

8. **You'd like to implement a bonus program for your key personnel** based on a sharing of profit gains, not merely a sharing of existing profits. What is the best way to structure your bonus program?
9. **What performance benchmarks should you set as a starting point?**

Financial-IQ is designed to be used by you (or your employees) to provide the accurate information you need to answer the questions your business faces every day.

It just might pay for itself the first time you use it.



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FINANCIAL IQ
•
TRANSPORTATION
SOFTWARE



The software program is specifically designed for the transportation industry and it will extract information from a company's balance sheet and profit and loss statement. It is not a benchmark program.

Financial-IQ is a personal computer software program that helps a company analyze the bottom line result of management decisions before (and after) they implement those decisions.

With Financial-IQ, you have accurate, detailed information necessary to make intelligent decisions. It answers thousands of questions in a matter of seconds.

Financial-IQ will:

- **Perform cost and profitability analysis for any segment** of your operations on a:
 - a) historic,
 - b) current, or
 - c) "what if" basis.
- **It can analyze** up to twelve (12) segments of your operations, with side-by-side comparisons and totals of the segments combined.
- **It can measure and analyze a company's actual cost** for each segment, based upon cost allocation formulas you assign to each line item of expense.
- **It can generate detailed cost statements or income statements (profit and loss statements)** which include all direct, indirect, administrative and overhead expenses and revenue for each segment.
- **It can compute cost-based rates or prices** based on actual or budget expenses on each segment.

Financial-IQ works with specific areas of your business (called segments) and gives detailed information in a profit and loss format about each segment. For example, the CEO who bases his decision making on "my cost per mile is \$1.02" is missing the point: some trips cost \$1.02, some cost more, and some cost less. Knowing when, where and why he (or his sales force) can quote a modified rate and still enjoy consistent profits is essential to management control. **With Financial-IQ, your decisions will be proactive, not reactive.** Instead of addressing profitability and decision making questions to your business as a whole (based on "averages" or the "cumulative" information you may be accustomed to), **you can identify accurately and quickly the areas of your business that are most profitable** (and those that are not) and can then pose the important profitability questions to each segment that you now ask of your business as a whole, such as:

What is my bottom line profit from each customer? How many invoiced shipments were unprofitable? Which lanes produced the most/least profit? **Which lanes/shipments would be more profitable if brokered?** Which terminal is most efficient/least efficient? **When and where are profits greater from company drivers vs. owner operators?** Which cost reduction programs worked, and which failed? How much of actual gains/losses in profits were due to economic fluctuations instead of business improvements? **How did overhead/purchased transportation costs change from previous years** when adjusted for market fluctuations, capacity changes, etc.?

In recent applications, one CEO was surprised to learn that his profitability improvement was not due to the recent cost cutting measures he had implemented (in fact, costs had risen as a percentage of profits); in another, the "obvious" conclusion that his owner/operators were more profitable than his company trucks was proven false; **another found that the bonuses his terminal managers "earned" for meeting cost and profitability standards were in fact due to a mis-allocation of corporate overhead (and no bonuses should have been paid);** and yet another found that, although his second largest customer was costing him almost 2% of invoiced revenue, his business would be more profitable if he eliminated that customer.

With Financial-IQ, the results/impact on profits from changes you are contemplating can be instantly seen. You'll be able to instantly, and privately, answer "what if" questions, such as:

1. **You want to make a 5% profit.** What changes will be necessary to achieve your goal? If fuel costs rise when do you need to add a fuel surcharge, and how much should it be?
2. **If you raised your driver pay,** what would be the impact on your bottom line? How much of an increase can you afford? Where and when would you be better off paying drivers' mileage vs. percentage of revenue?
3. **Where and when would you be better off leasing equipment vs. buying?** What lease terms yield the optimal profit/cash flow mix? When is renting equipment to handle short-term business spikes your best option?
4. **A customer offers to double the amount of business he gives your company if you reduce your freight rates by 5%;** should you accept? Under what circumstances should you approach your customers with a similar offer? What would the economic benefit be of slip-seating some/all of your tractors for a particular customer?
5. **A new shipping facility is opening and you have been asked to submit a proposal.** What will your incremental and total costs be for this operation? What would the affect be on your total operation from the volume/revenue increases?
6. **You have an opportunity to open a new terminal.** How much revenue will be required to cover the new facility costs? How will a reallocation of fixed costs (to include the new location) affect your existing terminals?
7. **You have the opportunity to make an acquisition.** What impact will the additional revenue/capacity have on existing costs? What is the maximum purchase price you could offer to keep profitability constant? What would the maximum be if you wanted to increase profits (to a level of your choosing)?