

## 1. DO A FINANCIAL HEALTH CHECK ON YOUR BUSINESS AND REPEAT REGULARLY

Possible action	Comments
<p>Knowing the financial health of your business is fundamental to assisting you in deciding what you can and should do to manage through the crisis.</p>	<p>These are lead indicators for your business – they tell you where your business is heading in the next 3-6 months.</p> <ul style="list-style-type: none"> <li>• Number of enquiries for your products</li> <li>• Value of daily sales</li> <li>• Value of orders and bookings</li> </ul> <p>These are concurrent and lag indicators of your business performance:</p> <ul style="list-style-type: none"> <li>• Cash and bank balances</li> <li>• Value of orders in hand</li> <li>• Profit or loss figures</li> </ul> <p>Please keep your reports and accounts updated. This information is important to guide you in your decision making.</p>
<p>Analyse your business liquidity on a weekly basis.</p>	<p><b>Quick ratio = <math>\frac{\text{Total current assets} - \text{Inventory}}{\text{Total current liabilities}}</math></b></p> <p>This ratio helps to answer the question of “Does the business have adequate liquid assets (e.g. cash, deposits, trade debtors, etc) to pay its current creditors or near-term debts without having to sell inventory at ‘knock down’ prices.”</p> <p>Ideally, this ratio should be 1:1 and above.</p> <p>E.g. For a company with 2:1 Quick Ratio, it means for every RM1.00 current debt, the company has RM2.00 in liquid assets and it can service its debt comfortably.</p>
<p>Analyse your solvency on a weekly basis.</p>	<p><b>Debt to asset ratio = <math>\frac{\text{Total liabilities}}{\text{Total assets}}</math></b></p> <p>This ratio measures the percentage of assets being financed by liabilities. This ratio should ideally be less than 1, indicating that there are enough assets to meet all debt obligations in a worst-case scenario.</p>
<p>Determine the cash position of your business.</p>	<ul style="list-style-type: none"> <li>• Calculate the cash you have in the bank and determining what assets can be sold quickly.</li> <li>• Calculate how many months (or weeks) of fixed expenses such as rent and salary that the business could cover without incoming cashflow.</li> </ul>