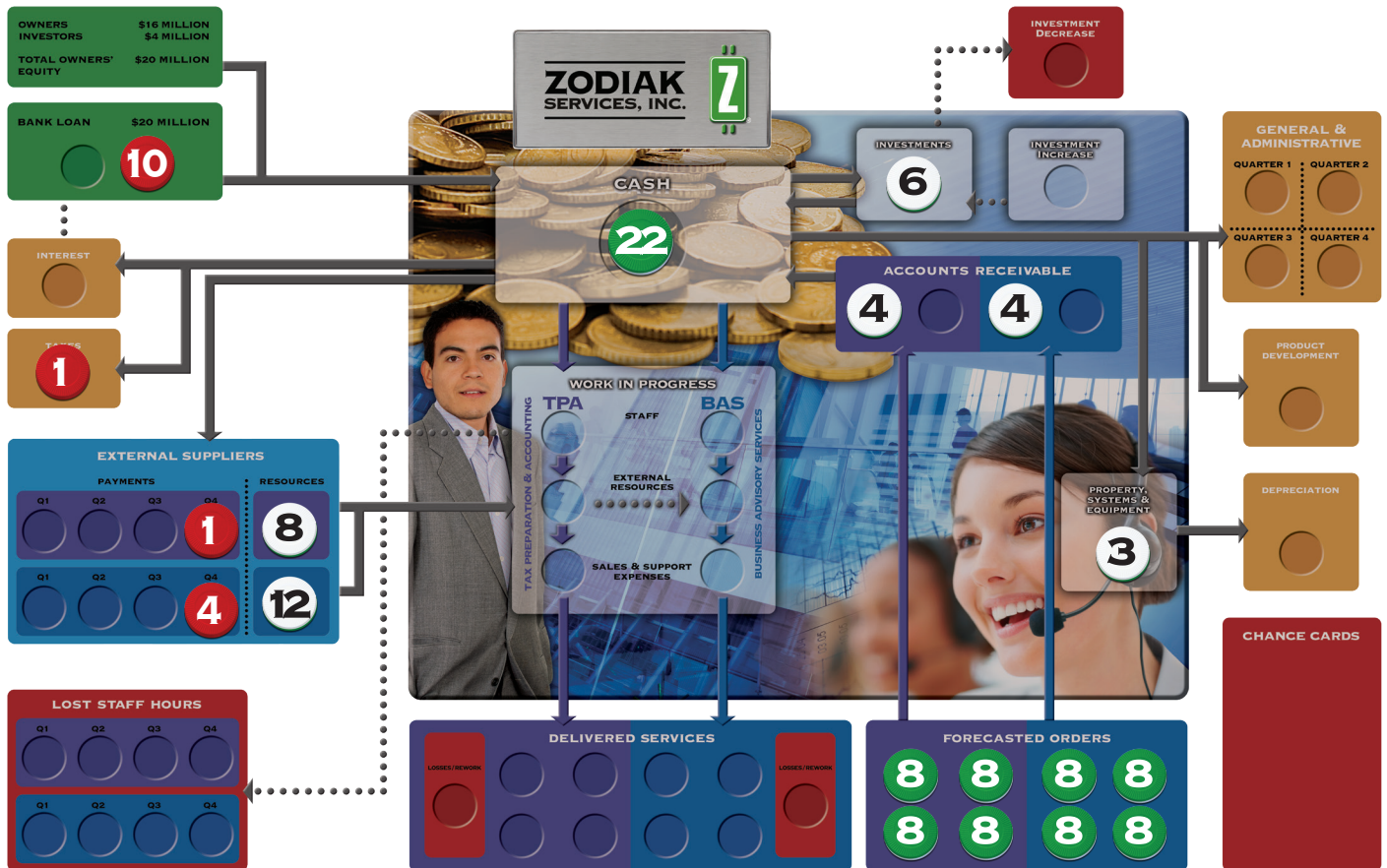
Cash:

YEAR 3 SETUP

It's going to be a great year! Reset your board now.

Move any chips in Investment Increase to Investments. Everything else inside Zodiac stays the same. Reset the external green/white chips only; leave all red liability chips in place.

If you decided to raise prices for BAS, remember to create stacks of nine chips in Forecasted Orders. Add a \$9 self-stick note to the top of the shipping container.



IMPLEMENT YEAR 3 STRATEGIES

Before beginning Year 3 operations, take the following actions based on the strategies you have decided to implement:

☐ Invest \$3 million in product development.

- Move \$3 million from *Cash* to *Product Development*.

☐ Determine action for E-counting launch.



- If you chose to launch right away, move \$3 million from *Cash* to *PS&E* for required equipment; and move \$1 million from *Cash* to *G&A* for marketing and advertising.
- If you chose to delay the launch, no action is required.

☐ Manage your debt.



- If you chose to pay off the loan, move \$10 million from *Cash* to the *Bank Loan* box; move ten red liability chips in *Bank Loan* to the chip box.
- If you chose to keep the loan, no action is required.

☐ Determine litigation exposure.



- If you chose to settle out of court, move \$2 million from *Cash* to *Losses/Rework BAS*.
- If you chose to fight the lawsuit, no action is required at this time.

☐ Support other strategies.

- Prepare to implement new product training and advertising/marketing campaigns.
- Communicate your pricing strategy to your sales force and clients.

NOTE: These strategies require no movement of chips at this time.

YEAR 3, QUARTER 1

- ☐ Pay taxes for last year.
 - Replace each red liability chip in *Taxes* with a green chip from *Cash* and return the red chips to the chip box.

There have been some internal difficulties in billing clients this quarter, so you cannot collect any cash from clients until the problem is resolved.

- ☐ Check for a **CHANCE CARD.**
- ☐ Pay suppliers for external resources used last quarter.
 - Replace each red liability chip in *Supplier Payments* with a green chip from *Cash*; return the red chips to the chip box.
 - If your team does not have enough cash to pay suppliers, STOP and read page 59.
 - If you can pay suppliers, proceed to the next step.

The client billing problems have been solved. You can now process your invoices.

- ☐ Invoice your TPA clients.
 - Move one stack from *Forecasted Orders* to *Zodiak*; place \$4 million in *Accounts Receivable* and the remainder in *Cash*.
- ☐ Invoice your BAS clients.
 - Move one stack from *Forecasted Orders* to *Zodiak*; place \$4 million in *Accounts Receivable* and the remainder in *Cash*.

NOTE: *If you raised the BAS prices, be sure that you have added a chip to each BAS stack in Forecasted Orders.*


- ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).

- ☐ Purchase external resources needed for TPA.
 - Move \$1 million from *Supplier Resources TPA* to *Zodiak's External Resources TPA*.
 - Place one red liability chip in *Supplier Payments TPA, Q1*.
- ☐ Purchase external resources needed for BAS.
 - Move \$1 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Place one red liability chip in *Supplier Payments BAS, Q1*.
- ☐ Pay \$2 million for sales and support; place \$1 million each into *Sales & Support Expenses TPA* and *BAS*.
- ☐ Deliver your services to clients; place chips for TPA and BAS in containers and move to *Delivered Services*.

NOTE: *Projected labor savings for teams that launched already haven't yet been realized due to technical problems, but should be seen next quarter.*

- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

Impact of Year 2 BAS Sales Growth Strategy

-  ☐ If you chose to focus on high-growth clients and prospects in your current market, go to the next page.
- ☐ If you chose to focus on the healthcare market with a partner, turn to page 50.

Impact of Investing to Grow BAS Sales in Current High-Growth Markets

Your decision to focus on BAS opportunities with high-growth clients and prospects has been successful! You are achieving your sales forecast. You now have a chance to get additional sales that were **not** forecasted.



STOP and call your facilitator.



- ☐ If you executed your strategy flawlessly and gained additional sales, continue below.
- ☐ If you did not execute well enough to gain additional sales, go to the bottom of this page for your launch decision.

Process the additional BAS sales that were generated by your high level of execution.

- ☐ Get eight chips from the chip box (nine if you raised prices) and stack in *Forecasted Orders BAS*.
- ☐ Invoice the new BAS clients.
 - Move one stack from *Forecasted Orders* to *Zodiak*; place \$4 million in *Accounts Receivable* (stack on top of the existing BAS chips) and the remainder in *Cash*.
- ☐ Purchase the external resources needed for this additional BAS work. Your internal staff was at full capacity, and you can't process this additional work.
 - Move \$3 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Place three red liability chips in *Supplier Payments BAS, Q1*.
- ☐ Pay \$1 million to *Sales & Support BAS* for bonuses for the new sales.
- ☐ Deliver your services to clients; place chips in a container and move to *Delivered Services BAS*.

Upgrade Launch Decision



- ☐ If you chose to launch the next generation of E-ccounting now, go to page 60 to continue year 3.
- ☐ If you chose to delay the launch, go to page 51 to continue Year 3.

Impact of Partnering in the Healthcare Market

Your decision to focus on the healthcare market has been successful! You are achieving your sales forecast, and now have a chance to get additional sales that were **not** forecasted.



STOP and call your facilitator.



- ☐ If you executed your strategy flawlessly and gained additional sales, continue below.
- ☐ If you did not execute well enough to gain additional sales, go to the bottom of this page for your launch decision.

Process the additional BAS sales that were generated by your high level of execution.

- ☐ Get eight chips from the chip box (nine if you raised prices) and stack in *Forecasted Orders BAS*.
- ☐ Invoice the new BAS clients.
 - Move one stack from *Forecasted Orders* to *Zodiak*; place \$4 million in *Accounts Receivable* (stack on top of the existing BAS chips) and the remainder in *Cash*.
- ☐ Purchase the external resources needed for this additional BAS work. Your internal staff was at full capacity, and you can't process this additional work.
 - Move \$3 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Place three red liability chips in *Supplier Payments BAS, Q1*.
- ☐ Pay \$1 million to *Sales & Support BAS* for your partner commissions on the new sales.
- ☐ Deliver your services to clients; place chips in a container and move to *Delivered Services BAS*.

Upgrade Launch Decision

- ☐ If you chose to launch the next generation of E-counting now, go to page 60 to continue year 3.
- ☐ If you chose to delay the launch, go to page 51 to continue Year 3.

Go to the next page. →

YEAR 3, QUARTERS 2 AND 3

First go down the instructions to complete all of Quarter 2, then start back at top to complete Quarter 3.

Q2 Q3

- ☐ ☐ Invoice TPA clients; move \$4 million from *Forecasted Orders TPA* to *Accounts Receivable TPA* and the remainder to *Cash*.
- ☐ ☐ Invoice BAS clients; move \$4 million from *Forecasted Orders BAS* to *Accounts Receivable BAS* and the remainder to *Cash*.
- ☐ ☐ Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).
- ☐ ☐ Check for a **CHANCE CARD**.
- ☐ ☐ Purchase external resources needed for TPA.
 - Move \$1 million from *Supplier Resources TPA* to *Zodiak's External Resources TPA*; place one red liability chip in *Payments* for the appropriate quarter.
- ☐ ☐ Purchase external resources needed for BAS.
 - Move \$2 million instead of the previous \$1 million from *Supplier Resources* to *Zodiak's External Resources BAS*.
 - Place two red liability chips in *Supplier Payments* for the appropriate quarter.
- ☐ ☐ Pay \$2 million for sales and support (\$1 million each for TPA and BAS).
- ☐ ☐ Deliver your services to clients. Place chips in containers and move to *Delivered Services*.
- ☐ ☐ Collect prior (last quarter's) receivables for both TPA and BAS. (If you made additional Q1 sales in BAS, this will include the stack of eight chips from Q2.)
- ☐ ☐ Pay \$2 million for G&A for this quarter.
- ☐ ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

Go to the next page. →

YEAR 3, QUARTER 4

Impact of Delaying the Launch of E-counting Upgrade

You chose to delay the launch of the E-counting upgrade (despite some client demand). Some TPA clients are considering a switch to a competitor that promised updated technology. Your Quarter 4 sales are at risk.



STOP and call your facilitator.



If you lose sales, turn to page 55 for continuing Year 3 instructions.



If you retain your sales, continue below.

Impact of Pricing Strategy



If you chose to keep BAS pricing at \$8 million, continue with Year 3 below.



If you chose to increase BAS pricing, some of your clients are considering switching to a lower-priced competitor. Your BAS Q4 sales are at risk.



STOP and call your facilitator.



▪ If you lose sales, go to page 58 for continuing Year 3 instructions.

▪ If you keep your customers, continue below.



Invoice clients for TPA services; move chips from *Forecasted Orders* to *Accounts Receivable* and *Cash*.



Invoice clients for BAS; move chips from *Forecasted Orders* to *Accounts Receivable* and *Cash*.



Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.



Pay your staff (\$3 million for TPA, \$1 million for BAS).

Go to the next page. →

Finish processing the orders for TPA ONLY at this time.

- ☐ Purchase external resources needed for TPA; move \$1 million in *Supplier Resources TPA* to Zodiac's *External Resources TPA* and place one red liability chip in *Payments, Q4*.
- ☐ Check for a **CHANCE CARD**.
- ☐ Pay \$1 million for sales and support for TPA.
- ☐ By delaying the launch, your team was able to complete more testing and discover operational efficiencies that will reduce personnel hours required to deliver TPA services.
 - Take only TWO chips from *Staff TPA*, combine with other TPA chips, place in a container and move to *Delivered Services TPA*.

Finish processing the orders for BAS at this time.

- ☐ To reduce lost staff hours and take advantage of your cross-training efforts, you reallocate employees from TPA to BAS.
 - Move any chips in *Staff TPA* to *Staff BAS*.
- ☐ Purchase external resources needed for BAS—fewer will be needed because of your reallocation of internal personnel in the previous step.
 - Move \$1 million from *Supplier Resources BAS* to Zodiac's *External Resources BAS*; place one red liability chip in *Supplier Payments BAS, Q4*.
- ☐ Pay \$1 million for BAS sales and support.

YEAR 3, QUARTER 4

- ☐ Deliver your BAS services to clients; place chips in container and move to *Delivered Services BAS*.
- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours. Congratulations on your efforts to reduce lost staff hours by cross-training and reallocating employees!

Continue with Year 3 Closing on page 65.

YEAR 3, QUARTER 4

You lost \$8 million in orders for TPA, so no contract resources or sales and support expenses are needed for TPA. But you do have \$8 million in orders for BAS this quarter.

Impact of Pricing Strategy



- ☐ If you chose to keep the price of BAS at \$8 million, continue with Year 3 below.
- ☐ If you chose to increase the price of BAS, some clients are considering switching to a lower-priced competitor. Your BAS Q4 sales are at risk.



STOP and call your facilitator.



- If you lose sales, turn to page 57 for continuing Year 3 instructions.
- If you maintain your sales, continue with Year 3 below.

- ☐ Invoice clients for BAS; move chips from *Forecasted Orders* to *Accounts Receivable* and *Cash*.
- ☐ Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).
- ☐ To reduce lost staff hours and take advantage of your cross-training efforts, you reallocate employees from TPA to BAS.
 - Move any chips in *Staff TPA* to *Staff BAS*.
- ☐ Purchase external resources needed for BAS—fewer will be needed because of your reallocation of internal personnel in the previous step.
 - Move \$1 million from *Supplier Resources BAS* to Zodiac's *External Resources BAS*.
 - Place one red liability chip in *Supplier Payments BAS, Q4*.
- ☐ Pay \$1 million for BAS sales and support.

Go to the next page.

- ☐ Deliver your BAS services to clients; place chips in container and move to *Delivered Services BAS*.
- ☐ Check for a **CHANCE CARD**.
- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

Continue with Year 3 Closing on page 65.

YEAR 3, QUARTER 4

You lost your Quarter 4 sales for both TPA and BAS, so:

- No clients will be invoiced.
- No external resources or sales and support expenses are needed.

- ☐ Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS). Even though you have no sales, your staff must be paid.
- ☐ Check for a CHANCE CARD.
- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

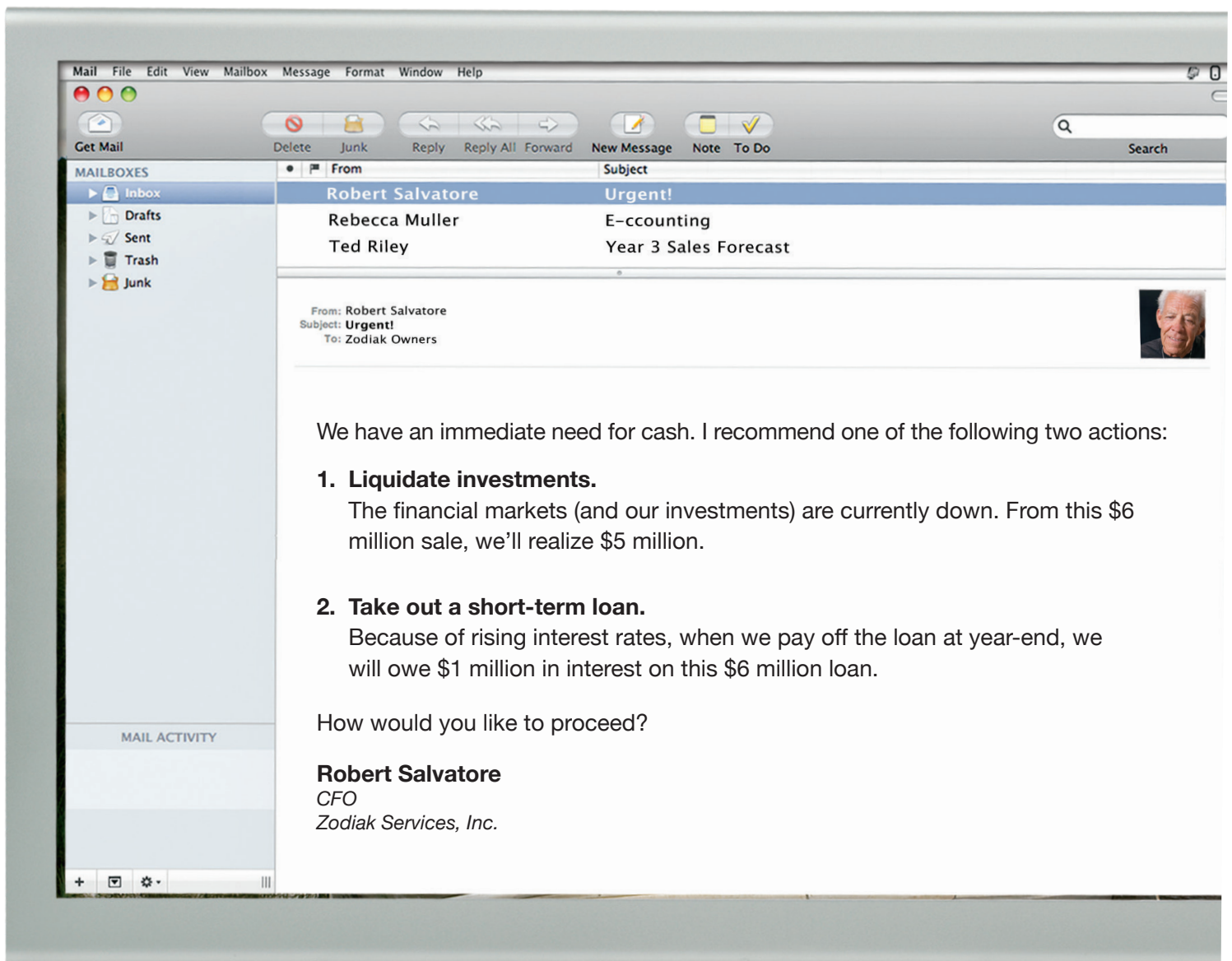
Continue with Year 3 Closing on page 65.

YEAR 3, QUARTER 4

You have \$8 million in orders for TPA, but lost your orders for BAS in Quarter 4. No external resources or sales and support expenses are needed for BAS.

- ☐ Invoice clients for TPA services; move chips from *Forecasted Orders* to *Accounts Receivable* and *Cash*.
- ☐ Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).
- ☐ Purchase external resources needed for TPA; move \$1 million from *Supplier Resources TPA* to *Zodiak's External Resources TPA*; place one liability chip in *Supplier Payments TPA, Q4*.
- ☐ Check for a **CHANCE CARD**.
- ☐ Pay \$1 million for sales and support for TPA.
- ☐ By delaying the launch, your team was able to complete more testing and discover operational efficiencies that will reduce personnel hours required to deliver TPA services.
 - Take only TWO chips from *Staff TPA*, combine with other TPA chips, place in a container and move to *Delivered Services TPA*.
- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours; transfer any chips left in *Staff* to *Lost Staff Hours*.

Continue with Year 3 Closing on page 65.



Do one of the following:

- ☐ Liquidate long-term investments
 - Move \$1 million from *Investments* to *Investment Decreases*. Move \$5 million from *Investments* to *Cash*.
 - Return to page 47 to pay your suppliers.
- ☐ Take out a loan
 - Move \$6 million from the chip box to *Cash*. Place six red liability chips in *Bank Loan*.
 - Return to page 47 to pay your suppliers.

YEAR 3, QUARTERS 2 AND 3

First go down the instructions on both this page and the next, to complete all of Quarter 2 moves. Then come back to the top of this page and complete all the steps for Quarter 3.

Q2 Q3

- ☐ ☐ Invoice TPA clients; move \$4 million from *Forecasted Orders TPA* to *Accounts Receivable TPA* and the remainder to *Cash*.
- ☐ ☐ Invoice BAS clients; move \$4 million from *Forecasted Orders BAS* to *Accounts Receivable BAS* and the remainder to *Cash*.
- ☐ ☐ Pay suppliers for external resources used last quarter; replace each red liability chip in *Supplier Payments* with a green chip from *Cash*, returning the red chips to the chip box.
- ☐ ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).

Process the orders for TPA at this time.

- ☐ ☐ Purchase external resources needed for TPA.
 - Move \$1 million in *Supplier Resources TPA* to *Zodiak's External Resources TPA*; place one red liability chip in *Payments* for the appropriate quarter.
- ☐ ☐ Pay \$1 million for TPA sales and support.
- ☐ ☐ The launch of the E-counting upgrade has not been smooth, but you are now starting to see some increased efficiencies and reduced labor costs for TPA services.
 - Take only TWO chips (\$2 million) from *Staff TPA*, combine with other TPA chips, place in a container and move to *Delivered Services TPA*.
- ☐ ☐ Check for a CHANCE CARD.

Finish processing the orders for BAS at this time.

Q2 Q3

- ☐ ☐ Move the chip in *Staff TPA* to *Staff BAS*. You have cross-trained employees and can temporarily reallocate them from TPA to BAS.
- ☐ ☐ Purchase external resources needed for BAS—fewer will be needed because of your reallocation of internal personnel in the previous step.
 - Move \$1 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Place one red liability chip in *Supplier Payments BAS*, for appropriate quarter.
- ☐ ☐ Pay \$1 million for BAS sales and support.
- ☐ ☐ Deliver your BAS services; place chips in a container and move to *Delivered Services BAS*.
- ☐ ☐ Collect prior (last quarter's) receivables for both product lines. (If you made additional Q1 sales in BAS, this will include a stack of 8 chips in Q2.)
- ☐ ☐ Pay \$2 million for G&A for this quarter.
- ☐ ☐ Account for any lost staff hours. Congratulations on your efforts to reduce lost staff hours by cross-training and reallocating employees!

After completing the steps for Quarter 2, go back to page 60 and complete all the steps for Quarter 3 before moving on to Quarter 4 on the next page.

YEAR 3, QUARTER 4

Impact of Pricing Strategy



☐ If you chose to keep the price of BAS at \$8 million, continue with Year 3 below.

☐ If you chose to increase the price of BAS, some clients are considering switching to a lower-priced competitor. Your BAS Q4 sales are at risk.



STOP and call your facilitator.



▪ If you lose sales, turn to page 64 for continuing Year 3 instructions.

▪ If you maintain your sales, continue with Year 3 below.

☐ Invoice clients for TPA services; move chips from *Forecasted Orders* to *Accounts Receivable* to *Cash*.

☐ Invoice clients for BAS services; move chips from *Forecasted Orders* to *Accounts Receivable* to *Cash*.

☐ Pay suppliers for external resources used last quarter; replace red liability chips in *Supplier Payments* with green chips from *Cash*.

☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).

Finish processing the orders for TPA ONLY at this time.

☐ Purchase external resources.

- Finally! You're seeing the full projected efficiencies and reduced labor costs associated with the E-counting upgrade. No external resources for TPA are needed.

☐ Pay \$1 million for TPA sales and support.

☐ Deliver TPA services; take TWO chips from *Staff TPA*, combine with other TPA chips, place in a container and move to *Delivered Services TPA*.

☐ Check for a **CHANCE CARD**.

Continue the quarter on the next page.

Finish processing the orders for BAS at this time.

- ☐ To reduce lost staff hours and take advantage of your cross-training efforts, you reallocate employees from TPA to BAS.
 - Move any chips in *Staff TPA* to *Staff BAS*.
- ☐ Purchase external resources needed for BAS.
 - Move \$1 million from *Supplier Resources BAS* to *Zodiak's External Resources BAS*.
 - Place one red liability chip in *Supplier Payments BAS, Q4*.
- ☐ Pay \$1 million for BAS sales and support.
- ☐ Deliver your BAS services; place chips in a container and move to *Delivered Services*.

Impact of Launching the E-counting Upgrade

Some clients are questioning the validity of the E-counting upgrade and the accuracy of their reports. You conduct a series of client meetings to demonstrate that E-counting is as reliable as ever.

**STOP and call your facilitator.**

- ☐ If your clients are convinced that E-counting is reliable, continue with Year 3 below.
- ☐ If your clients do not believe E-counting is reliable, you agree to conduct a validity test by auditing their records, using your traditional methods. Your current staff cannot handle this workload, so purchase \$3 million in TPA external resources and place in *Losses/Rework TPA*. Place three red liability chips in *Payments TPA, Q4*. Then continue below.

- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours. Congratulations on your efforts to reduce lost staff hours by cross-training and reallocating employees!

Continue with Year 3 Closing on page 65.

YEAR 3, QUARTER 4

You will process \$8 million in orders for TPA, but lose your orders for BAS this quarter.

- ☐ Invoice clients for TPA services; move chips from *Forecasted Orders* to *Account Receivable* to *Cash*.
- ☐ Pay suppliers for external resources used last quarter; replace any red liability chips in *Supplier Payments* with green chips from *Cash*.
- ☐ Pay your staff (\$3 million for TPA, \$1 million for BAS).
- ☐ Pay \$1 million for TPA sales and support.
- ☐ Purchase external resources.
 - Finally! You're seeing the full projected efficiencies and reduced labor costs associated with the E-counting upgrade. No TPA external resources are needed.
- ☐ Deliver TPA services—take TWO chips from *Staff TPA*, combine with other TPA chips, place in a container and move to *Delivered Services TPA*.
- ☐ Check for a **CHANCE CARD**.

Impact of Launching the E-counting Upgrade

Some clients are questioning the validity of the E-counting upgrade and the accuracy of their reports. You conduct a series of client meetings to demonstrate that E-counting is as reliable as ever.



STOP and call your facilitator.



- ☐ If your clients are convinced that E-counting is reliable, continue with Year 3 below.
- ☐ If your clients do not believe E-counting is reliable, you agree to conduct a validity test by auditing their records, using your traditional methods. Your current staff cannot handle this workload, so purchase \$3 million in external resources and place in *Losses/Rework TPA*. Place three red liability chips in *Payments TPA, Q4*. Then continue below.

- ☐ Collect prior (last quarter's) receivables for both product lines.
- ☐ Pay \$2 million for G&A for this quarter.
- ☐ Account for any lost staff hours; transfer any chips in *Staff* to *Lost Staff Hours*.

Continue with Year 3 Closing on the next page.

YEAR 3 CLOSING

☐ Manage your liabilities.

OR

OR

- If you kept the loan, pay any interest due.
- If you paid off the loan and later took a \$6 million short-term loan, pay the interest now by moving \$1 million from *Cash* to *Interest*. Then, pay off the short-term loan by moving \$6 million from *Cash* to *Bank Loan*. Put the red liability chips in the chip box.
- If you paid off the loan and did not run out of cash, or paid off the loan and liquidated investments, no action is required.

☐ Financial market values are down due to increased interest rates and an unstable economy. If you have money remaining in investments, move \$2 million from *Investments* to *Investment Decrease*.

☐ Depreciate *Property, Systems & Equipment* by \$1 million.

Impact of litigation decision

☐ If you settled the lawsuit out of court at the beginning of the year for \$2 million, no action is required. Continue below.

☐ If you decided to fight the lawsuit, you have another decision to make:

OR

- Settle the lawsuit now for \$3 million (the extra \$1 million covers additional legal costs incurred during the year); move \$3 million from *Cash* to *Losses/Rework BAS*.
- Live by the jury's decision; they could award up to \$6 million, or the case could be thrown out on appeal and your liability reduced to \$0.



STOP and call your facilitator.

- If you owe for the lawsuit, move that amount from *Cash* to *Losses/Rework BAS*.

☐ Complete your financial statements and ratios.

☐ Taxes are still 33%. **If you received a tax credit, reduce your taxes by \$1 million.** Round taxes to the nearest million and place red liability chips in *Taxes*.

As a team, answer your investors' questions for Year 3. Write notes on the next page.

YEAR 3

INVESTOR MEETING PREPARATION



NOTES



YEAR 3 STRATEGY DECISION IMPACT

WHAT WERE THE IMPACTS OF YOUR DECISIONS?

You made several strategy decisions during Year 3, and each had an impact on the business. Use the chart below to capture the answers to these questions:

1. What decisions did you make for each strategy?
2. What specific effect did each decision have on your financial results?
3. Do you think your decision was a good one?
4. Why or why not? What was the story?

STRATEGY (CIRCLE ONE)	IMPACT ON FINANCIAL RESULTS	GOOD DECISION? (CIRCLE ONE)	WHY OR WHY NOT? WHAT'S THE STORY?
Upgrade E-ccounting: Launch right away or Delay		Yes No	
Manage debt: Pay off loan or Keep loan		Yes No	
Pricing: Raise to \$9 million or Keep at \$8 million		Yes No	
Determine litigation exposure: Settle or Fight		Yes No	

EXERCISE A

WHAT IF...YOU REDUCED YOUR PRICES?

What if a major competitor had launched an aggressive pricing strategy in Year 3?

You could have considered reducing the price of your products by 10% to meet this challenge. Let's see what the impact would have been if you had implemented this discount.

Assume you sold all your products throughout the entire year for 10% less but were unable to make any other changes in cost of sales, G&A or other expenses. Working with your group, refigure your income statement and answer the questions below.

1. What would your Earnings Before Interest & Taxes (EBIT) have been?

\$ _____

2. How much less is this than your Year 3 actual EBIT?

\$ _____ or _____ %

3. Would there have been any other impact on your business?

4. Would discounting your services have been a serious mistake?
Why or why not?

EXERCISE B

WHAT IF...YOU WANTED TO INCREASE PROFITABILITY?

What if you had the chance to either increase sales or decrease expenses in Year 3 as a strategy to increase profits?

Scenario 1 – Increase Sales/Revenue

Increase sales by \$4 million. Cost of sales would increase by \$1.5 million, but no other expenses would increase.

Scenario 2 – Decrease Expenses

Decrease product development expenses by \$1 million, and decrease G&A expenses by \$3 million.

How much in earnings before taxes would each scenario provide? Work with your team to answer the questions below.

1. Scenario 1 – Increase Sales/Revenue \$ _____ Earnings Before Taxes
2. Scenario 2 – Decrease Expenses \$ _____ Earnings Before Taxes
3. Which strategy is better, and why?

4. Organizations sometimes announce strategies to expand the business (for example, by increasing sales and marketing initiatives, investing in new products, or implementing training programs), only to shift later into a cost-cutting mode. Why does this happen?

EXERCISE C

WHAT IF...YOU WANTED TO MAINTAIN ROS WITH NEW EXPENSES?

What if Zodiak had experienced these unexpected (and unbudgeted) expenses?

- A drink is spilled on a computer, which is replaced for \$3,000.
- An additional employee is hired, with a total annual cost of \$75,000 (\$60,000 salary and \$15,000 in taxes/benefits).

In order to offset (“pay for”) these expenses, Zodiak could have either reduced expenses or increased sales. Work with your team to answer questions 1 and 2 below.

1. How much would existing expenses have had to be reduced to offset the cost of each expense?
 - Replacing a computer for \$3,000 \$ _____
 - Hiring a person for a total of \$75,000 \$ _____
2. How much of the year’s sales would it have taken to generate enough profit to pay for these unexpected expenses?

The Return on Sales (ROS) ratio can help you answer this.

- ROS shows what portion of every sales dollar is left after all expenses are deducted. Zodiak’s Year 2 ROS of 5% (\$3 million profit ÷ \$56 million in sales) means that for every dollar of sales, Zodiak was keeping 5 cents.
- ROS can help identify how much in sales is needed to “pay for” an unbudgeted expense, assuming you want to maintain your return of 5 cents on every dollar sold.

Simply use this formula and the Year 2 ROS of 5% to compute your answers below:

Expense \$ ÷ ROS%

- Replacing a computer for \$3,000 \$ _____
- Hiring a person for a total of \$75,000 \$ _____

NOTE: This calculation can be applied to past expenses and sales only. Projecting the level of sales needed to cover future expenses is a more complex calculation, as profit margins, depreciation, taxes, etc., would change.

EXERCISE D

WHAT IF...YOU NEEDED TO MAKE INVESTMENT DECISIONS?

What if the scenario below were to unfold in Year 4?

You are thrilled! The sales forecast is \$80 million, an increase over Year 3. However, your financial group has alerted you to the fact that the tightening economy seems to be forcing you to extend longer payment terms to many of your clients. Your department heads have submitted requests for the following:

- An increase of \$4 million in product development to fund development of a great new product that shows promise similar to that of E-counting
- The purchase of new office equipment for \$2 million (it has not been updated in several years)
- The opening of a new international branch (a substantial new market opportunity for Zodiak) that will cost \$3 million
- The hiring of additional sales and marketing staff for \$2 million

All these requests are for the first quarter of Year 4. Working with your group, decide what you would want to consider about each request before you would approve it.

\$4 million increase for product development:

\$2 million for new office equipment:

\$3 million for international office:

\$2 million for sales and marketing staff:

EXERCISE E

WHAT IF ...YOU HAD TO DISCONTINUE A PRODUCT LINE?

What if, in Year 4, your investors ask you to consider selling off or discontinuing one of your two product lines in order to increase internal efficiencies and present a clearer brand image in the marketplace? Working with your team, answer the questions below.

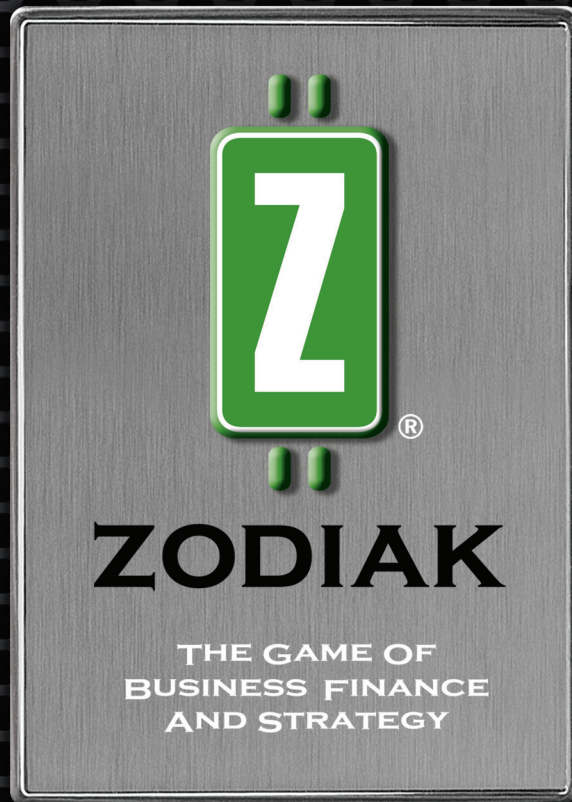
1. Which product line would you consider eliminating, and why?

2. What savings could be associated with selling or discontinuing this product line?

3. What costs would be associated with this decision?

4. Is the investors' idea of eliminating a line a good one? Why or why not?

5. What would you do with the proceeds of this sale?



CONNECTIONS

The following exercises are designed to help you make connections between what you have learned in the Zodiak game and the strategic and financial issues of your own company.

EXERCISE 1

SIMILARITIES AND DIFFERENCES

Working with your team, use the space provided below to list ways in which your company is similar to Zodiac and ways in which it is different.

Similarity example: Allocating staff across product lines was an important strategy for Zodiac. It may also be important in your business.

Difference example: Zodiac was a privately held company. Your company may sell shares of stock to the public.

Plan to share your responses with the large group.

SIMILARITIES	DIFFERENCES

EXERCISE 2

THE NUMBERS AND THE STORY BEHIND THE NUMBERS

Let's look at your own company's terms, measures and ratios. Using your company's latest financial information, complete the chart below. Calculate any change over the past two years.

ZODIAK TERMINOLOGY	OUR TERMINOLOGY	OUR COMPANY NUMBERS		CHANGE +/-
		LAST YEAR	PRIOR YEAR	
Sales/Revenue				
Gross Profit				
EBIT				
Net Profit				
ROA				
ROS				

While it's important to know the numbers, it's equally important to understand the story behind the numbers. With your team, identify the key changes noted in your financial measures, and come up with your best explanation about these changes.

KEY CHANGE	THE STORY BEHIND THIS IS...

EXERCISE 3

MAKE PROFIT AND GENERATE CASH: MY ORGANIZATION

Work with your team to complete the following activities. Be ready to share your responses.

You learned that there are two ways to increase profit: reduce expenses and/or increase revenue. You also learned that managing cash is critical. During this exercise, you will analyze what your organization is doing to:

- Reduce expenses
- Increase revenue
- Better manage cash

1. During the game of Zodiac, you implemented several strategies that reduced expenses and improved your cost of sales, such as:
 - Implementing process improvements and efficiencies
 - Purchasing new/upgraded systems and equipment
 - Reducing lost staff hours and gaining staff flexibility

Identify at least four similar expense reduction strategies that your organization has implemented, and:

- A. Write each cost-reduction strategy on a separate self-stick note.
- B. Place each on the game board where you think the strategy has had (or is having) the greatest impact.

NOTES

-
2. During the game of Zodiak, you implemented strategies that increased sales and/or market share, such as:

- Focusing on current growth markets or the health care market
- Investing in marketing and advertising
- Making pricing decisions

Identify at least four similar sales growth strategies that your organization has implemented, and:

- A. Write each sales growth strategy on a separate self-stick note.
- B. Place each on the game board where you think the strategy has had (or is having) the greatest impact.

NOTES

3. During the game of Zodiak, you managed your cash (and other assets) by:

- Changing payment terms (customers and suppliers)
- Paying down debt
- Making capital investments for customer retention and growth

Identify at least four similar cash management strategies that your organization has implemented, and:

- A. Write each cash management strategy on a separate self-stick note.
- B. Place each on the game board where you think the strategy has had (or is having) the greatest impact.

NOTES

Leave these self-stick notes on the game board for the next exercise.

EXERCISE 4

MAKE PROFIT AND GENERATE CASH: MY DEPARTMENT

Work with your team to complete the exercise below. Be ready to share your responses.

Look again at the self-stick notes on your game board. Choose two of each type of strategy; list them below, and come up with ways that your team, department or function can impact or support them.

ORGANIZATIONAL STRATEGIES TO REDUCE EXPENSES	HOW MY TEAM/DEPARTMENT/FUNCTION CAN IMPACT OR SUPPORT

ORGANIZATIONAL STRATEGIES TO INCREASE REVENUE	HOW MY TEAM/DEPARTMENT/FUNCTION CAN IMPACT OR SUPPORT

ORGANIZATIONAL STRATEGIES TO BETTER MANAGE CASH	HOW MY TEAM/DEPARTMENT/FUNCTION CAN IMPACT OR SUPPORT

EXERCISE 5

MY PERSONAL IMPACT

You have just reviewed the financial and strategic drivers of success for your organization and your department. Take some time now to consider how *you* can make a personal contribution to success.

Step 1: Identify your areas of influence

Which of the following areas can you influence? Is your potential to influence high, medium or low? Why?

AREA OF IMPACT	MY INFLUENCE (CIRCLE ONE)	EXPLAIN RATING
Reducing a department expense	Low / Medium / High	
Increasing sales/revenue	Low / Medium / High	
Improving supplier relationships, costs or processes	Low / Medium / High	
Improving customer satisfaction/loyalty	Low / Medium / High	
Improving customer collections or terms	Low / Medium / High	
Improving use of property or equipment	Low / Medium / High	
Influencing product development (ideas/processes)	Low / Medium / High	
Influencing success of a project team	Low / Medium / High	
Purchasing equipment or materials	Low / Medium / High	
Improving departmental productivity/processes	Low / Medium / High	
Improving product or service quality	Low / Medium / High	
Influencing the recruitment or retention of employees	Low / Medium / High	
Other _____	Low / Medium / High	

Step 2: Identify possible actions on the job

Choose two of the areas from Step 1 **where you have a medium to high influence** and where you believe that you could **make an impact on the company within the next few months**.
List actions you could take and their possible impact.

PERSONAL INFLUENCE AREA #1	ACTIONS I COULD TAKE	DESCRIBE POSSIBLE IMPACT

PERSONAL INFLUENCE AREA #2	ACTIONS I COULD TAKE	DESCRIBE POSSIBLE IMPACT

Step 3: Plan a personal impact project

From your list of actions, decide on ONE you will take **in the next 30 days** to have an impact on the organization's top line, bottom line, strategic objectives or all of these. Fill out this form to get started.

PERSONAL IMPACT PROJECT
Project description (action I will take):
Targeted impact (be as specific as possible):
Financial information needed: <ul style="list-style-type: none">What do you need?Where will you get this information? By when? Strategy information needed: <ul style="list-style-type: none">What do you need?Where will you get this information? By when?
How will you measure the project's success? <ul style="list-style-type: none">What measures will you use?When will you be able to measure impact?

<p>Who needs to be involved in this project?</p> <ul style="list-style-type: none"> How will you get this involvement?
<p>Who needs to approve this project?</p> <ul style="list-style-type: none"> How will you get this approval?
<p>What is your next step?</p> <ul style="list-style-type: none"> When will you take it?

Planning Tips:

- Be as specific as possible about your project and the steps you'll need to take.
- Use your knowledge of financial concepts and terms, as well as your understanding of your organization's financial drivers, to target and monitor financial impact.
- Consider everyone who needs to be involved in your project and get their commitment in advance.
- Use resources within the organization to gather financial information or to ensure strategic compatibility of your plan.

Implementation Tips:

- Review this project with your manager for input and agreement to proceed.
- Review this project with a trusted peer for input and encouragement.
- Use a project planning tool to track implementation of your project. Your organization may have one, or check out simple (often free) tracking tools available on Internet sites.
- Be persistent. Projects sometimes get derailed in the press of day-to-day business. Keep moving ahead, and track your progress.
- Set a target date for completion, using your calendar to capture periodic milestones.
- Measure results financially, if possible, and link results to strategic impact.
- Plan how you will communicate your results – to your manager, staff and/or peers.
- Celebrate success along the way and at the completion of your project.

GLOSSARY OF TERMS

accounting	Methods and rules used in the collection and recording of financial data, which is then summarized into reports called financial statements.
accounts payable	Amounts owed by the company to suppliers of goods and services.
accounts receivable	Amounts owed to the company, usually arising from the sale of goods or services to customers.
accrual method	A system of accounting that matches income and expenses to the period of time in which they are earned or used.
administrative expenses	The costs incurred in marketing, selling and distributing products and in administering the operation of a business. Also referred to as “common costs”; “overhead”; “indirect costs”; or “selling, general and administrative (SG&A) costs.”
amortization	An accounting procedure that gradually reduces the cost value of an intangible asset (example: goodwill); similar to depreciation. The purpose is to reflect resale or redemption value.
annual report	A report provided to shareholders and the community containing financial statements that summarize the company’s financial activities for the past year and any significant plans for the future.
asset	Any economic material owned by a company; this includes current assets (cash, accounts receivable, inventory, etc.) and fixed assets (land, buildings, vehicles and equipment). See also “total assets.”
asset management	The strategic use of a company’s assets to maximize benefits/returns to the company.
balance sheet	A document that shows the financial position of a business at a particular date. It lists assets, liabilities and owners’ equity according to a formula: Assets = Liabilities + Equity.
benchmarking	Taking actions to improve competitive position through a deliberate attempt to emulate and surpass what is considered to be world-class performance in important competitive activities.
billable hours	The amount of time that a consultant or other service industry professional charges to a project. This amount, multiplied by an hourly rate, determines the amount of revenue this person can generate for the company within a period of time.
billing rate	The hourly rate that a service industry professional charges a client for his or her time.
bookkeeping	The process of recording financial transactions.

capacity utilization	A ratio that measures a company's actual production of goods or services against its maximum possible production using the same resources. In many businesses, it is calculated by comparing total hours worked against the hours spent on customer-related work. This percentage is rarely 100% since illness, vacation, meetings, training and unassigned time must all be considered.
capital	The amount of long-term debt and owners' equity invested in a company. These funds can be used to purchase assets or pay for operating expenses.
capital expenditure	Money spent to acquire or improve assets that will benefit the company over several years. Examples include buildings and machinery.
capital gains and losses	Gains or losses on the sale of an asset that is not part of the ordinary course of a company's business (example: investments). This is an income tax concept.
capitalization	The accounting rule that determines that an expenditure should be recorded as an asset and depreciated over time, versus being treated as an expense in a single year.
cash and cash equivalents	Refers to money available in cash, money on deposit in banks and any items available for immediate deposit. Those items might include checks, money orders, charge slips, etc. Also called "liquid funds."
cash flow	The amount of cash moving into or out of the company.
cash-to-cash cycle	Elapsed time from the outlay of cash for materials to the receipt of cash after finished products are sold. Also called the "cash conversion cycle."
cash method	The accounting method that records income and expense in the year that cash is received or disbursed (opposite of accrual method).
common stock	Ownership certificates/instruments issued by a corporation. Normally, ownership of common stock carries the right to vote and to receive dividends.
consulting	A service provided by an individual or team of experts who render advice or otherwise help a company. The cost of this service is usually based on an hourly or daily rate for each consultant and support staff member working on the project.
continuous improvement	A term used to refer to quality efforts that focus attention on small but cumulative improvements that add up over time to substantial competitive advantage.

contractor	An individual or company that provides services to another company, but is not employed by that company. Examples include temporary help and experts who are brought in for special projects.
contribution margin	Income after subtracting “variable costs” (see definition) from total sales. This amount is the direct contribution of the product before any fixed costs or other expenses are applied against it.
cost of sales/cost of goods sold	Production costs (labor, materials, overhead) needed to provide the products and services sold to customers during a given period of accounting.
cross-training	A training strategy where employees are prepared to perform different tasks and responsibilities to help out other groups and to enrich the employees’ work experience.
current assets	Those assets that will be sold, consumed or converted into cash within one year. Includes inventory, accounts receivable, cash, etc.
current liabilities	Short-term liabilities or obligations that will be paid off within one year. These include taxes payable, accounts payable, interest on loans, salaries owed to employees, etc.
current ratio	A ratio (current assets divided by current liabilities) that measures a company’s ability to pay its short-term debts as they become due.
cycle time	The time required to complete all operations necessary to produce a service or other deliverable.
days sales outstanding	A financial ratio that reports the speed in which accounts receivable are converted to cash. This ratio is calculated by dividing accounts receivable by revenue divided by 365.
debt	Financial obligation to a bank or other creditor. See “liabilities.”
debt-to-equity ratio	A financial ratio (total liabilities divided by owners’ equity) that shows the extent of dependence a company has on borrowed money.
deferred revenue	An advance payment by customers for goods or services to be delivered at some future date; sometimes called “unearned revenue.”
depreciation	A method of spreading the cost of a fixed asset (example: equipment, buildings) over its useful life.
direct costs	Costs associated with producing a product; generally includes such things as direct material, direct labor, direct overhead, and freight and duty. Also called “variable costs,” these expenses vary depending on how much is produced and/or sold.
dividends	A distribution of cash or stock to stockholders out of the accumulated profits of a corporation.
earnings	The amount of profit a company realizes after all costs, expenses and taxes have been paid. Also called “profit” or “income.”

<i>earnings before interest and taxes (EBIT)</i>	An operating number used to compare the earning power of companies, because it eliminates the impact of interest and tax rates, two non-operating factors.
<i>earnings before interest, taxes, depreciation and amortization (EBITDA)</i>	See “EBIT.”
<i>earnings per share (EPS)</i>	A measure of a company’s profitability, calculated by dividing net profit/income by the number of ordinary shares outstanding. See “stock.”
<i>e-business</i>	A strategy that allows a company to improve its operations or procedures by electronically linking its customers, suppliers and employees through the use of the Internet and/or other systems.
<i>e-commerce</i>	The process of buying and selling goods and/or services via the Internet.
<i>equity</i>	The ownership value of stockholders (assets less liabilities). Also called “owners’ equity,” “stockholders’ equity” or “capital.”
<i>expenses</i>	Costs incurred during a given accounting period in connection with the earning of sales income/revenue.
<i>factoring of receivables</i>	A transaction in which a company will sell its receivables to a bank or other factoring company at a discount to receive immediate cash. The factoring company then assumes the risk and keeps all the proceeds on the collection of these accounts.
<i>fast-to-market</i>	A strategy designed to ensure that a company can develop and sell a product or service as quickly as possible.
<i>financial costs/expenses</i>	Any expenses related to financing, including interest on loans.
<i>financial markets</i>	Markets allowing for the exchange of stocks, bonds and other investments between buyers and sellers.
<i>financial statements</i>	Reports of a company’s operation, generally consisting of the balance sheet, income statement and statement of cash flows.
<i>financing</i>	The process of securing capital and financial commitments to support the operation of a company.
<i>finished goods/products</i>	Those products that have completed the production cycle and are ready to be delivered to customers.
<i>first-in, first-out (FIFO)</i>	An inventory costing method that assumes that the first items produced are the first items sold.
<i>fiscal year</i>	The 12-month time period during which a company’s bookkeeping system records the completed year of operation. A fiscal year can begin in any month.
<i>fixed assets</i>	The value of a company’s real property, plant and equipment. These assets generally remain in a company for several years.

<i>fixed costs</i>	Those costs that generally do not vary with production or sales volume. These include such things as depreciation, rent and long-term leases. Sometimes called “base costs.”
<i>free cash flow</i>	The sum of cash flows generated by operating and investing activities; cash from operations less fixed asset purchases. See also “operating cash flow.”
<i>general and administrative (G&A) expenses</i>	Costs a company incurs in marketing, selling and administering the operation of the business, over and above the direct costs of providing goods and services. Also referred to as “selling, general and administrative (SG&A)”, “indirect costs”, “common costs” or “overhead.”
<i>generally accepted accounting principles</i>	The formal set of rules and conventions that companies use to develop financial statements so that comparisons can be made between companies or periods of time. Also known as GAAP.
<i>goodwill</i>	An intangible asset above and beyond the concrete value of a business or asset; for example, the value of a business’s good name and customer relationships.
<i>gross profit margin (GPM)</i>	A ratio (gross profit divided by net sales) showing profitability of the production cycle. Sometimes called “gross margin” or “gross profit,” and calculated as net sales minus cost of goods sold.
<i>income</i>	See “profit.”
<i>income statement</i>	A financial report showing the outcome of a particular accounting period in terms of sales, expenses, and the profit or loss generated in that period. Also called a “profit and loss statement,” “P&L,” or “operating statement.”
<i>income taxes</i>	Federal, state and city taxes levied, based on a company’s income for a given accounting period.
<i>indirect costs</i>	Costs that are not directly attributed to a product, but are allocated to the product for cost accounting purposes.
<i>inflation/deflation</i>	The trend in which prices for goods and services across the economy rise (inflation) or fall (deflation), based on customer demand for these items.
<i>intangible assets</i>	Nonphysical assets such as trademarks, patents, copyrights, goodwill, brand value, etc.
<i>interest</i>	The cost of borrowing money or the return for lending money, depending on one’s point of view.
<i>inventory</i>	A company’s materials, work-in-process, supplies used in operations and finished products on hand at any given time.

inventory turnover	A ratio that measures how quickly inventory is being sold. The longer inventory remains unsold, the greater the possibility that it will become obsolete.
investment allocation	The distribution of investments among various sources: stocks and bonds of companies of various sizes, international and domestic investments, and investments that have different risk levels. Also called “asset allocation.”
investments	Purchases made by a company that are intended to result in a financial return (example: stocks of other companies, bonds, etc.).
just-in-time (JIT)	A production strategy intended to reduce inventory by coordinating with suppliers and customers to make timely deliveries when products are needed.
last-in, first-out (LIFO)	An inventory costing method that assumes that the last items produced/received are the first ones sold.
lean production	Actions taken by a company to ensure that its assets are being used efficiently in the production process, from purchase of materials through product or service delivery to customers.
liabilities	Amounts owed to creditors; the financial obligations of the company. Includes bank loans, amounts owed to suppliers, etc.
liquid funds	Cash, or those items easily converted to cash.
liquidity	A company’s financial ability to pay its debts and to provide for unanticipated cash demands or opportunities.
long-term liabilities	Amounts owed to creditors but not payable until one year or more from the balance sheet date.
lost staff hours	Personnel time (hours) that is available to be used for client projects but is not. This may be due to a lack of customer orders, inefficiencies, inadequate training or other reasons.
net earnings/loss, net income/loss or net profit/loss	The amount remaining after deducting all costs (including taxes and interest) from all income. Losses are indicated in parentheses on financial statements.
net sales/net revenue	The amount of sales revenue minus any returns, customer credits, adjustments or allowances.
operating capital/working capital ...	Terms used to identify funds available for the operations of an organization; current assets minus current liabilities.
operating cash flow	Cash flow provided by the normal sales operations of a business (cash generated from operations less taxes and interest paid, investment income received and dividends paid). See also “free cash flow.”

operating costs	The collective costs of operating a business, including cost of goods sold, sales and support, overhead, and depreciation.
operating income or loss	The difference between sales/revenue and operating costs. Also known as “operating profit.”
original investment	The capital originally contributed by stockholders. Also called “paid-in capital.”
outsourcing	A strategy to purchase external labor or other resources rather than provide them within the company. This can give support during peak periods and give access to specialized expertise.
overhead	See “general and administrative (G&A) expenses.”
owners’ equity	See “equity.”
preferred stock	Stock in a corporation that gives its owner priority in receiving dividends and corporate assets in the case of liquidation.
pretax income	The amount remaining after deducting all costs, except taxes, from all revenue. The same as profit before taxes or income before taxes.
price-earnings ratio	The current stock price of a company divided by its earnings per share. If this ratio is too high, investors may think that the stock is overpriced when evaluated against the company’s ability to generate net income.
privately held company	A business that has not offered its shares to investors over a public stock market. Investors are sought through a selective process called private placement.
product development	The research and development work that is necessary to bring a new product or service to market or improve a current product or service.
profit	The amount of revenue that remains after accounting for all expenses, such as cost of goods sold, operating expenses, interest and taxes. Also called “income” or “earnings.”
profit and loss (P&L) statement	A financial report showing the outcome of a particular accounting period in terms of the profit or loss generated in that period. Also called a “P&L,” “income statement,” or “operating statement.”
profit margin	An indicator of product/service profitability. May be calculated as gross profit margin (gross profit divided by net sales) or net profit margin (net profit divided by net sales, which is also called ROS).
property, systems and equipment ...	Land, buildings, equipment and other assets used by the company in its operation that have life spans greater than one year. Also known as “property, plant and equipment.”

publicly traded company	A company that has shares of its stock bought or sold over a public stock exchange. Publicly traded companies have different responsibilities in reporting their financial statements and are regulated in the US by the Securities and Exchange Commission.
quick assets	The combination of liquid funds and accounts receivable that can be quickly converted to cash.
ratio (financial)	The calculation of percentages that show relationships between certain items on a company's financial statements.
real property	The value of the real estate that the company owns.
research and development (R&D) ...	The process used to bring a new product or service to market or to improve a current product or service.
retained earnings	The accumulated net profits/losses of a company from prior periods of operation. Newly formed businesses do not have retained earnings.
retention strategies	Actions a company takes to keep its employees from leaving the company. A company endeavors to keep these employees to avoid losing access to their skills, knowledge and abilities.
return on assets (ROA)/ return on net assets (RONA)	A financial ratio (operating profit divided by total assets) designed to measure how well a company is using its assets in the generation of operating profit. Return on net assets (RONA) is calculated using average net assets.
return on capital (ROC)/ return on capital employed (ROCE) .	A measure of how effectively a company is using its capital invested in the business. Typically calculated by subtracting taxes from operating profit and dividing the result by average capital investment in the business (debt plus equity). Also called "return on capital employed (ROCE)."
return on equity (ROE)	A financial ratio (net profit divided by average total equity) that measures how effectively stockholder investments are being managed. Indicates the amount (percentage) earned on a company's common stock investment for a given period. Sometimes called "return on investment."
return on investment (ROI)	The profit (or loss) on an investment, expressed as a percentage. May also refer to returns attributable to ad campaigns, capital equipment, or various programs.
return on sales (ROS)	A financial ratio (net profit divided by net sales) measuring profit in relation to sales (how much profit is generated by each dollar of sales).
returns and adjustments	Product returns by the customer or adjustments made to selling price that are subtracted from sales to arrive at net sales.
revenue	See "sales."

<i>sales</i>	The inflow of cash or other assets received in exchange for goods or services provided to customers; also called “revenue.”
<i>selling, general and administrative (SG&A) expenses</i>	See “general and administrative (G&A) expenses.”
<i>shareholder value</i>	The total market value of the firm; the stock price multiplied by the total number of shares outstanding. Companies are best able to maximize the value of the organization for shareholders when they effectively manage the assets of the business, the cash flow from operations and investors’ expectations of growth.
<i>short-term liabilities</i>	Amounts owed by a company that are due within one year from the date of the balance sheet.
<i>standard cost</i>	An accounting of a product’s total cost. Normally includes direct costs (wages, materials, etc.) and a portion of indirect costs allocated to the product.
<i>statement of cash flows</i>	A financial statement that shows the movement and availability of cash within a company during a specific accounting period.
<i>stock</i>	Units or shares of ownership; shares may be “common” (shareholders have a vote, and make profits through dividends) or “preferred” (shareholders have no vote but are first in line for dividends at fixed rates). “In stock” may also refer to products or goods on hand.
<i>strategic partnership</i>	An alignment, for mutual benefit, of companies with common interests and complementary capabilities.
<i>supply chain</i>	A system of processes, people, technology, activities, information and resources involved in moving a product or service from suppliers to customers.
<i>taxes</i>	Compensation to federal, state or city government for the services enjoyed by a company, based on the company’s earnings. Taxes are recorded as a current liability until actually paid.
<i>total assets</i>	Economic resources owned by a company; the sum of current and fixed assets. Might also include intangible assets such as goodwill (the value of a company’s name in the market), patents and other intellectual property.
<i>variable costs</i>	Production and other expenses that vary depending on how much is produced and/or sold. See “direct costs.”
<i>variable margin</i>	Total sales less variable costs.
<i>work-in-progress (WIP)</i>	Goods that are in the process of manufacture and not yet ready for sale. Also called “work-in-process.”
<i>working capital</i>	The current assets of a company, less current liabilities. Sometimes called “operating capital.”

IT'S ALL THE SAME TO ME...

THERE ARE OFTEN DIFFERENT TERMS THAT CAN BE USED FOR SIMILAR FINANCIAL CONCEPTS. WHICH TERMS DOES YOUR ORGANIZATION USE?

Selling, general and administrative costs (SG&A)	Cost of goods sold	Sales	Profit	Income statement
General and administrative costs (G&A)	Cost of sales	Revenue	Income	Statement of operations
Indirect costs	Variable costs	"Top line"	Earnings	Statement of profit and loss
Fixed costs			"Bottom line"	P&L
Common costs				Income and expense statement
Overhead				

YEAR 1 CASH FLOW STATEMENT (IN MILLION \$)		
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Received		
Cash received from customers (6 x \$8 sales - 16 ending AR + 16 beginning AR)		
Total cash received	(A)	=
Cash Paid Out		
Staff (4 x \$5 million)		
External Suppliers		+
Sales & Support (6 x \$1 million)		+
G&A		+
Product Development		+
Income taxes paid		+
Total cash paid out	(B)	=
Net Cash from Operating Activities (A-B=C)	(C)	=
CASH FLOW FROM FINANCING AND INVESTING ACTIVITIES		
Cash Received		
Cash received from financing		
Cash received from investing		+
Total cash received	(D)	=
Cash Paid Out		
Cash into investments		
Loan principal & interest		+
Investment in PS&E		+
Total cash paid out	(E)	=
Net Cash from Financing and Investing Activities (D-E=F)	(F)	=
Net Increase/Decrease in Cash (C+F=G)	(G)	=

RECONCILIATION		
Net increase/decrease in cash		
Cash at beginning of year		+
Cash at end of year (should equal number of chips currently in <i>Cash</i> on the board)		=

YEAR 2 CASH FLOW STATEMENT

(IN MILLION \$)

CASH FLOW FROM OPERATING ACTIVITIES

Cash Received

Cash received from customers (7 x \$8 sales - 8 ending AR + 16 beginning AR)

Total cash received (A) =

Cash Paid Out

Staff (1 x \$5 million, 3 x \$4 million)

External Suppliers +

Sales & Support (\$4 million TPA, \$5 million BAS) +

G&A +

Product Development +

Income taxes paid +

Total cash paid out (B) =

Net Cash from Operating Activities (A-B=C) (C) =

CASH FLOW FROM FINANCING AND INVESTING ACTIVITIES

Cash Received

Cash received from financing

Cash received from investing +

Total cash received (D) =

Cash Paid Out

Cash into investments

Loan principal & interest +

Investment in PS&E (New equipment) +

Total cash paid out (E) =

Net Cash from Financing and Investing Activities (D-E=F) (F) =

Net Increase/Decrease in Cash (C+F=G) (G) =

RECONCILIATION

Net increase/decrease in cash

Cash at beginning of year +

Cash at end of year (should equal number of chips currently in Cash on the board) =

INCOME STATEMENT (IN MILLIONS \$)		PREVIOUS OWNER	YEAR 1	YEAR 2	YEAR 3	
TOTAL NET SALES/REVENUE (TPA & BAS)		48				
TAX PREPARATION & ACCOUNTING (TPA)						
Net sales/revenue		32				
Cost of sales	-	24	-	-	-	-
Losses/rework	-	3	-	-	-	-
Lost staff hours	-	0	-	-	-	-
TPA gross profit	=	5	=	=	=	=
BUSINESS ADVISORY SERVICES (BAS)						
Net sales/revenue		16				
Cost of sales	-	9	-	-	-	-
Losses/rework	-	0	-	-	-	-
Lost staff hours	-	2	-	-	-	-
BAS gross profit	=	5	=	=	=	=
TOTAL GROSS PROFIT (TPA & BAS)		10				
General & administrative	-	4	-	-	-	-
Depreciation	-	2	-	-	-	-
Product development	-	0	-	-	-	-
Operating profit/loss	=	4	=	=	=	=
Investment increase/decrease	+/-	1	+/-	+/-	+/-	+/-
Earnings before interest & taxes (EBIT)	=	5	=	=	=	=
Interest	-	0	-	-	-	-
Earnings before taxes	=	5	=	=	=	=
Taxes	-	2	-	-	-	-
NET EARNINGS/LOSS	=	3	=	=	=	=

BALANCE SHEET (IN MILLION \$)		PREVIOUS OWNER	YEAR 1	YEAR 2	YEAR 3	
ASSETS						
Cash		16				
Accounts receivable	+	16	+	+	+	+
Total current assets	=	32	=	=	=	=
Other assets (investments, including increases)	+	2	+	+	+	+
Fixed assets (property, systems & equipment)	+	6	+	+	+	+
TOTAL ASSETS	=	40	=	=	=	=
LIABILITIES & EQUITY						
LIABILITIES						
Bank loans		0				
Accounts payable	+	0	+	+	+	+
Income tax due	+	2	+	+	+	+
Total liabilities	=	2	=	=	=	=
EQUITY Total Liabilities + Total Equity = Total Liability & Equity						
Original investment		20				
Retained earnings	+	15	+	+	+	+
Earnings/loss this year	+/-	3	+/-	+/-	+/-	+/-
Total equity	=	38	=	=	=	=
TOTAL LIABILITIES & EQUITY	=	40	=	=	=	=

Return on Equity (ROE)	$\frac{\text{Net Earnings/Loss}}{\text{Total Equity}}$	= 8 %	= %	= %	= %	= %
Return on Assets (ROA)	$\frac{\text{EBIT}}{\text{Total Assets}}$	= 13 %	= %	= %	= %	= %
TPA Gross Profit Margin (GPM)	$\frac{\text{TPA Gross Profit}}{\text{TPA Net Sales/Revenue}}$	= 16 %	= %	= %	= %	= %
BAS Gross Profit Margin (GPM)	$\frac{\text{BAS Gross Profit}}{\text{BAS Net Sales/Revenue}}$	= 31 %	= %	= %	= %	= %
Return on Sales (ROS)	$\frac{\text{Net Earnings/Loss}}{\text{Total Net Sales/Revenue}}$	= 6 %	= %	= %	= %	= %
Capacity Utilization	$\frac{\text{Total Staff Cost - Lost Staff Hours}}{\text{Total Staff Cost}}$	= 90 %	$\frac{(20-2)}{20} =$ %	$\frac{(17-0)}{17} =$ %	$\frac{(16-)}{16} =$ %	= %

These must be the same

These must be the same

CULTURE PARTNERS