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KPI Checklist

Finance & Control

10 financial KPIs with formula, sector benchmarks and a Power BI implementation tip per KPI.

10	5	3+	Free
KPIS	CATEGORIES	SECTORS	NO REGISTRATION

From complexity to insights through data

How to use this checklist

Work through each KPI and score yourself: are you already reporting on this? Is there a dashboard? Is the data source missing? Use the benchmarks as orientation — not as absolute targets. Financial ratios vary significantly by sector and company size. Questions about your specific situation? Get in touch via the website.

CATEGORIES IN THIS CHECKLIST

Profitability Liquidity Efficiency Solvency Receivables

01 Gross Margin

PROFITABILITY

DEFINITION
The difference between net revenue and cost of goods sold (COGS), expressed as a percentage of net revenue.

WHY MEASURE THIS?
Gross margin is the foundation of profitability. A margin that is too low cannot be rescued by cost savings — the basic economics are broken before overhead is even considered.

FORMULA

(Net revenue – Cost of Goods Sold)
÷ Net revenue × 100%

BENCHMARK BY SECTOR

Wholesale	15–30%
Manufacturing	20–45%
Professional services	50–80%

WHAT DOES THIS KPI TELL YOU?
A gross margin of 20% at a wholesaler is healthy. At a manufacturer with the same margin, there is likely a pricing or cost problem that needs investigating.

PBI **POWER BI IMPLEMENTATION TIP**
Calculate per product group, customer segment and period. Show margin trend per quarter to signal early whether input cost increases are not being passed on to customers.

02 EBIT Margin (Operating Profit Margin)

PROFITABILITY

DEFINITION
Operating profit before interest and tax divided by net revenue. The measure of operational profitability.

WHY MEASURE THIS?
EBIT margin shows whether the business is operationally profitable, independent of financing structure and tax position. Essential for comparing businesses across sectors.

FORMULA

Operating profit (before interest and tax)
÷ Net revenue × 100%

BENCHMARK BY SECTOR

Wholesale	2–5%
Manufacturing	5–10%
Professional services	10–20%

WHAT DOES THIS KPI TELL YOU?
An EBIT margin of 3% at a wholesaler is thin but acceptable. At a services firm, that is a warning sign. Always compare within the same sector — cross-sector comparisons mislead.

PBI **POWER BI IMPLEMENTATION TIP**
Show monthly EBIT margin as a line chart with the annual average as a reference line. Combine with revenue volume to verify whether margin improvements are genuinely structural.

03 Current Ratio

LIQUIDITY

DEFINITION
The ratio of current assets to current liabilities. Measures the ability to meet short-term payment obligations.

WHY MEASURE THIS?
A current ratio below 1.0 means current liabilities exceed current assets — a direct liquidity risk. Banks typically require 1.5 as a minimum for SME lending.

FORMULA

Current assets
÷ Current liabilities

BENCHMARK BY SECTOR

Minimum	≥ 1.0
Healthy	≥ 1.5
Comfortable	≥ 2.0

WHAT DOES THIS KPI TELL YOU?
A ratio of 2.0 sounds safe but may also mean too much capital is tied up in inventory or receivables. Always combine with the quick ratio for a complete picture.

PBI **POWER BI IMPLEMENTATION TIP**
Show current ratio as a monthly gauge with thresholds at 1.0 and 1.5. Combine with inventory movement and receivables balance to identify the cause of fluctuations.

04 Quick Ratio (Acid-Test Ratio)

LIQUIDITY

DEFINITION
Current assets minus inventories, divided by current liabilities. A stricter liquidity measure that excludes inventory — which is difficult to convert to cash quickly.

WHY MEASURE THIS?
The quick ratio shows whether a business can meet its short-term obligations even without selling inventory first. Particularly relevant when stock is seasonal or slow-moving.

FORMULA

(Current assets – Inventories)
÷ Current liabilities

BENCHMARK BY SECTOR

Risk	< 0.8
Adequate	≥ 1.0
Healthy	≥ 1.2

WHAT DOES THIS KPI TELL YOU?
At inventory-heavy businesses (wholesale, manufacturing) the quick ratio is often lower than the current ratio. A gap larger than 0.5 between the two deserves closer examination.

PBI **POWER BI IMPLEMENTATION TIP**
Show current ratio and quick ratio side by side. A large gap reveals how much liquidity depends on selling inventory — that is a concentration risk worth monitoring.

05 Days Sales Outstanding (DSO)

RECEIVABLES

DEFINITION
The average number of days customer invoices remain outstanding before payment is received.

WHY MEASURE THIS?
High DSO extends the cash conversion cycle and increases the need for working capital financing. Every day reduction in collection time is direct liquidity improvement.

FORMULA

(Outstanding receivables ÷ Net revenue)
× 365 days

BENCHMARK BY SECTOR

Wholesale	30–45 days
Manufacturing	30–60 days
Professional services	45–75 days

WHAT DOES THIS KPI TELL YOU?
A DSO of 60 days against a 30-day payment term means customers are taking twice as long to pay on average. One quarter of annual revenue is permanently outstanding.

PBI **POWER BI IMPLEMENTATION TIP**
Segment receivables by age: 0–30, 31–60, 61–90, over 90 days. Show trend per customer group to identify where payment behaviour is deteriorating before it becomes a write-off.

06 Bad Debt Ratio

RECEIVABLES

DEFINITION
The percentage of revenue that proves uncollectable — written-off or credited receivables relative to total net revenue.

WHY MEASURE THIS?
Every euro of bad debt is direct margin destruction. A bad debt ratio of 2% at a 10% margin destroys 20% of profit — before management has noticed anything unusual.

FORMULA

(Uncollectable receivables ÷ Net revenue)
× 100%

BENCHMARK BY SECTOR

Excellent	< 0.5%
Acceptable	< 1.5%
Concerning	> 2%

WHAT DOES THIS KPI TELL YOU?
The bad debt ratio often rises as an indicator of credit risk or a deteriorating customer portfolio before revenue problems become visible. It is an early warning signal.

PBI **POWER BI IMPLEMENTATION TIP**
Link to customer segments and sectors. If a specific sector or customer group consistently produces more bad debt, that is input for credit limit policy — address the structure, not the symptoms.

07 Operating Cost Ratio

EFFICIENCY

DEFINITION
Total operating costs (excluding COGS) divided by net revenue. A measure of operational cost efficiency.

WHY MEASURE THIS?
A rising cost ratio at flat revenue is an early signal of lost scale benefits or cost drift. Essential to monitor during both growth and contraction.

FORMULA

Total operating costs (excl. COGS)
÷ Net revenue × 100%

BENCHMARK BY SECTOR

Excellent	< 15%
Average	15–25%
High	> 25%

WHAT DOES THIS KPI TELL YOU?
A cost ratio of 20% against a gross margin of 25% leaves only 5% EBIT margin. Small overruns have a large effect on the bottom line — every extra percentage point of costs is direct profit erosion.

PBI **POWER BI IMPLEMENTATION TIP**
Break operating costs into personnel, premises and other. Show each category's share as a stacked bar chart per period — immediately visible which cost driver is pushing the ratio up.

08 Solvency Ratio (Equity / Total Assets)

SOLVENCY

DEFINITION
Equity as a percentage of total assets. Measures financial independence and the capacity to absorb losses.

WHY MEASURE THIS?
Low solvency makes a business vulnerable when results disappoint. Banks typically apply 25–30% as the minimum threshold for SME lending and credit facilities.

FORMULA

Equity
÷ Total assets × 100%

BENCHMARK BY SECTOR

Minimum	20–30%
Solid	30–50%
Strong	> 50%

WHAT DOES THIS KPI TELL YOU?
A solvency ratio of 35% is healthy for most SMEs. Many family businesses target above 50% for financial independence — so a bank cannot veto strategic decisions.

PBI **POWER BI IMPLEMENTATION TIP**
Show solvency as an annual trend chart alongside return on equity. If solvency falls while profit rises, that is deliberate leverage policy. If both fall simultaneously, action is needed.

09 Return on Equity (ROE)

EFFICIENCY

DEFINITION
Net profit as a percentage of average equity. Measures the return that owners or shareholders earn on their investment.

WHY MEASURE THIS?
Return on equity shows whether the business generates a better return than alternative investments. Below the risk-free rate, it is a signal to reconsider capital allocation.

FORMULA

Net profit
÷ Average equity × 100%

BENCHMARK BY SECTOR

Minimum	5–10%
Good	10–20%
Excellent	> 20%

WHAT DOES THIS KPI TELL YOU?
An ROE of 15% is a solid benchmark for most SMEs. Above 25% is exceptional and often not sustainable without scale advantages or high financial leverage.

PBI **POWER BI IMPLEMENTATION TIP**
Decompose ROE using DuPont analysis: net margin × asset turnover × financial leverage. This shows exactly which driver is determining ROE and where improvement has the most impact.

10 Working Capital as % of Revenue

LIQUIDITY

DEFINITION

Required working capital (inventories + receivables – payables) expressed as a percentage of net revenue. Measures the capital intensity of the business.

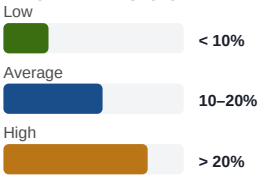
WHY MEASURE THIS?

High working capital requirements demand more financing during growth. Every percent of revenue increase requires proportionally more liquidity — without adequate financing, growth creates cash pressure.

FORMULA

(Inventories + Receivables – Payables)
÷ Net revenue × 100%

BENCHMARK BY SECTOR



WHAT DOES THIS KPI TELL YOU?

Working capital requirements of 15% on €2M revenue means €300,000 permanently tied up. Growth to €3M raises this to €450,000. That funding gap has to come from somewhere.

PBI

POWER BI IMPLEMENTATION TIP

Show working capital trend alongside revenue growth. If working capital grows faster than revenue, there is inefficiency in receivables management, inventory control or payables policy.

NEXT STEP

Ready to put these KPIs to work in your organisation?

Den Otter Solutions builds finance dashboards for SMEs. From accounting system connection to management dashboard — including all 10 of these KPIs built out in your own Power BI environment. Every engagement starts with a Data Start Scan to map the current state and set a realistic build timeline.

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