

What to do in an economic downturn?

Managing your cash in an economic downturn is one of the most significant challenges a business owner will face. You should be working closely with your advisors and have financial models to allow you to anticipate the impact of various strategies you want to implement.

Financial Management

Your ability to understand and manage the financial outcomes of your business will have a direct and significant impact on the success of the business, and is especially vital in a period of economic downturn. What will your business' bottom line look like if your turnover or margins are reduced?

You should know the following information:

- Break-even points;
- Cost take-out plans;
- Understand your costs – fixed & variable;
- Understand your pricing points;
- How much pressure can the business withstand before it hurts;
- What will the financial impact on cashflow and profit be.

Conduct a Sensitivity Analysis for your business – “What happens if”? Plan and act now.

Cashflow and Profit Projections

You should prepare a detailed profit and cashflow projection for the next 12 months. You should also prepare broad profit and cashflow projections for the 2-4 year outlook period.

You need to assess the impact a downturn may have on your accounts receivable, inventory or accounts payable levels. You need to assess the changes in the levels of these items will have on your cash.

Your cashflow projections will indicate when cash shortages arise.

You need to discuss these fund requirements with your financiers so they can also be ready to assist you if cash shortages exist.

Accounts Receivable (Sundry Trade Debtors)

You must strengthen your accounts receivable management:

- Make sure all your revenues are recorded accurately in your accounting system;
- Ensure your invoices are dispatched to customers on a timely basis;
- Confirm that customers know your terms and conditions of payment;
- It is essential that you follow up outstanding debts promptly.

A major occurrence in an economic downturn is a slow down in the payment cycles. You need proactive management and enhanced communication systems with customers to ensure any slow down is not reflected in increased bad debt levels.

Review All Costs

In any economic decline, a serious review of every cost in the business is critical, as well as an understanding of your cost structure, including:

- Review all your costs including all direct and indirect costs;
- Understand the difference between a direct cost versus an overhead cost;
- Review and manage the cost of your employees and subcontractors;
- Review your overheads;
- Carry out a complete review of every cost;

- Include cost management as part of your budgeting process;
- Make sure you have a budget for every cost incurred.
- Be ruthless with costs.

Debt consolidation/reduction

Managing your total debt structure and increased communication with your bankers is critical to surviving economic downturns. You need to address the following:

- You should have a thorough understanding of how much debt you have;
- Review your debt. Include in this review: *Business loans structure and timelines for repayment; overdraft levels; equipment finance structure and efficiency; personal debt levels; business cards usage and cost;*
- Consider how your debt has been used: *Business; investment; business toys; personal toy;*
- Determine whether your business can afford to carry the debt levels during a downturn;
- Consider what your preferred terms of repayment and impact on cashflow are: *Principal & interest or interest only;*
- Review your debt structure. Consider the following: *Can you use short term debt/cash for long term asset acquisition; can the debt be consolidated or refinanced over a longer term; can the asset be liquidated and the debt repaid; talk to your accountant and bankers for guidance.*

For queries regarding any of the above, please contact your nearest WHK Professional.



A Round Tuit

Have you ever said these magic words? David Brough from WHK (Orange) found this old coaster recently.

Why not call us today and make an appointment to do some of the things that we sometimes place on the back burner:

- Request a financial health-check
- Assess your insurance requirements
- Start the estate or succession planning process.



Left to right: (standing) Meg Hegarty, David Cooke, Catherine Rendell, David Mead, Kevin Laughton, Timothy Booth, Amy Mead, Melinda Fulthorpe, Michael Rendell. Front: (seated) Ian Morgan

Bathurst Shave for a Cure

The team at WHK (Bathurst) unanimously supported staff who dedicated their time to raise \$6,000 for the Leukaemia Foundation by shaving or colouring their hair.

The team gathered at the Knickerbocker Hotel in November to lose their locks for the cause.

Money to support those suffering from leukaemia and other blood-related cancers can continue to be donated at www.worldsgreatestshave.com.au until February/March 2009.

Bathurst staff would like to extend a warm thank you to everyone who contributed to this extremely worthwhile event.



Staff profile Joseph Cunial – WHK (Orange)

Birth date: I was born on a Sunday.

Where would your dream holiday location be? Italy

First Joined WHK: I started with Todd & Niven in 2005 and we joined WHK in 2006.

If you could be doing another job - what would it be? CEO of Macquarie Bank

Role at WHK: Accountant

Which tv character are you most like? The Stig

First Job: Working on my family's orchard

I can't stand it when: People talk to themselves

Describe yourself in one word: Scrooge

What is your favourite movie of all time? 300

What is your favourite tv show? Top Gear

If you could have a partner on It Takes Two - who would it be? Jonny Cash

Do you have any pets? I have a goldfish, rabbit and a sheep called Milly

What do you do outside the office? Clay Pigeon Shooting

Client Satisfaction Survey Results

In October 2008 we invited WHK (Central West) clients to participate in an email client satisfaction survey.

We would like to sincerely thank the 225 clients who took the time to respond to the questionnaire and provide us with valuable feedback on what we are doing well and what we can improve on.

Some interesting results were:

- 50 % of respondents have been with WHK (or a firm acquired by WHK) for over 10 years;
- 50% of clients found their way to us following a word-of-mouth recommendation.
- 90% of respondents said that they would probably or definitely recommend us and 65% have recommended us.

We aim to deliver on feedback regarding timeliness and the need to provide innovative solutions to our clients during these economically challenging times.

A number of respondents requested more frequent newsletters. It is our aim to increasingly use email to distribute relevant information. If you would like to receive a newsletter from us, please contact your local office to flag this on our system.

Congratulations again to Amanda Thomas of Forbes who was the winner of the incentive to complete the client satisfaction survey. (Harvey Norman gift vouchers to the value of \$1,000).

Congratulations also to our West Wyalong office. In total 40% of the West Wyalong clients who received the survey completed the questionnaire and unanimously gave the team the thumbs-up in core service delivery areas such as client service, technical competency and value for price.



Incorporating WHK Financial Planning, WHK Super and WHK Darcy Kennedy Audit Services.

Total Financial Solutions

Dubbo..... Ph: 6883 5600	Forbes Ph: 6852 1455	Wellington..... Ph: 6845 1322 or	Lithgow..... Ph: 6351 3326
Bathurst..... Ph: 6330 2200	West Wyalong. Ph: 6972 4297	Ph: 6845 1611	Orange..... Ph: 6362 1933

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