

COVID-19:
Helping you
manage your
business
cash flow.

Your business cash flow and cost management checklist.

At the [Davidson Institute](#), we're all about finding ways to help you feel more money confident, so you can plan for a better financial future.

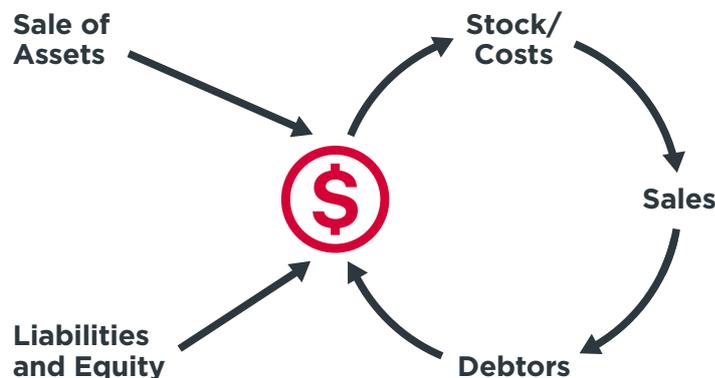
With COVID-19 impacting the income of many businesses, we've put together a handy checklist of cash flow and cost management strategies that could help ease the strain on your business.

Not all of these ideas will be right for every business, and some could have a bigger impact than others, but considering them might help you address the gaps in your business cash flow.



The challenge.

If your business sales are reduced, this can impact the inflow of operating cash. Subsequently, if your business cannot slow down at a similar speed, its operating cash outflows – salary payments, stock, raw materials, merchandise, supplies, interest, rent and other service charges – will eventually deplete your cash reserves. See the figure below.



If you're having cash flow issues, you might consider:

- Reducing your stock and overheads.
- Managing your assets by using your cash supplies or selling assets.
- Managing your liabilities and equity by deferring or increasing liabilities, or injecting more equity.
- Pivoting your business model to increase sales.

On the following page we've created a guide that could help you adapt your business and potentially make your operations more efficient and less costly to run.

Ways you can improve your cash flow.

Here are some practical tips to help you with your cash flow, cost management and profitability, during these challenging times.



Understand your current financial position.

Consider reviewing and regularly adjusting your cash flow forecasts to determine what affect a reduction in revenue might have on your ability to pay suppliers and repay debt.



Manage your capital expense.

Consider delaying any investments in capital equipment until the current situation improves.

If you can pivot your business strategy or create a future competitive advantage, you could use this time to accelerate capital investment in new equipment.

The Australian Government has offered an incentive for businesses to invest in capital equipment through the [asset write-off threshold](#).



Reduce your overheads.

Review your business to determine which costs can be stopped or reduced quickly, such as variable costs, discretionary expenditure and those you might be able to defer.

Consider if your costs can be structured differently or whether there are more costs that can be variable.

If staff costs are significant to your business, review staff arrangements to try and avoid layoffs. You might consider reducing employee or contractor numbers, reducing work hours, encouraging staff to use available leave or putting a freeze on recruitment.

Be mindful of the JobKeeper payments scheme to support employers in keeping their employees employed. This is open to eligible employers and allows them to pay eligible employee salaries or wages of at least \$1,500 (before tax) per fortnight.

Familiarise yourself with your obligations as an employer. Information is available through [Fair Work](#).



Manage your stock and inventory.

Consider promoting the sale of perishable, excess or obsolete stock.

Think about reducing stock orders of items likely to be in low demand.

Consider requesting discounts for early payment of supplier invoices.

Evaluate alternative supply chains.

Review pricing of your stock or service and determine what your profit margin should be to sustain your business in the long term.



Manage your creditors.

Contact your suppliers and seek payment extensions, even if they are temporary.

Check your supply contracts to determine whether you can cancel orders or delay delivery.

Consider contacting your landlord or their agent and ask for payment extensions, possible rent reductions or variations to the lease.

Take advantage of deferments offered by the Australian Tax Office.



Manage your debtors.

Focus on getting paid on time.

Invoice as soon as your product or service is delivered.

Follow up on all invoices that are not paid on time.

If your debtors are experiencing cash flow difficulties themselves, consider negotiating periodic payments.

Consider updating your contracts terms with regards to cancellations and payments.



Adapt your business strategy.

Be proactive in looking at options to adapt your business strategy to ensure business continues and customer demand is met.

Evaluate whether your business can begin selling online or increase its online sales presence.

Consider pivoting your business strategy to serve a different market that your equipment and people can easily adapt to.

For any proposed changes to your business strategy, consult experts in your network to understand the impact on:

- The adjustments of employee roles.
- The privacy implications of moving to a digital environment.
- Terms and conditions of your business.
- Your supply chain and distribution channels.

If you do change your business strategy, consider whether you can sell unused or unproductive equipment.



Consider your finance options.

Westpac's help for businesses includes business loan and credit card deferrals, merchant terminal relief, and new business loans. Find out more from Westpac's [COVID19: Help for business customers](#).

Think about contacting your bank for help with your business financing.

Consider fortnightly repayments to reduce your interest charges.

Debt consolidation could help make repayments more manageable.

Prioritise debt reduction by paying down your debt with the highest interest and fees first.

Pursue all support measures available for businesses. Westpac has a list of lending and support options in [COVID-19: A helping hand for customers and businesses](#).



We're here to help.

For more information on the ways we can help your small business during the COVID-19 pandemic, visit westpac.com.au/business-banking/small-business-relief

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