

# **Business Liquidity Expert Advice Guide**



## Introduction

This guide provides answers to some business liquidity questions such as cost containment and how to leverage financial support.

### **Q: How do I reduce my costs?**

Review all cost areas including both fixed and variable. Many businesses were able to reduce costs during the COVID-19 period which included reduced purchases, extended credit terms, change of suppliers and consolidation of services, for example. As normal trading resumes it will be important that, where possible, cost management is maintained.

In reviewing costs, particularly in relation to the operation such as opening hours and menus, look at customer requirements and not just what was normal pre-COVID. This may dictate different operations, which in turn may impact costs. For example, reduced opening hours/days of an outlet.

### **Q: How do I deal with short-term cash flow issues?**

The most important element initially is to fully understand your cashflow and working capital requirements. Prepare a monthly cashflow statement for at least 12 months which shows a full year of trading. This is a statement of your incomings and your outgoings and takes into consideration, not only your bills to suppliers, but your VAT, PSRI and debt repayment schedule.

This will highlight the months where there is a cash deficit. Is it possible during these periods to receive extended credit terms from certain bills/suppliers? Or can you receive any debtors quicker?

This cashflow statement will give you the information you need to approach your financial institution if you need short term financial support. It can also help you to determine the right kind of financial support. For example, if your cash flow issues are only for two months out of the year during the low tourism season, then an overdraft facility might be the right option for you.

If you have a number of outstanding liabilities (e.g. tax, deferred rent) you may also consider talking to your bank/financial institution about converting these to a medium-term loan.

## **Q. What do I do if I need help with cashflow?**

Talk to your bank / relationship manager / financial institution. Go prepared – know what cash you will need over the next number of months. You will know this after you have completed a cashflow statement. Also, be able to explain how you have reduced costs to create a lean operation.

## **Q: What if my annual cash requirements are greater for the next year than normal?**

Preparing a profit and loss and scenario analysis for a 12 to 18 month period in conjunction with a cashflow statement can help you to determine what are your cashflow needs and your cash available for debt service. This can help in two ways:

- With operating business decisions. Knowing what your breakeven point is for opening outlets or the business can help you determine if you should be open/closed or have reduced hours/partial opening. This can help with cashflow.
- With finance decisions. Knowing what your working capital or other cash needs are will provide you with information to then go to your bank/financial institution to see about obtaining additional funding. Your bank/financial institution will be able to discuss what supports can be offered.
- Overall, it is important to assess why you have an issue. Is this a short-term issue due to COVID-19 or will this be a business-as-usual scenario in a post COVID-19 world? This will be of greater concern if it is the latter and If the latter, it is of greater concern

## **Q: What supports can my bank/financial institution offer?**

If you are trading in difficult circumstances financial institutions can help you restructure and recapitalize. It is important to note that these organisations have a financial responsibility and therefore their lending will be focused on well operated sustainable businesses.

In advance of understanding what supports a financial institution can offer you it is important that you understand your business and how the business can achieve long-term viability.

There are different financial supports available for different funding needs. These can range from short-term loans for working capital needs, overdraft facilities, longer-term loans on investment or capital expenditure requirements, debt repayment moratoriums and financial restructuring.

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