

## YOUR BUSINESS AND COVID-19

In times of crisis small businesses are often the first to be impacted. The contribution small businesses make to the Australian economy is anything but small. It is estimated that small businesses generate up to 20% of Australian GDP and employ approximately half of the workforce. The Government acknowledged this in its stimulus package, where its focus was heavily on the small to medium enterprise sector with its packages to boost cashflow and investment, as outlined in our previous newsletter.

While businesses will be affected differently depending on the sector they operate, particularly businesses impacted by social distancing measures, there are steps that can be taken to mitigate some of the impact of the COVID-19 crisis.

### KEEP SAFE

It might seem obvious but the first thing we must do is to try and keep ourselves healthy. Heed the medical advice given by Government authorities and ensure that you and your staff, take appropriate measures to limit contact and practice the required hygiene procedures.

It is said a picture can say 1,000 words, and while the clip below is from a sitcom, it shows how easy it is to spread an infection.

<https://www.youtube.com/watch?v=VK2vpOh5wws>

Simple things like encouraging use of card payment as opposed to cash, or if possible, switching to online sales, can limit contact and reduce the infection spreading.

### WORKING FROM HOME

If possible, encourage staff to work from home. Your business may already have a policy, if not, some of the issues to consider are, use of office work equipment at the employees' home, compensation for data use or purchase of equipment to aid working from home. It may seem inconsequential, but the use of a chair from the office at home, can aid your employee's productivity and assist in preventing work related strains while at home.

By communicating a policy, it provides staff a clear understanding of how your business will work through these unprecedented times, as well as help with staff morale. In addition, your staff will likely maintain commitment to your business knowing that you are actively concerned for their wellbeing and that you are prepared for what comes next.

## STAFF IN ISOLATION

In the coming weeks, you may have staff that may have to be in quarantine due to contracting COVID -19 or coming into close contact with someone who has COVID-19. It is best to formulate your policy on how you will manage affected people now, before you get that phone call and you have to think on your feet and react.

For your consideration, if they are well can they work from home, or If not, will you ask them to use sick leave. If the staff member does not have sick leave or any annual leave, will you pay them while they are off? Your answers will depend on how much reserve you have as a business to absorb such costs.

Another consideration is, if the staff member is unwell, or cannot work from home, how do you replace them? Additionally, you need to consider your staff and their different roles, and which roles are mission critical. Which staff can you not do without?

What will you do if a staff member who has a required skill cannot work?

## RISKS AND THREATS TO YOUR VALUE CHAIN

As you are aware, we live in an economy where much of our goods are produced overseas and often supplies are delivered just in time with minimal supply kept in country.

Much like we should do during normal operating times, we need to consider, for our inputs and output, what will be impacted during this crisis.

### To be considered:

Threats	Possible Mitigation
Illness to staff	Working from home, replacement with casual or contractors. Heavy clean of workplace to ensure staff and customer safety
Changing government social distancing requirements	Will you need to limit customers, change work hours, close?
How many days of supply for customers do you have?	Calculate stock turn over, talk to suppliers regarding their ability to fill orders
Unrequired supply orders	Are you contractually able to cancel the order, if not speak to your supplier. Source short term funding for the order.

Threats	Possible Mitigation
Customers and clients	If you are still open, let them know.
Can you fill customers' orders or deliver required service?	If you cannot, let your customer know as soon as possible, so that they can make other arrangements.
Customer cancellations	Calculate the impact to revenue. Can you cancel any associated costs for the cancelled orders?

The list above is not anywhere near exhaustive, you know your business better than anyone and will most probably come up with a much longer list. Spending the time preparing and referring to such a list will help you understand potential pain points that may be avoided, or able you to estimate, what the financial impact of this crisis will be to your business. Quite possibly, in the near future you may be seeking assistance from a lender or government agency, an extensive list of risks with possible mitigations or actions will enhance your credibility and show that you are in control of your business.

## REVISE YOUR BUDGET

Now more than ever it is important to know your numbers, if you don't have one, conduct a three-way forecast. What is a three-way forecast? It is a forecast tool that contains a Budget Profit and Loss, Balance Sheet and Cash Flow.

If you only do one of these, **it must be the cashflow**. In times like now it may sound trite, but we have often said that "Cash is King". Having cash and understanding when it will be paid out and when you may have short falls, will be imperative during this period. The social distancing measures are expected to last approximately six months, and after they are repealed, there will be a lag before normal activity resumes.

The work conducted on your Risks and Threats above, will help you form a picture on what your immediate trading position will be. Even then, it won't be 100% correct, but it will be a guide for yourself and aid you in discussions you may have with various stakeholders, such as banks, investors and government agencies.

## CASHFLOW AND WORKING CAPITAL

As the crisis deepens purchasing by both businesses and consumers will reduce. This will pose a significant threat to your business. The analysis you have performed by

reviewing your value chain, as well as revising your budget and cashflow, may reveal that over the short term your business may have cash shortages.

A cashflow forecast will assist you in estimating the depth, timing and cause of cash shortages. Now is the time to start taking steps to improve your cash flow. Actions to be taken include managing your debtors, cutting out unnecessary spending, carefully managing stock and managing your creditors.

Meet with your suppliers and creditors and seek extensions or relief. Review your supply contracts and see what right you have, to cancel or alter payments. Additionally, government agencies may be amenable to offering payment plans.

Another option is to seek lending for this period. Both banks and non-banks are still lending at this stage. Being thoroughly prepared as well as getting in early will assist your business if additional funds are needed.

## **KEEP UP TO DATE WITH GOVERNMENT ANNOUNCEMENTS**

The situation with COVID-19 is rapidly changing, everyday there are new announcements of changing requirements to businesses and events as well as government assistance.

The Victorian Government has announced that companies who defy the ban on non-essential indoor gatherings, will be fined \$100,000 and individuals will be fined \$20,000. These penalties come into effect from 5Pm 18 March 2020.

It is expected the Federal Government will make more announcements on financial assistance in the coming days. The Victorian Government has not yet communicated what steps they will take, they have indicated that they will wait to see what the Federal Government does in its next assistance round before they make a detailed announcement. We will aim to keep you abreast of these announcements and how they may impact you.

Inform Business Accounting has been in business since 2001, over this time we have come to value the relationship we have with you, our client. Please, if you have concerns with how this crisis may impact your business, contact us on 03 9399 3769 or [\*\*enquiries@informba.com\*\*](mailto:enquiries@informba.com) to discuss how we may assist.