

Restructuring & Insolvency

CASH IS KING

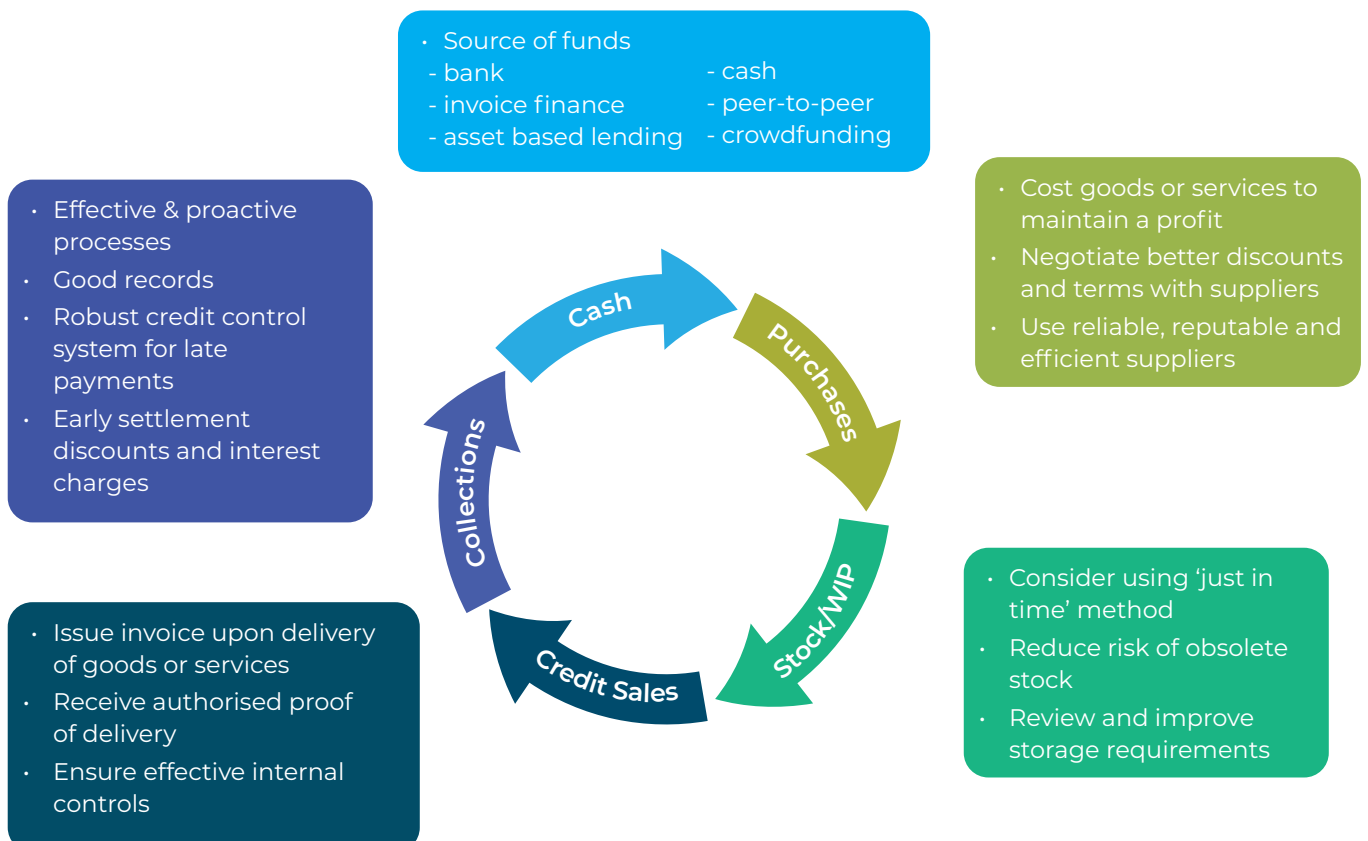


Throughout the Covid-19 lockdown, businesses have sought to preserve cash by deferring the payment of liabilities such as tax, rent, suppliers, wherever possible. Whilst this has helpfully provided a breathing space to businesses, particularly where turnover has been impacted, these deferred liabilities will begin to fall as we exit lockdown and HM Government support measures are relaxed.

In light of these on-going challenges, it remains vital for SMEs to manage cashflows efficiently to protect against unnecessary shortages. The best way to achieve this is to maintain accurate cashflow projections, which will highlight any potential cash 'squeezes' before they occur, allowing for planning to take place to ensure appropriate funding is in place.

CASH OPERATING CYCLE

It is important for each business to understand its cash operating cycle. We can look at a general cash operating cycle to guide us:



WARNING SIGNS

As soon as you see any warning signs, act quickly and, if necessary, seek professional advice before it's too late.

- Increase in debtor days
- Poor/ineffective internal controls
- HMRC arrears
- Creditor pressure

PROMOTE A HEALTHY WORKING CULTURE

Personnel

- Manage headcount
- Incentivise good performers
- Seek alternatives to redundancy

Overheads

- Review costs regularly
- Change inefficient suppliers
- Look into spreading costs

Funders

- Develop and maintain an open dialogue
- Ensure they understand your business and its needs
- Consider alternative sources

Equipment

- Dispose of unused equipment
- Consider new purchases
- Consider purchasing payment options

KPIs

- Create & monitor KPIs:
 - cash at bank
 - debtor days
 - stock turnover days
 - lead generation
 - gross margin

IN SUMMARY

Cash is the lifeblood of every business. Whether in good times, when business opportunities are expanding, or in recessionary periods, when margins are tight, controlling cash is essential for survival and future success.

Without cash to pay suppliers, staff and to service borrowings, a business, even a profitable one, will ultimately fail.

TALK TO US

For further help & guidance on effective cash management, please contact us. We have excellent relationships with UK lenders, HMRC and blue chip suppliers and are able to help with negotiations or to source additional / alternative funding.

For more information please contact:

Moore (South) R&I LLP

The Quay
30 Channel Way
Ocean Village
Southampton
SO14 3TG
T: +44 (0)23 8033 0116

Duncan Swift

E: duncan.swift@mooresouth.co.uk

Chris Tate

E: Chris.tate@mooresouth.co.uk



www.mooresouth.co.uk

Moore (South) R&I LLP is a limited liability partnership registered in England and Wales with registered number OC413354. A list of Members' names is available for inspection at City Gates, 2-4 Southgate Chichester, West Sussex, PO19 8DJ, the firm's registered office. Registered to carry out audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. An independent member firm of Moore U.K. Limited and Moore Global Network Limited - member firms in principal cities throughout the UK and the world.

We cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein.