

SME Strategic Resilience System™

Financial Stress Test Model



Version 1.0

Peter A. Kypreos, B.Com., MBA, ICIA, LL.B.

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User Guide

1. Introduction

The Financial Stress Test Model is part of the SME Strategic Resilience System™, a suite of analytical models designed to assist consultants, advisors, and business owners in evaluating the structural resilience of small and medium-sized enterprises.

Businesses often appear financially stable under normal operating conditions but may reveal significant vulnerabilities when subjected to adverse scenarios such as revenue declines, margin compression, or increased cost pressures.

The purpose of the Financial Stress Test Model is to provide a structured analytical framework that allows advisors and business owners to simulate adverse operating conditions and evaluate how resilient a business is under stress.

2. Purpose of the Model

The Financial Stress Test Model helps evaluate the financial resilience of a business by testing how the company performs under varying levels of economic pressure.

The model allows users to examine:

- the impact of revenue shocks
- margin compression scenarios
- operational cost pressures
- liquidity and debt servicing capacity
- financial stability under adverse conditions

By simulating different scenarios, the model helps identify potential weaknesses that may not be visible during normal business operations.

3. Intended Users

The Financial Stress Test Model is designed for use by:

- business consultants
- financial advisors
- accountants
- business owners
- SME advisory professionals
- lenders and financial analysts

The model is particularly useful in situations where advisors wish to evaluate whether a business can withstand economic volatility or operational disruptions.

4. Model Overview

The Financial Stress Test Model provides a structured environment that allows users to apply financial stress scenarios to a company's financial structure.

The model evaluates the effect of adverse conditions on key financial indicators such as:

- revenue levels
- operating performance
- debt servicing capability
- liquidity stability
- financial sustainability

The model translates these inputs into structured diagnostic insights that help advisors evaluate the financial resilience of the enterprise.

5. Model Structure

The model is organized into several analytical sections.

5.1 Baseline Financial Inputs

The baseline section captures the current financial condition of the business.

Typical inputs may include:

- annual revenue
- operating costs
- EBITDA or operating income
- debt obligations
- available credit facilities

This section establishes the financial baseline against which stress scenarios will be evaluated.

5.2 Stress Scenario Inputs

The stress scenario section allows users to apply adverse conditions to the baseline financial structure.

Examples of stress scenarios include:

- revenue decline scenarios
- cost increases
- margin compression
- reduced operating performance

These adjustments simulate conditions that may arise during economic downturns or operational disruptions.

5.3 Stress Test Calculations

Once stress scenarios are entered, the model recalculates financial performance under the adjusted conditions.

The model evaluates how these changes affect:

- operating performance
- liquidity position
- debt servicing capacity
- financial sustainability

These calculations help reveal how sensitive the business is to financial pressure.

5.4 Survival Window Analysis

One of the key outputs of the model is the survival window analysis.

This section evaluates how long the business could continue operating under adverse conditions before financial resources become critically constrained.

This provides a valuable perspective on the company's financial resilience.

5.5 Stress Test Dashboard

The dashboard summarizes the results of the stress analysis and highlights key financial risk indicators.

The dashboard may include:

- financial resilience indicators
- risk status signals
- key performance alerts
- financial sustainability signals

These visual indicators help users quickly interpret the results of the stress test.

6. Using the Model

The Financial Stress Test Model can be used through a simple process.

Step 1 — Enter Baseline Financial Data

Enter the company's current financial information into the baseline input section.

This establishes the financial condition of the business under normal operating circumstances.

Step 2 — Apply Stress Scenarios

Enter stress scenario adjustments in the stress test section.

These adjustments simulate adverse operating conditions such as revenue declines or cost increases.

Step 3 — Review Recalculated Results

Once the stress scenarios are applied, the model will automatically recalculate the financial outputs.

Users can then review how the stress conditions affect financial stability.

Step 4 — Interpret the Results

Review the dashboard indicators and financial outputs to evaluate the resilience of the business.

This analysis helps determine whether the business can withstand economic pressure or whether structural vulnerabilities exist.

7. Interpreting the Results

The outputs of the Financial Stress Test Model should be interpreted as diagnostic indicators rather than definitive predictions.

The model helps identify:

- financial vulnerabilities
- liquidity pressure points
- operational resilience levels
- potential financial risk exposure

These insights can guide advisors and business owners in making strategic decisions to strengthen financial resilience.

8. Important Disclaimer

The Financial Stress Test Model is intended for analytical and educational purposes only.

The model does not constitute:

- financial advice
- investment advice
- a guarantee of financial outcomes
- a certified financial forecast

Users should rely on professional judgment and consult qualified advisors when making financial decisions.

9. Relationship to the SME Strategic Resilience System™

The Financial Stress Test Model forms part of the SME Strategic Resilience System™, a suite of analytical frameworks designed to evaluate different structural dimensions of a business.

Other models within the system examine areas such as:

- operational health
- enterprise value
- founder engagement risk
- strategic maturity
- leadership command structure

Together, these models provide consultants with a more comprehensive view of enterprise resilience.

10. Version Information

Model: Financial Stress Test Model
System: SME Strategic Resilience System™
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Author: Peter A. Kypreos, B.Com., MBA, ICIA, LL.B.