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***Passionate About Your Bottom Line.***

## ***Business Planning in Challenging Times - Time to Press the Restart Button***

Our world, our country, our community, our business and our family have been exposed to an occurrence which has not happened before in current times. We have read about plagues in historical times and were not really expecting that a like occurrence could take place in our modern times. Whether we expected it or not we now have to deal with the impact of the COVID-19 on our lives. This is not an event which is happening in another part of the world, it is impacting the whole world and accordingly requires a whole world response.

In the ensuing months many of our clients and ourselves will be working to return to a normal world of commerce, recreation activity and enjoyable living. How long that takes to happen depends on how we deal with restricting the spreading of the virus. Assuming we get to that point, we would like to summarize for you some attitudes and actions you should consider turning these darkened days to days of brightness.

### **Attitude and Awareness:**

All of us have probably not spent so little time with our friends, co-workers and clients. During this crisis we have been spending a lot of time with family and no schedules. Hopefully this is the silver lining in this cloud.

We will be adopting new practices once we are freed to meet with friends, co-workers and clients. How we approach them will be different and for a while we will be more aware of our surroundings and where the people, we are meeting have been.

As leaders we will have to be cognizant of the stresses our families, employees, clients and suppliers are under. We will have to be better listeners, more patient and in some situations facilitators of solutions to issues we have never dealt with before. If you do not have the ability or the answer, seek assistance from someone who can help. At the end of the day, as leaders we must always remember we are human.

For those in business, this is a simulated restart or going back to the beginning days of our businesses. It is as if we have bought a turn key operation with employees already on hand. This is the opportunity to consult with your employees and family to move ahead. Some employers when confronted with a problem sometimes find that if they listen, their employees may have the answer. Remember it is in the best interest of everyone to see businesses come out of this situation as strong or stronger than they were before. As positive as we would like to make this plan apply to everyone, there will be casualties and we should try to identify early on what may not be salvageable. Be open minded.

### **Operation considerations:**

We would like to share with you a list of considerations for you to add to the list you probably already have.

The primary assessment you should perform is to determine how your company fits in the new economy over the next few months during the period of transition back to normalcy and how it then fits into the normalized economy. What will you be selling and to who? Is there a change in your market? Those are your primary questions which then require you to consider the following. You should prepare a status report as accurately as possible considering at least the following:

- What is the balance of your cash and bank account?
- What is the balance in your receivables their aging and collectability?
- Inventory aging of what you have and how long it will keep you in business.
- Capital asset and their condition. Are some of the capital assets redundant or disposable or should they be replaced. Planned and committed expenditures.
- Investments and the stock market.
- Accounts payable aging and ranking of who you would consider to be essential to keeping your business open and those you will pay but be a lower priority.
- Credit card balances.
- Government amounts owing.
- Bank loans, lines of credit and payment commitments.
- Employees.
- Status of IT software, hardware and ability to use.
- Insurance policies (Life, critical illness, business interruption, other)
- Signing Officers and other banking matters, Power of Attorney, wills, etc .
- Family time.

### **Cash and bank account:**

We encourage you to be aware of what you have available for cash and bank balance and plan how it will be utilized and replenished. You should project your cash flow on a weekly or monthly basis considering inflows such as collection of receivables, sales, etc. and outflows such as purchases, loan payments, etc. You should review your standing withdrawals from your bank accounts to determine if they should be changed or stopped.

### **Accounts Receivable:**

During times like this managing receivables is essential. If customers, consider you not to be a critical supplier to their existence they may delay paying you to pay someone else or there will be companies who do not survive this temporary turndown. You may have to consider being more aggressive in your collection process. You should also be more diligent at reviewing credit limits and abiding by the limits and credit terms you agree to with your customers. This is an opportunity to review your customer list to see who is there, whether you want them or not and who is not there and why not.

### **Inventory:**

A review and aging of your inventory should be done to ensure you are properly stocked for the new economy and if necessary, dispose of old or non saleable stock to generate cash and space for good saleable stock. This may be a good time to review whether you should take on new lines or cease lines you have.

### **Capital Assets:**

You should review the list and condition of your capital assets. There may be government programs to restart the economy and some bank financing may be at lower than normal rates. If you have redundant assets which you will never use, perhaps you should consider selling off. If you have made decisions to buy new equipment, you should review to ensure the same decision is still the proper one.

### **Investments:**

The downturn in the stock market may have reduced the value of your company which may be a good time to do some restructuring. You should also review this to determine if a repositioning of investments should be done. There may be tax reasons to trigger losses if you have any or it may be an opportunity to get out of a stock you were going to and get in another one at a low cost. A review is in order.

### **Accounts Payable:**

You should review a complete list of payables to ensure you will be able to manage their payments in a manner which would not be counterproductive to the company. A close review may also cause you to review the list and assess how and where you are spending your money. You should also project what payables will be in the next few months for inventory, expenses, etc.

### **Credit card Balances:**

Credit cards can be a saviour to a company or the beginning of the end. You should review the balance on credit cards, rates and usage. Often credit cards are a last resort for financing and accordingly have a very high rate. With the bank leniency which will be taking place over the next few months, you may be able to do a refinancing at a reasonable rate to deal with credit cards.

### **Government Balances owing:**

The Government of Canada is working to assist Canadians during this rough period and deferring the requirement for some payments. The key word is deferring the payment. We encourage you to manage these accounts keeping in mind these balances will have to be paid and also that directors will still be responsible for unpaid balances in the future.

### **Banks loans, lines of credits and payment commitments:**

Indications are that the banks are prepared to assist business during this tough time. However, they would likely be looking at deferrals like CRA. It may be possible to look at refinancing and perhaps banks will be more flexible in waiving penalties or the government may assist. You may also be in the middle of refinancing or obtaining loans for new purchases. You should review the current economy to ensure this is still the right decision. Leasing may become an alternative for you to look at. Whatever your plans are, it would be good to keep your banker informed and current. You may need their support.

### **Employees:**

The most valuable asset of any successful company is usually its employees. Many of our employees are preoccupied with issues such as childcare for school age children, worry about elderly parents or themselves. Employers are probably going to have to be flexible to accommodate the needs of their employees but on the flip side, employees should be aware of all the issues the employer is facing.

The government is in the process of laying out plans to deal with people being laid off etc. You and your employees should review the programs being rolled out to determine how you can benefit from them if need be. This is a time for employers and employees to collaborate and develop solutions which are good for the company and ultimately the security of the business owner and employee. Creative use of vacation time, scheduling, revision of business hours are examples of change which may be beneficial.

### **IT Software and hardware:**

This is a time to take advantage and implement IT. Retailers currently prefer the use of Debit or Credit cards versus the handling of cash. Debit card costs are not significant, but the use of credit cards can be significant to the merchants. Many companies will start to use electronic transfer or e-transfer of funds, have invoices emailed instead of mailed, perhaps have more phone in orders or use online sales, etc. Many of our clients have bought the technology to improve their operations but are not using it. Many companies have younger staff who are eager to start using the technology that is available. Now is their time to shine.

A review of passwords, who has them and what they are needed for should also be done. If there have been no disruptions over the years it is not uncommon for people to not know where these are kept and for what. Annual review would be good.

### **Insurance Policies:**

A pandemic can bring out the worst in an insurance policy. You find out what is not covered. This is an opportune time to review all your insurance to determine how adequate it is. If you had been away when the outbreak happened, what coverage would you have out of country? Do you have business interruption insurance and what does it cover? Critical illness and how does it apply in times like this, plus what coverage you have on other assets.

### **Signing Officers and other banking matters, Power of Attorney, wills, etc.**

As part of your review you should confirm with your bank who signing officers are, what your credit facilities are, what guarantees you have, what is pledged as security, etc. A meeting with your banker to update this information may be in order.

You should also check how current your Power of Attorney and Will are. You may want to prepare a personal document checklist to update and review all of this personal information.

It may seem odd to put these in the same category but in reality, the characteristic of a person who ignores all three of these are probably the same. (Sometimes the solution people have for being the sole signing authority is to pre-sign cheques or instead of having a will, tell people what their wishes are.)

### **Family time:**

During this time of limited public gatherings and elimination of activities, school, etc. people have become reunited with their families. Hopefully it has been a positive experience. Sometimes it takes a critical event to bring people together. Continue with the good times and become better acquainted with your family. If you show them a good balance of work and life, you may home grow your successor.

We hope you find the above to be thought provoking in helping you to develop a strategy, prepare projections, prepare a business plan or basic cash flow schedule. Having an understanding of the above and how they and timing impact on your operation are critical. If our firm can be of assistance, please reach out to us.



*Prime Minister Trudeau announced an \$82B aid package for individuals and businesses (\$27B in direct support, \$55B in tax deferrals). Details provided by the government on this can be found [here](#).*