

Restart Your Business

Rethink Your Strategy



FINANCIAL MANAGEMENT



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Financial Management

Financial management is the heart of an organisation's success and essential to the long-term sustainability of an organisation

Financial management: means planning, organizing, directing and controlling the financial activities of an organisation

Session objectives : gain an appreciation of working capital crisis management; provide key support for decision-making; consider the current economic factors; identify related financing sources available to businesses and maximise them; build resilience through the crisis and sustainability for the future

Financial Management

Session Order:

- Working Capital Management
- Sources of Covid-19 Support Finance
- Budgeting and Cashflow Forecasting
- Dealing with the Banks
- Using your Accountant

Working Capital Management

WCM: Balance between:

- Profitability and Liquidity

It may be regarded loosely as:

- STOCKS + DEBTORS - CREDITORS

Debtor Management

Crisis Problems:

- Business trading is restricted or suspended
- Current Debtors unable to pay / unable to pay on time/ unable to pay in full
- Difficulty predicting current & future income

Important to have a good working relationship with customers

Debtor Management

Crisis Problem:

- Business trading is restricted or suspended

Possible solutions:

- Maximise current trading (on-line etc) using all business supports available (financial & non-financial)
- Maintain regular & personal comms 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 comms

Debtor Management

Crisis Problems:

- Current Debtors unable to pay/ unable to pay on time/ unable to pay in full

Possible solutions:

- Communicate early & regularly with customers to understand their re-payment capacity
- Review terms & conditions of sale for possible payment re-structuring arrangements (spread out payments, discounts etc.)
- Offer appropriate discounts to cash rich customers who may be willing to pay the debt early to increase your cash inflow

Debtor Management

Crisis Problems:

- 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 mths
 - 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
 - Predict a high/ medium/ low impact
 - Possibly use your start up year, or post 2008 performance as a starting guide to predict income 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.)
- Contact creditors early and often to discuss any difficulties you are having making payments
- If your organisation is cash rich at present consider early payments to avail of supplier discounts
- 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

Management of Stocks

The right product available in the right quantity, at the right time and at the right cost.

Crisis Problems:

- Cost of financing
- Transporting
- Storage (warehousing)
- Handling
- Insurance
- Administration
- Obsolescence
- Deterioration
- Security

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)
- 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)
- 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.

Government Funding & Grants Available

Sources of information (not exhaustive):

- Dublin Chamber 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 (Dublin Chamber of Commerce 8/4/2020): (Eligibility criteria applies)

- 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 VAT3 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

Cash Management

CASH is KING

We will consider the following:

- Cash budgets/ Cashflow forecasts
- Dealing with the bank
- Getting the most out of your accountant

Cash Management

Budget: A quantitative statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows

A **cash flow forecast** is a plan that shows how much money a business expects to receive in, and pay out, over a given period of time

Crisis needs: Understand when cashflows will not be sufficient to meet needs and identify when additional arrangements will have to be put in place to assist the organisation

Cash Management

- See AIB Small Business Cashflow Planner:
<https://business.aib.ie/cash-flow-planner>
- Prepare Cashflow forecast for 3mths/ 6mths/ 9mths +
- Predict a high/ medium/ low impact and prepare 3 forecasts for each period
- Possibly use your start up year, or post 2008 performance as a starting guide to predict income from customers for a high impact forecast
- Prepare forecast to include all measures taken by business owner to reduce cash outflows and increase inflows

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

Banks 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 mgt
- Use professional accountant effectively

Getting the most from your accountant

- 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

Restart Your Business

Rethink Your Strategy

- 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 mgt
- Attention to detail will win the battle!