

# COVID-19

# BUSINESS DEFENSE APPROACH

Although the COVID-19 crisis is, first and foremost, a public health emergency, the economic impact of the virus is beginning to emerge, and all businesses will be affected regardless of sector. For some, the pandemic has already had a detrimental effect on cash flow, which requires immediate attention; others are at a stage where it is essential to start serious contingency planning for a global economic downturn.

Mazars is supporting businesses in acting now to protect against the worst effects of the crisis.

Below we outline two approaches to managing your business through this crisis.

## IMMEDIATE BUSINESS SURVIVAL

Identify immediate steps to close a serious 'cash gap' arising under the following six areas:



### Quantify the impact

Prepare weekly cash flows over the coming three months.



### Determine the 'cash gap'

Assess all available cash resources and lines of credit/borrowing vs projected cash flows.



### Prepare the 'cash gap' plan

- Determine the extent to which national support will be available to assist the business.
- Prepare a cost reduction or expense deferral program.
- Consider the temporary closure of certain operations.
- Release of finance from internal resources and key relationships.
- Prepare a revised cash flow statement based on the remedial action plan.
- Determine the amount of additional external funding required.



### Prepare an information pack to facilitate engagement with national crisis support programs and external funding parties to include:

- Previous trading history and recent financial statements/monthly management accounts.
- Summary of the remedial action plan to close the 'cash gap.'
- Revised cash flow statements based on the remedial action plan.
- Defined amounts required from external funding sources.
- Crisis funding plan to sustain the business for a prolonged period (i.e. 12 – 18 months).



### Engage and negotiate with external parties to agree appropriate funding arrangements.



### Involve appropriate stakeholders to communicate the key elements of the plan.

# PREPARING FOR THE DOWNTURN

Assess the likely impact of the crisis on the business under these five key areas.



## Sales volume impact

- What is the impact on sales volume and demand?
- What are the implications for cash collection?



## Frontline staff

- Are key people likely to become unable to work for an extended period of time?
- Is there reliance on a skilled workforce who are not easily replaced?



## Vital suppliers

- Is there reliance on key suppliers who are likely to be disrupted, resulting in significant delays to delivery?
- Will key customers receive enough supplies?



## Operations

- Are there restrictions on the use of facilities, and can your business model be adapted?
- Is it possible to carry out business functions remotely, such as payroll, finance or IT?



## Legal and regulatory obligations

Is there a danger of not meeting major contractual agreements and/or regulatory requirements?

## HOW MAZARS HELPS?

Mazars has the practical experience and expertise to support businesses navigating turbulent times. Whether it's crisis cash flow management or economic downturn planning, we can help minimize the impact to your business.

Please get in touch with us to discuss how we can help you at [MazarsUSA.com/covid19](https://MazarsUSA.com/covid19)