FREE BUSINESS RESOURCE

# Financing Readiness Guide

Preparing your business before approaching a lender or financing partner.

**Financing starts before the application.**
A strong financing request is built on clear financial information, a credible repayment plan and a well-defined use of funds. This guide helps you identify the information lenders commonly consider and the areas worth strengthening before you apply.

WHAT THIS GUIDE WILL HELP YOU DO

## Build a stronger financing story

- Understand the financial information lenders commonly review.
- Organize the documents and explanations you may be asked to provide.
- Identify cash-flow, debt and reporting issues before they become lender concerns.
- Clarify how much financing you need, what it will be used for and how it will be repaid.
- Know when your business may benefit from additional preparation before applying.

**Important:** Financing criteria vary by lender, product, industry and borrower. This guide provides general business information and does not guarantee approval or constitute legal, tax, investment or lending advice.

01 | FINANCIAL FOUNDATION

# Start with reliable financial information

Before a lender can assess the request, it needs to understand the financial condition and performance of the business.

## Current bookkeeping

Bank and credit-card accounts should be reconciled, major balance-sheet accounts should be supportable, and unexplained historical items should be addressed.

## Financial statements

Have current Profit & Loss and Balance Sheet reports available. Depending on the request, lenders may also ask for accountant-prepared year-end statements and prior-year comparisons.

## Tax filings

Business tax returns, notices of assessment, GST/HST records and payroll remittance history may be relevant. Outstanding government balances should be understood and disclosed.

## Accounts receivable & payable

Be prepared to explain overdue receivables, concentration in major customers, significant supplier balances and unusual aging items.

## Owner/shareholder accounts

Personal expenses, shareholder loans, draws and contributions should be clearly identified so the lender can distinguish business performance from owner activity.

**RRL Tip**

If your financial reports require a long explanation before someone can understand them, address the bookkeeping and reporting issues before submitting the financing package.

02 | CASH FLOW & REPAYMENT

# Show how the financing will be repaid

- Understand the business's normal monthly cash inflows and outflows.
- Identify seasonal peaks, slow periods and working-capital pressure points.
- Know the existing monthly debt and lease commitments.
- Prepare a realistic forecast showing the effect of the proposed financing.
- Be ready to explain what happens if sales are lower or costs are higher than expected.

A lender is not only asking whether the business is profitable. It is asking whether sufficient cash will be available, at the right times, to meet the new payment obligation.

03 | DEBT CAPACITY

## Know your existing obligations

Prepare a simple debt schedule showing each current obligation:

- Lender or creditor
- Original amount and current balance
- Interest rate
- Monthly payment
- Maturity date
- Security or collateral pledged, if applicable

### Debt service coverage

Many lenders evaluate whether operating cash flow provides an adequate cushion over required debt payments. The exact calculation and acceptable threshold vary by lender, so focus on having accurate earnings, cash-flow and debt information rather than trying to engineer a particular ratio.

04 | THE FINANCING REQUEST

## Be specific about what you need

### Amount

Request an amount tied to a clear business need, not simply the largest amount you think may be available.

### Purpose

Explain exactly how the funds will be used: equipment, working capital, expansion, acquisition, refinancing, inventory, technology or another defined purpose.

### Timing

Identify when the funds are required and any project milestones or supplier deadlines.

### Business impact

Explain what the financing allows the business to accomplish and how it is expected to improve capacity, cash flow, profitability or resilience.

### Repayment source

Connect the request to the cash flow that will support repayment.

05 | OWNER & BUSINESS PROFILE

## Expect the lender to look beyond the numbers

- Years in business and management experience
- Ownership structure and key decision-makers
- Industry conditions and competitive position
- Major customers, suppliers or concentration risks
- Personal or corporate guarantees that may be requested
- Owner investment or equity contribution where applicable

06 | DOCUMENT CHECKLIST

## Organize the package before you apply

Not every lender will request every item, but having the core information organized makes the process faster and more credible.

| CATEGORY | WHAT TO PREPARE |
|---|---|
| **Financial** | Current year-to-date Profit & Loss and Balance Sheet; prior year-end financial statements; cash-flow forecast; accounts receivable/payable aging. |
| **Tax & Government** | Recent corporate/business tax returns and notices of assessment; GST/HST information; payroll/remittance information where relevant. |
| **Banking & Debt** | Recent business bank statements; loan and lease statements; debt schedule; credit-card balances and limits. |
| **Business** | Business registration/incorporation documents; ownership information; business plan or executive summary where relevant; major contracts or purchase orders supporting the request. |
| **Financing Request** | Amount requested; detailed use of funds; quotations or equipment invoices; project budget; timing; repayment rationale. |
| **Owner / Guarantor** | Personal net worth or personal financial information may be requested for closely held businesses, depending on the lender and facility. |

07 | COMMON FINANCING RED FLAGS

## Address issues before the lender has to ask

- Financial statements do not reconcile to bank, tax or supporting records.
- Revenue is growing, but cash flow is consistently deteriorating.
- Large overdue tax, payroll, supplier or credit-card balances are unexplained.
- The requested amount or use of funds is vague.
- Forecasts rely on aggressive growth without supporting assumptions.
- The business is already highly leveraged and the repayment plan is unclear.
- The owner cannot clearly explain the financial results or key balance-sheet accounts.
- A financing application is being used to solve an ongoing operating loss without a credible corrective plan.

08 | BEFORE YOU APPLY

## A quick financing readiness check

| READINESS QUESTION | YES | NO | NOT SURE |
|---|---|---|---|
| Are your bookkeeping records current and reconciled? | ☐ | ☐ | ☐ |
| Can you produce current financial statements you are comfortable sharing? | ☐ | ☐ | ☐ |
| Do you understand your current cash flow and existing monthly debt payments? | ☐ | ☐ | ☐ |
| Can you clearly state how much financing you need and exactly what it will fund? | ☐ | ☐ | ☐ |
| Can you explain how the financing will generate or preserve the cash needed for repayment? | ☐ | ☐ | ☐ |
| Are tax, payroll and government obligations current or supported by an agreed payment arrangement? | ☐ | ☐ | ☐ |
| Can you explain major changes, unusual expenses, losses or balance-sheet items? | ☐ | ☐ | ☐ |
| Do your forecast assumptions have a reasonable business basis? | ☐ | ☐ | ☐ |
| Have you assembled the documents likely to be requested? | ☐ | ☐ | ☐ |
| Can you explain the request in a concise, credible business story? | ☐ | ☐ | ☐ |

If you answered No or Not Sure to several questions, that does not necessarily mean financing is unavailable. It means there may be value in strengthening the package before approaching a lender.

NEXT STEPS

## Turn readiness into a stronger financing request

### 1 Take the Financing Readiness Assessment

Use RRL's online assessment to identify strengths and potential gaps in your current financing position.

### 2 Address the gaps

Clean up financial information, clarify the use of funds, prepare realistic forecasts and organize the supporting documentation.

### 3 Review the request before applying

A second look at the financial story can help identify questions a lender may raise and improve the quality of the package.

## How RRL can help

RRL Business Solutions works with businesses to strengthen financial reporting, improve financing readiness and prepare clearer, more credible information for financing discussions. Our role is to help you understand the numbers, identify gaps and prepare the business - not to guarantee financing approval.

- Bookkeeping cleanup and financial reporting review
- Cash-flow analysis and forecasting
- Financing readiness assessment
- Business planning and use-of-funds development
- Financial package preparation and lender-readiness support

**Ready to take the next step?**
Start with the RRL Financing Readiness Assessment or book a complimentary 30-minute Business Financial Review.

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