



THE SYSTEM CFO SERIES
HINDOL DATTA

FREE ASSESSMENT

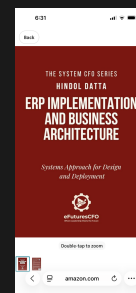
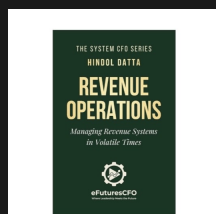
PILLAR 2: CASH & CAPITAL MANAGEMENT | TOOLKIT #40 OF 37

THE DEBT AND COVENANT COMPLIANCE DIAGNOSTIC

*Managing Your Lending Relationships
Before They Manage You*

20-Question Diagnostic | 5-Page Assessment

Score Your Organization 1-5 Across Four Dimensions
Identify Gaps and Build Your Action Plan



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Where Leadership Meets the Future

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QUESTIONS 1-5

Section A: Debt Structure and Terms Awareness

Do You Know Every Detail of Every Debt Instrument — Including the Fine Print?

Debt is the most dangerous form of capital because it comes with conditions. Covenants, reporting requirements, negative pledges, material adverse change clauses, and cross-default provisions create obligations that constrain operational flexibility. The System CFO masters every detail of every debt instrument — because the consequences of a covenant breach extend far beyond the penalty clause.

A. DEBT STRUCTURE AND TERMS AWARENESS

1	A complete debt schedule exists — listing every facility, term loan, revolver, note, and contingent obligation with principal amount, interest rate, maturity date, amortization schedule.	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
2	All financial covenants are documented and monitored — each covenant (leverage ratio, interest coverage, minimum liquidity, maximum capex) is specified with its exact	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
3	Non-financial covenants are inventoried — reporting requirements, negative covenants (restrictions on acquisitions, dividends, additional debt, asset sales), and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
4	Cross-default provisions are understood — the organization knows whether a default on any single facility triggers cross-default on other facilities and has mapped the cascade	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
5	The debt maturity profile is managed proactively — upcoming maturities are identified at least 12-18 months in advance, and refinancing discussions begin well before the maturity	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION A SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 6-10

Section B: Covenant Compliance Monitoring and Reporting

Are You Tracking Covenants Continuously — or Scrambling at Quarter-End?

Covenant compliance monitoring should be a continuous process, not a quarterly surprise. The System CFO builds real-time covenant tracking that provides early warning when metrics approach trigger levels, allowing time for corrective action or proactive lender communication. Discovering a potential covenant breach during the quarter-end close is a governance failure, not bad luck.

B. COVENANT COMPLIANCE MONITORING AND REPORTING

6	Covenant calculations are automated — the finance system produces covenant compliance calculations automatically each period, using the exact definitions specified in the credit	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
7	Covenant headroom is monitored monthly — the organization tracks not just compliance status but the margin of safety between actual performance and covenant thresholds, with	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
8	Early warning triggers are defined — internal thresholds more conservative than actual covenants trigger alerts and management review when performance trends toward potential	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
9	Compliance certificates are prepared accurately and on time — required lender reporting, including compliance certificates, borrowing base calculations, and financial statements, is	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
10	The covenant model is forward-looking — projected covenant compliance is calculated under the current forecast and downside scenarios, identifying potential future breaches	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION B SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 11-15

Section C: Lender Relationship Management

Do Your Lenders Trust You — and Would They Support You in a Downturn?

The lender relationship is a strategic asset that must be cultivated during good times to be available during difficult times. The System CFO manages lender relationships with the same intentionality as investor relationships — providing proactive communication, transparent reporting, and early warning of challenges. Lenders who trust the management team are more likely to provide flexibility when covenants are stressed.

C. LENDER RELATIONSHIP MANAGEMENT

11	Regular communication occurs with lenders outside of required reporting — the CFO or treasurer meets with bank relationship managers at least quarterly to share business updates and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
12	Financial performance is communicated proactively — positive and negative developments are shared with lenders as they occur, not only through the required quarterly compliance	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
13	The organization has explored and understands amendment and waiver processes — if a covenant breach becomes likely, the team knows the procedural requirements, typical timelines, and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
14	Banking relationships are diversified appropriately — the organization is not overly dependent on a single lending institution, and relationship banks provide multiple services	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
15	The organization's credit profile is understood — management knows how its lenders and credit rating agencies (if applicable) view the company's credit risk, and manages the	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION C SCORE: Total: ____ / 25 Average: ____ / 5

QUESTIONS 16-20

Section D: Capital Structure Strategy and Optimization

Is Your Capital Structure Optimized — or Just the Result of Historical Transactions?

Capital structure is a strategic choice, not an accident of history. The mix of debt and equity, the types of debt instruments, the maturity profile, and the cost of capital all affect enterprise value, operational flexibility, and risk profile. The System CFO evaluates capital structure holistically, ensuring that the current structure serves the organization's strategic objectives and growth trajectory.

D. CAPITAL STRUCTURE STRATEGY AND OPTIMIZATION

16	The capital structure has been evaluated for optimization — the organization has assessed whether its current mix of debt, equity, and other instruments minimizes weighted average cost	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
17	Interest rate risk is managed — the organization has evaluated its exposure to interest rate movements and implemented appropriate strategies (fixed vs. floating mix, hedging) based	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
18	The organization models the impact of capital structure decisions — adding debt, raising equity, or restructuring capital are evaluated for their impact on WACC, covenant	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
19	Capital structure supports strategic flexibility — the current structure provides sufficient capacity for planned investments, acquisitions, and growth initiatives without	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
20	A capital markets strategy exists — the organization has a view on its optimal capital structure over time and a plan for how it will access debt and equity markets to support its	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION D SCORE: Total: ____ / 25 Average: ____ / 5

OVERALL ASSESSMENT SCORE
 Section A: ____ / 25 Section B: ____ / 25 Section C: ____ / 25 Section D: ____ / 25 TOTAL: ____ / 100 AVG: ____ / 5

GAP TO GOAL

Gap-to-Goal Action Plan

Bridging the Gap — Debt and Covenant Compliance Diagnostic

Transfer your five lowest-scoring questions. For each gap, define the target state, specific actions, owner, timeline, and success metric. Focus on highest-impact gaps first.

GAP #	Q REF	CURRENT	TARGET	SPECIFIC ACTION TO CLOSE GAP	OWNER	DEADLINE	METRIC
1	Q__	___/5	___/5	_____	_____	_____	_____
2	Q__	___/5	___/5	_____	_____	_____	_____
3	Q__	___/5	___/5	_____	_____	_____	_____
4	Q__	___/5	___/5	_____	_____	_____	_____
5	Q__	___/5	___/5	_____	_____	_____	_____

ASSESSMENT SUMMARY

Completed by: _____ Date: _____

Overall average score: ___ / 5 Items scored 1-2 (critical): ___

Items scored 3 (developing): ___ Items scored 4-5 (strong): ___

Top strength: _____

Most critical gap: _____

One action this week: _____

READY TO GO DEEPER?

This free assessment identified your gaps. The Premium System CFO Toolkits provide the frameworks, templates, and action plans to close them. Visit EfuturesCFO.com





READY TO GO DEEPER?

This Assessment Identified the Gaps. The Premium Toolkit Closes Them.

PREMIUM: The Cash Conversion Cycle Optimizer (12 Pages)

The full premium toolkit includes the complete cash management framework with liquidity stress-testing, covenant compliance monitoring templates, capital structure analysis tools, and the integrated treasury governance dashboard for managing debt alongside working capital optimization.

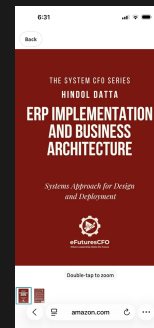
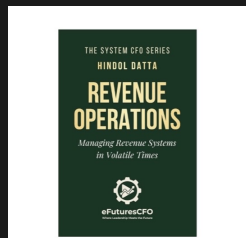
*Plus: Access the Super Exclusive 46-Page
System CFO Organizational Finance Assessment Kit*

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