

How to Conserve Cash and Create Liquidity in Light of COVID-19

By Ronald F. DeSoiza, CPA, Partner and Eric Gelb, CPA, Director

In the short time the coronavirus has spanned the globe, cash has become the coveted asset of choice. Many businesses are closed and, for example, restaurants have switched to takeout or delivery only. Cash flow has become dear and left businesses scrambling for relief. Our recent Thought Leadership article on loan financing covers SBA Loans which you can find [here](#) and the Small Business Administration (SBA) [Disaster Loans](#), which we discussed in a recent [blog](#). In addition, follow these 15 action steps to preserve your cash and create liquidity for your organization:

1. **Review your business forecast and cash flow budget and make revisions as necessary.** Create several downside cases to take into account any reduction the coronavirus has slowed sales volume and cash flow.
2. **If your business volume has slowed, eliminate extra shifts to reduce your labor costs.**
3. **Prioritize your expenses and other obligations.** Schedule payments for the goods and services your business needs to operate.
4. **Eliminate nonessential expenses or defer payment.** Take inventory of raw materials, supplies and equipment. Work with your suppliers to implement “just in time” inventory delivery to reduce your inventory.
5. **Meet with your vendors and request purchase discounts or an installment payment plan.** Consider consignment if practical where you pay for the items you purchase when you use them or when you sell them to your customers.
6. **Review open purchase orders. Defer or cancel nonessential ones.** When possible, request a refund of any deposits and progress payments.
7. **If you rent your premises, meet with your landlord to discuss a temporary rent reduction or rent holiday.**
8. **Consider monetizing unencumbered assets to raise funds.** Examples include accounts receivable and equipment.
9. **Update your customer contracts if your industry allows and collect advance deposits and progress or milestone payments.** Maintain close contact with your clients and defer work for nonpayment.
10. **Consider drawing down revolving lines of credit if you need working capital and are not in default.** The interest expense you pay might be prudent in light of needing funds. Be certain to review your loan agreements with your advisors to make sure you are in compliance with all the terms and conditions.
11. **Ask your lenders to defer required principal repayments for three to six months.** This is called a waiver or loan modification. Upon executing a new agreement, so long as you pay your interest expense on time, you should not be in default. Consult competent counsel.

12. **Determine the optimal time to file your 2019 income tax returns.** If you have not filed your 2019 income tax returns and are entitled to a refund (including under the new rules of the [CARES Act](#), expedite your filing. If you owe money, consider deferring your income tax payment until July 15, 2020. Collaborate with your tax advisors.
13. **Recalculate your 2020 forecast taxable income and therefore estimated tax payments.** Defer estimated tax payments for the first three quarters to October 15, 2020.
14. **Review your insurance coverages to determine whether you are entitled to benefits in light of the impact of the coronavirus.**
15. **Consult the experts.** Meet with your advisors, credit providers and investors to manage your financial obligations and commitments.

Contact Us

PKF O'Connor Davies can help you prepare your company and the documents necessary to obtain loan financing. We can also help you restructure your loans and business. For more information, please visit our [COVID-19 Resource Center](#) or contact either of the following:

Ronald F. DeSoiza, CPA, ABV
Partner
rdesoiza@pkfod.com | 914.421.5604

Eric Gelb, CPA
Director
Financial Services
egelb@pkfod.com | 914.341.7049

www.pkfod.com

About PKF O'Connor Davies

PKF O'Connor Davies, LLP is a full-service certified public accounting and advisory firm with a long history of serving clients both domestically and internationally. With roots tracing to 1891, twelve offices in New York, New Jersey, Connecticut, Maryland and Rhode Island, and more than 800 professionals, the Firm provides a complete range of accounting, auditing, tax and management advisory services. PKF O'Connor Davies is ranked 29th on *Accounting Today's* 2019 "Top 100 Firms" list and is recognized as one of the "Top 10 Fastest-Growing Firms." PKF O'Connor Davies is also recognized as a "Leader in Audit and Accounting" and is ranked among the "Top Firms in the Mid-Atlantic," by *Accounting Today*. In 2020, PKF O'Connor Davies was named one of the 50 best accounting employers to work for in North America, by *Vault*.

PKF O'Connor Davies is the lead North American representative in PKF International, a global network of legally independent accounting and advisory firms located in over 400 locations, in 150 countries around the world.

Our Firm provides the information in this e-newsletter for general guidance only, and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.