

# Forecast your cash flows

By Fordham

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Whilst everything is moving as quickly as it is right now, it can be an overwhelming and daunting task to try and think about what your cashflow is going to look like between now and October. But it is because of all that uncertainty that you need to have a strong grasp of your finances so that you can plan out the critical decision points that may be ahead of you. Your cash flow

forecast should be at least on a monthly basis, but in times like this you may wish to do a weekly forecast so you can get into the granular timing of payments that will need to be made.

What are some of the key things that you should be thinking of when preparing a Cash Flow Forecast?

### **Revenues**

Be realistic and plan for the worst case – and that might be no revenue. Are there other ways to deliver your services/products that may be able to maintain some revenue for you?

### **Variable Costs**

These should broadly scale in line with revenue but consider what you have committed to already.

### **Fixed Costs**

If you can, we think you should try and get a permanent reduction on these through negotiation. Simply deferring say a rental payment for 6 months just means that you are going to have a balance of rent due in 6 months. Where else can you save money without impacting your ability to keep the doors open and to try and continue trading? Are you going to have to reimburse staff for costs of working from home?

### **Wages**

What are the real wage costs going to be? Are you going to be standing people down (if you are even allowed to), or can you come to a mutual agreement with your team to work less and take a commensurate pay cut at the same time? If there is less work on, can you agree with the team to take some leave so at least your employee liabilities are being reduced. What other arrangements can you put in place to tackle the problems in front of you as a team? Make sure you consider any applicable Awards and other Legislation before you do anything and always put it in writing.

### **Superannuation**

To date, there has been no contemplation that superannuation, if paid late, will still be deductible. To avoid losing the deduction, make sure you continue to pay this on time.

### **Stimulus Payments**

Factor in the \$1,500 JobKeeper payment, the Pay As You Go Withholding payments, and any other amounts that your business may be eligible for. Also look out for state-based payroll tax refunds/holidays, and most state governments and local councils are providing different types of grants for impacted businesses as well.

## **Debtors (Accounts Receivable)**

The assumptions that you ordinarily use to forecast debtor inflows may not work today. Stretch them out over a longer period of time and be prepared that some of your debtors may not pay at all. Make sure you are on the phone right now talking to your debtors trying to make sure you get paid as soon as possible.

## **Taxes**

Include the timing of your GST and other tax payments. Don't forget that you might have a FY2019 tax bill falling due in May 2020 so factor that in too. Talk to your accountant about how these may be deferred if you have not already.

## **Creditors (Accounts Payable)**

Which of your creditors do you need to keep paying so that you can continue to get stock if you are still trading? Which can you spread out a little further if things are tight? Make sure that you communicate with everybody to set realistic expectations.

## **Debt Repayments and your Bank Relationship**

If you have debt, talk to your bank to see if you may be eligible for a principal and/or interest deferral period to ride out what will hopefully be the worst of it. The government is also offering to guarantee loans for eligible businesses up to \$250,000 to assist with cash flow requirements. Make sure you are on the front foot with your bank and talk to them about your options early. They will still need some time to assess your situation and information about your business to be able to assess the loan still. Talk to your accountant about a rolling 12 week cash flow and a three way forecast as the bank may need these. Will the bank allow you to re-negotiate some of your current covenants? Interest rates may eventually go up so start thinking about what happens to your business when this happens.

## **Start Your Recovery Plan**

Things may begin to quieten down to some extent over the coming weeks for businesses that are directly impacted by the Covid-19 crisis. As employees and teams get used to new working environments, which will in many cases either involve vastly reduced or no work, then there may be a window for you to start planning for how you are going to bounce back in recovery. You may not have all the answers yet, but you can at least start formulating and documenting some ideas.

Bad practices are developed in good times and good practices are developed in bad times so use this opportunity to lay a solid foundation for the future.

What is your plan? For further information contact your [Fordham Partner](#).

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