



**XYZ CREDIT RISK MANAGEMENT ANALYSIS**

**Additional Sales Needed To Replace A Credit Loss**

		<u>Scenario 1</u>	<u>Scenario 2</u>
A	Sales:	\$38,000,000	\$38,000,000
B	Gross Margin %:	10%	10%
C	Gross Margin Dollars:	\$3,800,000	\$3,800,000
D	Write-off due to Loss of Customer:	\$380,000	\$1,900,000
C - D	Gross Margin After Loss	\$3,420,000	\$1,900,000
D / B	Incremental Sales to Recover Lost Gross Profit:	\$3,800,000	\$19,000,000
(D / B) / A	<u>Sales Increased Needed to Recover Lost Profit:</u>	<u>10%</u>	<u>50%</u>

\* **Scenario 1** assumes one average customer default: 1%

\* **Scenario 2** assumes one large customer default: 5%