

BusinessPlus+ Newsletter

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Budgets, Cashflow Forecasts and Projected Balance Sheets

There is certainly a lot of uncertainty at present in the Australian economy because of the problems caused by COVID-19. What can you do about it in your business? One of the key series of planning documentation that you can prepare for your business is taking some quality time to think through what is likely to occur in your business over the next 2 years.

Discuss with your leadership team the likely scenarios for your business and prepare some information for Budgets and contact us with the documentation of the various scenarios into Budgets so that you can review these forecasts to decide whether you can "live with them". The decisions that you have made in the Budgets can then be reflected into your Cashflow Forecasts. You need to be realistic in the development of your Cashflow Forecast to record your potential investment in debtors which is likely to increase because of the difficult business conditions and you will need to analyse how much money you need to tie up in Stock and Work in Progress for your business to operate.

Does the Cashflow Forecast indicate that you can continue to trade with or without JobKeeper support which, the government has indicated, will be extended on a modified basis to 31st March 2021?

If the Cashflow Forecast indicates that there is going to be a requirement to have an injection of external funding into your business, from where are you going to try to get that money?

Unfortunately, many financial commentators believe that it is going to be very difficult for small businesses and medium-sized enterprises to be able to raise loan funds from banks, from October onwards.

If your bank is going to be unresponsive to your approaches for additional financial support to whom can you turn?

You could consider seeking to raise capital as a Crowd Sourced Funding Equity Raising company if your turnover is under \$25 million per annum and annual gross assets are valued at less than \$25 million.

Now is the time for thinking about these items so that they can be reflected within your forward planning and then documented in your business Budgets and Cashflow Forecasts.

The planning process is completed by the preparation of a Projected Balance Sheet, which is an attempt to project what your Balance Sheet will look like at the end of the time period that you are considering, which we are suggesting should cover the next 2-3 years.

If you would like to discuss with us any aspect of your forward planning, please don't hesitate to contact your CBSW director or accountant at the office. Lyall Bear can very quickly produce a forward projection for your business for a start and then "Stress Test" by applying certain assumptions to your key business drivers of profit and cashflow.

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