

Managing Your Cash Flow During COVID-19

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The COVID-19 pandemic has created unparalleled disruption to lives and businesses around the world. The non-stop news cycle is overwhelming, and it is daunting to keep up with the daily updates and announcements from federal, provincial and local governments.

Fuller Landau is Here to Help.

As a business owner, your immediate concerns are for your employees' safety and to ensure that your cash flow situation is sound. Where should you start? We outline below some questions to consider.

Managing and assessing cash flow is an ongoing exercise that must be monitored on a regular basis. It becomes particularly important to do so during challenging times. Forecasting and re-forecasting is critical, now more than ever. Be prepared to expect that forecasts will need to be updated frequently as the situation surrounding COVID-19 evolves.

It's important to review all aspects of your business, including examining policies and processes followed and assessing whether changes may be required during these turbulent times.

The Government of Canada continues to release more information about relief programs for businesses and individuals as part of the [COVID-19 Economic Response Plan](#). The team at Fuller Landau has created a [COVID-19 Resources hub](#) to provide you with the latest updates and information on the government's programs to support businesses that are hardest hit by the COVID-19 pandemic.



AS A BUSINESS OWNER, YOUR IMMEDIATE CONCERNS ARE FOR YOUR EMPLOYEES' SAFETY AND TO ENSURE THAT YOUR CASH FLOW SITUATION IS SOUND.

Cash Inflow - What Are Your Sources of Cash and When Do You Expect Payment?

Your Customers

QUESTIONS

FACTORS TO CONSIDER

How likely are your customers to pay you in accordance with credit terms?

- Revisit your internal policies and consider whether you should provide more flexible credit terms for a designated period. Contact your customers and agree on a payment plan. Monitor and adjust the plan as appropriate.

What are the difficulties your customers are facing that may delay payments to you? Will their business be viable as a going-concern?

- If necessary, set up an allowance for uncollectible receivables and/or write-off to bad debts. The size of these receivables could impact your cash position significantly if you're unable to collect on these receivables.

If you're not able to collect from your customers, how will this impact your business?

- Consider your access to available financing - for example, can your business operating line support your short-term cash needs?
- Investigate obtaining alternate sources of financing from your lender. Remember - financing comes with a cost - don't forget to factor in interest payments in your cash flow analysis.
- Investigate whether your business qualifies for one of the Canadian Government relief programs, such as the Business Credit Availability program or the Canada Emergency Business account (see COVID-19 FINANCIAL RELIEF PROGRAMS).

Talking With Your Banker

It's important to engage in conversation with your banker to keep them abreast of your company's operational results and plans. Having open lines of communication and transparency in financial reporting goes a long way. It helps build trust and gives you both an opportunity to find a solution together. For example, it might lead to waiving certain bank covenants for a specified period of time or increasing your operating credit line to assist with short-term cash requirements



BE PREPARED TO EXPECT THAT FORECASTS WILL NEED TO BE UPDATED FREQUENTLY AS THE SITUATION SURROUNDING COVID-19 EVOLVES.

Cash Outflow - What Cash Obligations Do You Have and When Do You Need to Make Payments?

Your Vendors

QUESTIONS

FACTORS TO CONSIDER

When are payments to vendors due? How far can you stretch the terms without comprising supplier relationships?

- Reach out to your suppliers and come to an agreement on payment terms. Be prepared to adjust the terms as needed.

Other Liabilities

QUESTIONS

FACTORS TO CONSIDER

Do you have existing debt obligations? Are you able to meet your monthly principal and interest payments?

- Speak to your lender to determine whether there are relief packages available, such as, deferring principal repayments for a specified period of time.

How about payroll - do you have enough cash to cover your payroll?

- Investigate whether your business qualifies for one of the Canadian Government relief programs Such as the Canada Emergency Wage Subsidy or Work-sharing program (see COVID-19 FINANCIAL RELIEF PROGRAMS).
- Ontario Ministry of Finance has temporarily increased the EHT exemption threshold from \$490,000 to \$1,000,000 for the period January 1, 2020 to December 31, 2020, reducing cash burdens on many businesses.



THE COVID-19 PANDEMIC HAS CREATED UNPARALLELED DISRUPTION TO LIVES AND BUSINESSES AROUND THE WORLD.

Fixed and Variable Costs of Your Business

Fixed costs are more difficult to manage as they include rent, insurance, etc. Revisit any variable costs that could be streamlined to manage cash flow. Review your discretionary spending – how necessary are these costs to the viability of your business? Are there opportunities to achieve the same results in other ways?

Your financial or business advisor understands your business operations and will help you navigate your cash management processes during these uncertain times.

The team at Fuller Landau is ready to assist you and your business.

COVID-19 Financial Relief Programs

Please visit these sites for more information on their financial relief programs.

[Business Development Bank](https://www.bdc.ca/en/pages/special-support.aspx)

<https://www.bdc.ca/en/pages/special-support.aspx>

[Economic Development Canada](https://www.edc.ca/en/campaign/coronavirus-covid-19.html)

<https://www.edc.ca/en/campaign/coronavirus-covid-19.html>

Note: this link includes a list of financial institutions that are approved to administer COVID-19 relief efforts.

[Ontario Ministry of Finance](https://www.fin.gov.on.ca/en/tax/ehf/)

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COVID-19 RESOURCES HUB

Visit our [COVID-19 Resources](https://fullerllp.com/covid-19-resources/) hub for the latest information on Canadian and US government programs as well as helpful resources for business owners, including free webinars.

fullerllp.com/covid-19-resources/



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