

# THE POWER BEHIND A BLUE BOOK RATING.

A comprehensive Blue Book rating is an essential part of a company's Blue Book listing information—it can add credibility to business dealings and promote a company as a reputable, reliable trading partner.

## A Blue Book Rating Consists of Three Elements:

- 1 Credit Worth Estimate (Financial Rating)
- 2 "X" Rating (Trade Practices Rating)
- 3 Pay Description (Average Number of Days for Payment Rating)

## Important Details: Credit Worth Estimate, "X" Rating, and Pay Description

**Credit Worth Estimate (Financial Rating)** – the accumulation of credit a company can conservatively undertake based upon its financial position. Annual financial statements, which would include a balance sheet and income statement, are the necessary financial components used to establish a credit worth estimate.

## Key Factors to Determining a Credit Worth Estimate:

- **Liquidity** – working capital position and availability of assets to satisfy obligations
- **Asset Management** – turnover related to both fixed assets (how quickly assets can be turned into dollars earned) and inventory (how quickly inventory is bought and sold)
- **Debt Management** – the ability to handle the amount of debt due within one year
- **Debt to Equity** – the amount of debt carried relative to net worth
- **Return on Equity or Profitability** – net income earned relative to each dollar of common stockholder equity

### "X" RATING

XXXX	Excellent
XXX	Good
XX	Unsatisfactory
X	Poor

**"X" Rating (Trade Practices Rating)** – Reflects reported trade practices (reliability, honesty, trustworthiness, competency, efficiency, and resourcefulness) of a business as an X rating, ranging from XXXX (4X), as the highest rating for excellent trading practices, to X (1X), for companies with poor trading practices based on responses submitted to Blue Book Services by trading partners (or Trade References).

### PAY DESCRIPTION

AA	within 14 days
A	15-21 days
B	22-28 days
C	29-35 days
D	36-45 days
E	46-60 days
F	60+ days

**Pay Description (Average Number of Days for Payment Rating)** – Pay descriptions reflect the pay practices of buyers of product and transportation services as reported by those who have extended credit to these companies. Focusing on the average time a buyer takes to make payments to most vendors, pay descriptions provide an approximation of the number of days between invoice date (mailing of invoice), and the seller's receipt of payment.

# HOW TO ESTABLISH A **BLUE BOOK RATING.**

It is to your advantage to establish a credit worth estimate, “X” rating, and pay description. Take these steps to begin the rating process:

- 1 Submit, in confidence, a completed Trade Reference List of the trading partners with whom you deal with on a regular basis.
- 2 Submit, in confidence, an annual balance sheet, preferably prepared by an accountant along with an operating profit and loss statement.

The rating process takes approximately 9 to 12 months, after trade feedback is gathered and reviewed. A rating will then be assigned to your company.

If you have questions about establishing a rating, contact [Blue Book's Rating Team](#) at [rating@bluebookservices.com](mailto:rating@bluebookservices.com) or [630.668.3500](tel:630.668.3500).

**The Industry's Trusted Resource**

