

# COVID-19

## Business Survival Guide

With government trade restrictions expected to get tighter, there's a number of things business owners should be working on RIGHT NOW, in order to survive the current economic climate:

- Ensure bookkeeping is up to date (i.e. all information entered within a week of the current date)
- Review recent business performance and understand why the business is performing in that way
- Predict expected cash flow for the next 6-12 months
  - While income will be almost impossible to predict, ensuring you understand your ongoing expenses and when these will be incurred needs to be a priority in these circumstances
- Understanding what is required to break-even' in all segments of the business

These tasks are VITALLY important to your business's survival. Without them you will not be able to assess when your business should continue to operate or temporarily close. These tasks will also allow you to understand the costs your business will incur should the government impose a country wide shut down.

There are some other tasks business owners and operators should complete as a priority to ensure they have the best possible chance of continuing to operate once everything returns to normal.

These tasks are detailed below.

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### Understanding the Government Support

Understanding what government support is available and what parts of the government stimulus packages you are eligible for will ensure you maximise the benefits received.

For more information on the current stimulus measures, please see the [Treasury Fact Sheet on Coronavirus](#). Additionally, our website has a dedicated [COVID-19 information](#) page, which will be updated with any government stimulus information as it is announced.

### Understanding your Regular Fixed Commitments

Knowing what regular outgoings (expenses/loan repayments etc.) will be incurred regardless of the business operations is vital. This would form the building blocks of predicting your cash flow for the next 6-12 months as mentioned above.

Even if you chose not to predict your cash flow, understanding the business's fixed regular commitments would be the absolute minimum requirement in the current circumstances.

Part of this process should involve contacting the finance companies, landlord or service providers to see what options are available for partial or full deferral of payments. Generally, finance companies are offering a 6-month deferral on loans.

An option may be to look at a similar (3-6 month) full or partial deferral of fixed expenses (rent, electricity, etc.), which is then repaid over the following 12 months. This will reduce the pressure on your current cash flow and assist once operations return to normal.

The key will be to make early contact with the appropriate parties and have an open discussion about what each party can or is prepared to offer.

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### Calculate the Employee Leave Liability.

Should a government enforced shut down occur, employees are entitled to be paid their leave entitlement while the business is not operating. Therefore, calculating your outstanding leave entitlements along with understanding your commitments will give you a clear idea of the minimum amount of cash you will require during this period.

You should also discuss with your employees their options moving forward. This includes advising them of the amount of leave they have available and the potential time frame that may be required to pay this out. Some employees may be in a financially secure position or prefer to be paid smaller amounts over a longer period. As such, they may want to take partial leave. Being open and flexible with these arrangements can smooth out your cash out flow over time.

As in all circumstances, should you need to terminate employees during this period, you will be required to pay any outstanding leave. Knowing the cost of this action before it is required to be taken will assist in making decisions and managing your cash flow. If you need to reduce employee numbers, be it permanently or temporarily through leave or stand down, ensure that you follow all legal requirements to avoid any additional costs.

### Commence Additional Financing Request Immediately.

If you believe you will need additional cash to fund operations through this period and any enforced shut down, you should commence these discussions NOW with your finance provider. This will ensure funds are available when required and prevent processing delays due to the high volume of requests, which will likely occur in the near future.

Part of this process will likely require you to show the business is currently sustainable. It will also likely require you to show a plan of how you intend to get the business back to a sustainable position once the current issues have passed.

Please note any financing approved in these circumstances will most likely require the guarantee of the owners of the business. You will need to ensure you are comfortable with these consequences should your business fail.