

2. ACT NOW TO IMPROVE CASH FLOW

Possible action	Comments
Prepare a cash flow forecast	<ul style="list-style-type: none"> • Cash flow forecasts should give you forewarning of any cash flow problems so you can act early to address them. • Make plans to obtain loans (from shareholders, new investors or banks) to cover any shortfalls. • Speak to the bank to restructure your existing loans – ask for longer terms and lower interest rates. BNM has requested all the financial institutions to offer such assistance to affected businesses. • Malaysian government has allocated RM5 billion to assist SMEs. Special Relief Facility and other financing aids are available.
Enhance cash conversion cycle	<ul style="list-style-type: none"> • Shift your focus from profit to cash during this abnormal time. • Improve your cash conversion cycle – how to shorten collection timeframe from sales to collection? • Reduce loss making deals that do not generate cash flow.
Identify your orders and work in progress.	<ul style="list-style-type: none"> • Quantify the orders and work in progress you have in hand. • Can you fulfill those orders and complete your work in progress? These are the immediate sales that you can capture. • Quantify potential cancellation of orders. What is your order cancellation policy (refund or forfeiture of deposit)? • What is the credit risk of your customers?
Identify products or services in high demand.	<p>Certain products will be in high demand, therefore:</p> <ul style="list-style-type: none"> • Focus any promotional activity on those items • Do not discount high demand items • Package low demand items with high demand items to get rid of slow moving stocks.
Manage your inventory (stock)	<ul style="list-style-type: none"> • Reduce stock orders, particularly stock in low demand. • If you have items in high demand, increase orders of such items. • Identify stock supplies that could be interrupted by the Movement Control Order (MCO) or international chain

	<p>disruptions. Identify alternative suppliers and compatible substitutes.</p>
Reduce your terms for debtors	<ul style="list-style-type: none"> • If your debtors are experiencing cash flow difficulties themselves, negotiate periodic payments and manage them proactively.
Cut unnecessary spending	<ul style="list-style-type: none"> • Renegotiate supply arrangements, price and payment terms • Make a list of unnecessary spending and beware of this – certain supplies and expenses are critically important in the long run, but may seem unnecessary now. • Negotiate with your landlord and identify alternative premises with cheaper rent that you could move to.
Reduce staff costs	<ul style="list-style-type: none"> • Consider the importance and responsibility of each of your staff members. Consider also their family livelihood. They have contributed to your business and are critical when the market and orders resume. And retraining new staff takes time. So, please rethink of your plans before taking any actions. • SOCSO/Perkeso is offering RM600 immediate aid to employees who are required to take unpaid leave. There is also a RM600 salary subsidy for every staff earning not more than RM4000 a month. • Certain allowances may not be required – e.g. travel and meal allowance as there is no business travelling during this period. • Explore flexible working arrangements such as work from home, flexible working hours, reduce work hour per week, deferred partial salary payment and etc. before considering more drastic actions such as retrenchment or suspension. • Seek professional and legal advice before changing work arrangements.
Assess your personal financial position	<ul style="list-style-type: none"> • In the short term, you may need to inject some of your own resources into the business to keep it viable. • You may need to forego your salary or withdrawals during this period. • Take advantage of the moratorium period for loan instalments. And if required, ask the bank to convert credit card balances to term loans. • Only put your own personal money into your business if the business will remain viable.