



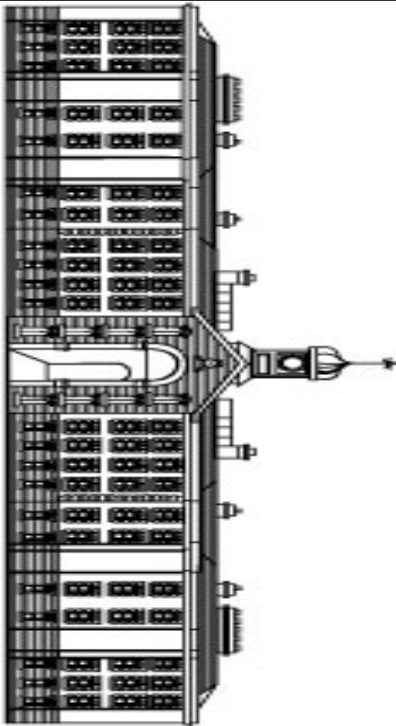
Cash Management in a Crisis

With

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- Eoin McGee, CFP & Author of “How to be good with money”

Today's session

GRIFFITH COLLEGE



Immediate Deep Dive

Cash management assessment

Working Capital Management

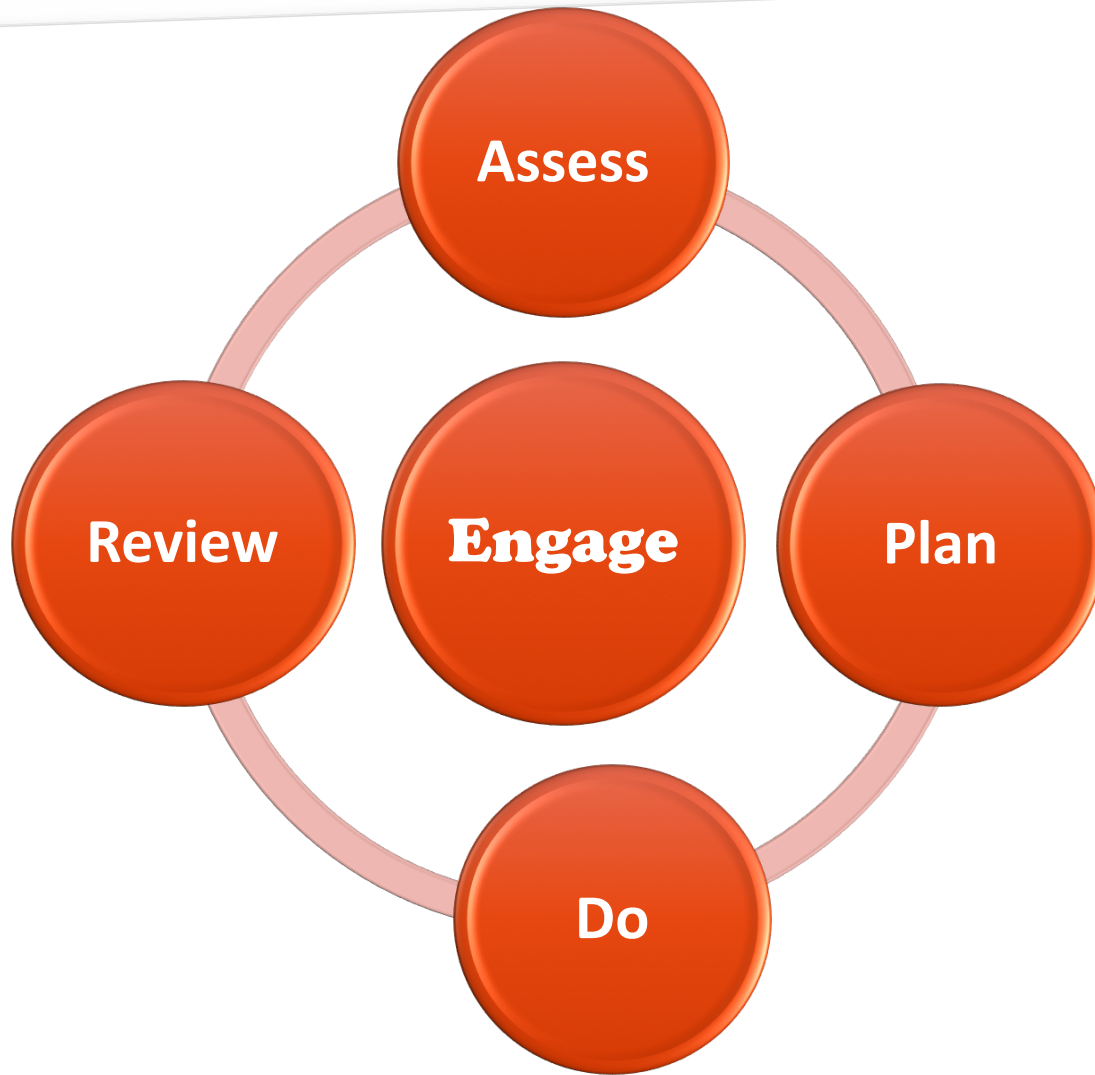
- Debtors
- Creditors
- Stocks

Dealing with the Banks

Dealing with Revenue Commissioners

Using available expertise

Government Assistance



Immediate Deep Dive

- **What are your short-term cash and working capital needs?**
 - Focus on liquidity
 - Covenants?
- **Investigate all costs – be ruthless with discretionary costs**
 - But be careful and plan for bounce back of business
 - Reduce payroll costs if possible
- **Review credit terms**
 - Review your business terms and conditions and amend if necessary

Immediate Deep Dive

- **Cherish your existing customers**
- **Communicate:**
 - **Bank**
 - **Suppliers**
 - **Customers**
 - **Employees**
 - **Revenue commissioners**
 - **Insurance providers**
- **Budget preparation (rolling)**
- **What Government supports exist?**

Cash Management in a cash Crisis

- **“Cash is King” is back in fashion**
- **Who are your stakeholders?**
 - **Owners / shareholders**
 - **Employees**
 - **Creditors / suppliers**
 - **Debtors / customers**
 - **Lenders**
 - **Employees**
 - **Tax authorities**

Cash Management in a cash Crisis

- Prioritise in terms of cash flow
- Engage with them
- Set out an **agreed** action plan for each stakeholder

Assess

Cash flow position

- What cash is immediately accessible across all accounts the business may have?

Prepare cash budgets

review all assumptions used for cash flow projections, e.g.

- Reduced capacity,
 - Revenue streams of the business being severely diminished or shut down,
 - The length of time the disruption will continue
- Prepare cash budgets on rolling basis (3months/6 months/9 months/12 months)

Assess

Multiple Scenarios

- Best Case
- Medium Case
- Worst case

Basis

- Possibly use your start-up year, or post-2008 performance as a starting guide to predict income from customers

Assess

- Depending on current and very short-term cash levels
 - Approach banks to discuss extending / expanding loan facilities
 - SBCI Covid-19 Working Capital Loan Scheme
 - Postpone large financial expenditure (e.g. capital projects),
 - Look to extend credit with suppliers
 - Landlords

Assess

- Carry out regular analysis of variances, i.e.
 - actual versus forecasted cashflows
 - Challenge the variances (e.g. why?/how?) and adjust rolling budgets with updated information

This will help identify cash management inefficiencies

- Develop and implement improvement plan
- Goal is realistic budgeting leading to sustainable improvements in cash balances and working capital performance.

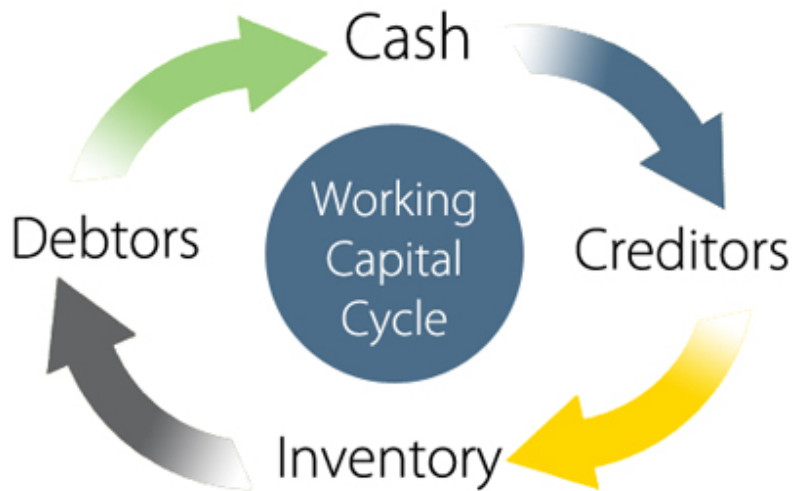
Assess

For example, see Cashflow Forecast Template*:

<https://www.bpfi.ie/key-topics/business-customers-covid-19-support-faqs/>

* From Banking and Payments Federation Ireland

Working Capital Management



WCM: Balance between:

☐ Profitability and Liquidity

It may be regarded loosely as:

☐ $\text{STOCKS} + \text{DEBTORS} - \text{CREDITORS}$

Working Capital Cycle

$$\begin{aligned} & \text{Stock Days} \\ & + \\ & \text{Debtors Days} \\ & - \\ & \text{Creditors days} \end{aligned}$$

To minimise working capital requirements, apply a coordinated approach that addresses all three areas

Working Capital Cycle

Get to understand the financial risks of your main customers and suppliers

Debtor Management

Crisis Problems:

1. Business trading is restricted or suspended
2. Current debtors unable to pay / unable to pay on time/ unable to pay in full
3. Difficulty predicting current & future income

Important to have a good working relationship with customers

1. Business is restricted or suspended

Possible solutions:

- Maximise current trading (on-line etc) using all business supports available (financial & non-financial)
- Maintain regular & personal communications with customers if possible, providing:
 - regular and timely up-dates,
 - create a story and a count down to re-opening
- Use social media to communicate with the whole customer base effectively, provide accurate information, dispel fake news
- Join forces with other businesses in your locality and create a network of contacts to work together for the benefit of all & create community communications

2. Current Debtors unable to pay/ unable to pay on time/ unable to pay in full

Possible solutions:

- Good housekeeping
 - Timely and accurate invoicing! Errors can lead to delays in receiving payment.
- Communicate early & regularly with customers to understand their re-payment capacity
 - Monitor individual customer payment patterns and identify companies that may be changing their payment practices.
- Review terms & conditions of sale for possible payment re-structuring arrangements (spread out payments, discounts etc.)
- Use of factoring / invoice discounting
- Offer appropriate discounts to cash rich customers who may be willing to pay the debt early to increase your cash inflow
 - But be careful. This can be expensive
 - 3% discount for payment within 5 days or full price if paid within 40 days has APR of 37% approx.

3. Difficulty predicting current & future income

Possible solutions:

- To understand cash needs in the immediate term and near future, prepare cashflow forecasts for next 3mths/ 6mths/ 9mths/ 12 months
- Investigate the current financial condition of your business
- Investigate the current condition of significant customers
- Investigate the current state of your industry & predictions
- Investigate the current state of the economy & predictions
- Predict the impact of this on your future cash in flow from customers

Creditor Management

Crisis Problems:

- Unable to pay debts/ unable to pay debts on time/ unable to debts in full
- Loss of supplier goodwill
- Higher unit costs
- Loss of cash discounts

Important to have a good working relationship with creditors

Creditor Management

- **Possible solutions:**
 - Review terms & conditions of creditor contracts to identify possibilities of changing payment terms (increasing credit days/ piece-meal payments, payment holiday etc.)
 - Do not make unilateral decisions. Work with suppliers to establish a mutually acceptable agreement
 - Contact creditors early and often to discuss any difficulties you are having making payments
 - If your organisation is cash rich, consider early payments to avail of supplier discounts
 - make sure all available discounts are being pursued.

Creditor Management

Possible solutions:

- Consider cancelling/delaying/reducing current orders outstanding depending on urgency
- Regularly assess suppliers situation for sustainability & consider researching cheaper suppliers
- Manage FOREX payments more effectively – use bank advisors for information (hedging)

Management of Stocks

- **Crisis Problems:**
 - Cost of financing
 - Risk of supply disruptions
 - Volatility of both supply and demand
 - Waste (especially with perishable goods)
 - Need for buffer stock \vee cash flow
 - Storage (warehousing)
 - Insurance
 - Obsolescence
 - Security

Management of Stocks

Possible Solutions:

- Decrease stock levels but beware of effect this could have on ability to meet customer demand if upturn happens quickly
- Revisit
 - Likely demand
 - Lead times
 - inventory and safety stock policies
 - production planning and scheduling

Management of Stocks

Possible Solutions:

- Assess security; is it sufficient to prevent theft; does it need to be increased or can it be reduced to save money?
- Assess storage; is it appropriate to prevent/ reduce deterioration/ obsolescence; is it necessary at the current level or can it be reduced to reduce costs/ can rental expenses be re-negotiated with landlords/ speak to banks about payment holidays on long term loans & mortgages (Same for all work places)
- If a main supplier is at risk, begin to source alternative sources of supply

Management of Stocks

Possible Solutions:

Review insurance;

- is cover sufficient to pay for loss of / damage to/ deterioration of inventory;
- is cover necessary at this level or can it be suspended or reduced at present? (Same for all different types of insurance cover)

Assess whether tactical stock liquidation might be possible

Management of Stocks

Possible Solutions:

- Could current stocks be sold now if prices were reduced? Would suppliers take back surplus stock at this time?
- For future requirements perhaps use JIT purchasing to ensure that delivery of supplies occurs immediately prior to the requirement to use them in manufacture, assembly or resale.



Dealing with the Banks

Banks have dedicated Covid-19 resources & facilities in place

Banks are lending to viable businesses who meet eligibility criteria

Your current lender is the quickest source of additional finance

Typical requests include:

- Payment breaks on loans
- Emergency working capital loans
- Increased and extended overdraft facilities

Important to have a good working relationship with bank manager



Dealing with the Bank

Questions asked by the bank:

- Has Covid -19 impacted your business & how?
- What steps have you taken to improve the position of the organisation?
- Type and amount of assistance sought, for what purpose, repayment capacity

Information required by the bank:

- Last set of audited financial statements
- Tax Compliance Cert/ Up-to-date Statement of Affairs (Business & Owner)
- Cashflow forecasts 3mths/ 6mths/ 9ths/ next 1/ 2 years

Advice

Anticipate problems early & go to bank

Know your own business and your industry

Have all the relevant documentation ready

Be willing to look at opportunities & develop

Willingness to invest own funds

Matching source of funds to purpose

Surviving businesses will be leaner, retaining cash, good monitoring & strong management

Use professional accountant effectively

Revenue

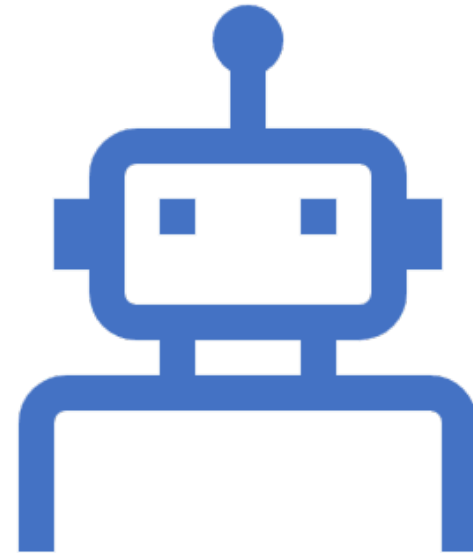


Cáin agus Custaim na hÉireann
Irish Tax and Customs

- Revenue Commissioners have announced some measures in response to Covid crisis
- For example, for SMEs
 - Tax returns should continue to be submitted to Revenue on time
 - Interest on late payments of tax is suspended for January/February VAT and both February and March PAYE (Employers) liabilities
 - Debt enforcement activity has been suspended until further notice
 - Current tax clearance status will remain in place for all business over the coming months
- Important to monitor to Revenue and be alert for any further measures announced
- Watch out for any freezes on VAT payments that may be introduced over the coming months.
- Keep in contact with your accountant/advisor

Getting the most from your accountant/ advisor

- Know what stage your business is at
- Know what condition your business is in
- Know what information you need to have readily available for decision-making, to include in applications to banks, applications for Gov assistance, for Revenue etc.
- Work with your accountant – not against them!



What your accountant can do for you

- Budgeting/ Forecasting & Financial Planning
- Budget V Actual & recommendations
- Capital investment information
- Dealing with banks/ lenders/ Sources of grants & assistance
- Dealing with revenue/ CRO

Government Funding & Grants Available

Sources of information (not exhaustive):

- Chambers of Commerce
- Enterprise Ireland
- LEO (Local Enterprise Office)
- Micro Finance Ireland
- IDA Ireland
- ISME
- Citizen's Information
- Accountancy Firms/ Professional Bodies/
Banks

Government Funding & Grants Available

Assistance Available (eligibility criteria apply)

- Wage Subsidy Scheme
- The SBCI Covid-19 Working Capital Loan Scheme
- Credit Guarantee Scheme
- The Future Growth Loan Scheme
- New €2,500 Business Continuity Voucher
- Microfinance Loans
- Trading Online Voucher Scheme
- Covid-19 Retail Online Scheme
- Sustaining Enterprise Fund
- Finance in Focus
- Business Financial Planning Grant
- LEAN Business Improvement Grant

Government Funding & Grants Available

Additional Government Assistance (Eligibility criteria applies)

- Reduction/ elimination of commercial rates
- File on time but delayed payments
- Revenue will expedite the payment of any instalment of excess R&D tax credit
- Use of VAT system for extending payment dates & claiming refunds
- Revenue debt enforcement activity suspended
- Interest on late VAT payments Jan-March suspended
- Those who have Phased Payments in place can opt to defer a payment or apply to suspend the arrangement for up to 6 months

Reboot your Business Through your Development Plan

- Statutory burden – legal responsibilities for directors/ owner-managers – Corporate Governance NB*
- Practical need – real-time accurate financial information
- Surviving businesses will be leaner, retaining cash, will have excellent monitoring & strong management
- Attention to detail will win the battle!



Rinse and Repeat!!



HOW TO BE GOOD WITH MONEY

EOIN McGEE

The No Nonsense Guide to Making
the Most of your Money



Available now
in all good book stores

A photograph of a large, historic stone building with a prominent tower and spire, likely Griffith College. The building is partially obscured by trees and a sign in the foreground. The sky is overcast.

Thanks for
listening

