

Preparing for A Global Recession – Survival Checklist

	Please tick (✓) in one of the boxes below	Yes	No	NA
	Managing Your Cash			
1	Have you done scenario analysis assessing the impact on your profits and operating cashflows during this recession?			
2	<p>Do you know what is the cashflow and profit breakeven point for your business?</p> <p>Cashflow breakeven refers to the minimum monthly operating cash inflows that is needed to pay monthly operating cost, service interest and debt obligations.</p> <p>Profit breakeven refers to the minimum monthly revenue (billings) that must be generated to cover materials costs, operating expenses, interest expenses, depreciation and amortisation and other operating expenses, such that there is zero profit and loss?</p>			
3	Do you prepare a detailed weekly, monthly and forward six months cashflow forecast showing all the forecasted cash receipts and cash payments (including paying material suppliers, operating expenses, and interest servicing)?			
4	Are you able to generate sufficient operating cashflows (as determined in questions 2 & 3 above) to meet the principal repayment of loans and other debt obligations?			
5.	Do you currently have a cash balance that is sufficient to cover at least three months of your operating cost with zero sales?			
6.	Have you reviewed all your GIRO and pre-payment instructions with your banks and take steps to cancel some of these arrangements in order to have better control over the cash payment activities?			
7.	Are you aware of each of your subsidiaries' cash position and are you taking steps to pool your cash resources together in order to control and build up your cash reserves?			
8.	Are you aware of the recent announcement by the government on the various financing schemes available to enterprises in Singapore to manage the current liquidity crisis?			
	Managing your trade debtors and collections			
9.	Do you know the credit worthiness of your Top 10 customers that make up 80% of your sales? Have you conducted an assessment impact on the risk of credit default by each of these Top 10 customers?			

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10.	Do you have an established credit limit policy and terms of sales? Are the credit limits and terms of sales communicated clearly to your customers and staff?			
11.	Are you taking proactive actions to monitor delinquent and slow paying accounts to ensure that the debts are cleared on a prompt basis?			
12.	Are you billing your customers within 3 days or earlier from the delivery of goods or completion of services?			
13.	Do you provide incentives for debtors to pay early or on time, example, early payment discounts or interest charges for late payments?			
14.	Do you generate weekly or monthly debtors ageing reports and debtors balances for all key staff to review and take immediate and appropriate actions?			
15	Have you assisted your customers in obtaining financing? (for example, introducing your customers to factoring companies to factor their invoices so that your customers can pay you faster.)			
16	Do you calculate the debtors turnover by each customer and analyse the payment trend of each customer? (Note: Debtors Turnover in days = Debtors balance/Total sales to the Debtor X 365 days)			
17	Do you review all key customers' contracts and analyse the impact on potential breach of key contract terms as a result of you not being able to perform? Have you sought legal advice on the onerous contractual terms?			
18	Have your assessed the impact on your year end profit and loss statement as a result, of you having to provide for doubtful debts and losses due to customers defaults or material breach of customer contracts?			
Managing Your Suppliers (Accounts Payable)				
19	Do you know the credit worthiness of your Top 10 suppliers whom you rely on to secure critical material supplies? Have you assessed the impact on your sales contracts as a result of non-delivery or non-performance by your critical suppliers?			

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20	Do you have an alternative sourcing plan and do you check for new source of suppliers regularly and compare prices?			
21	Do you have the bargaining position to negotiate for better credit terms with your key suppliers so that you can match the collection period from your customers?			
22	Are you able to cancel purchase orders without incurring legal liabilities under the terms of trade with your suppliers?			
23	Are you able to stretch the payment terms with your critical suppliers without running the risk of losing your current credit standing with your existing suppliers?			
24	Are you committed to purchase minimum orders per year from your supplier in order to secure critical supplies at preferential prices? If so, is your relationship with your supplier sufficiently strong to enable you to continue securing these supplies at preferential prices without meeting the minimum quantity orders?			
Managing Your Stock Balance				
25	Have you done a critical review of your stock balance recently and categorise those stocks that are backed by confirmed orders and those without confirmed orders?			
26	Are you able to identify and quantify the problem stock items (i.e. likely to be slow moving) and are you taking immediate measures to explore ways to convert them into cash as soon as possible?			
27	Have you computed your stock turnover ratio by stock category and monitor this ratio over the last six months and use this to track your stock balance by product category? Stock Turnover = (Stock/Cost of Sales X 365 days)			
28	Have you analysed your warehousing and logistics costs and identify cost savings areas?			
29	Have you assessed the impact on the risk of return of consigned stocks kept at your customer premises?			
30	Do you have a flexible arrangement with your suppliers to return unsold stocks and get a refund?			
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	Have you assessed the adverse impact on your cash flows on committed purchases with material suppliers where your customers have given notice to cancel sales orders? Are you taking active measures to manage the adverse impact?			
	Managing Your Foreign Currency Exposure			
32	Do you prepare a table matching your foreign currency receipts and foreign currency payments by currency unit? Are you able to quantify the net short or long position by foreign currency?			
33	Are you taking steps to protect your profit margin by hedging your foreign currency trade exposure?			
34	Have you read your forex contract agreements with your principal bankers and assess the potential losses that you may suffer as a result of mark to market operation on your current foreign currency contracts?			
35	Do you have a policy to prevent the Company from entering into complex structured foreign currency products that carry a speculative element? Have you consistently followed this policy?			
	Managing Your Related Parties Transactions and Balances			
36	Have you done a review of all existing related parties transactions and balances and assess the financial position of each of your related parties?			
37	Have you taken proactive measures to recover loans provided to related parties?			
38	Do you have an influence over the cash and cash equivalent assets of your related parties and are you able to deploy these assets when you need them?			
	Managing Your Bankers			
39	Are you aware of any financial covenants and obligations contained in your bank facilities letters? Have you done a recent review to ensure that you comply with these financial covenants and obligations?			
40	Have you done a recent review of all your existing banking facilities and the value of your collateral assets pledged to the banks and assess the likelihood of a cut in these facilities by your current bankers?			
41	Have you taken steps to communicate with your principal bankers to ensure that they remain confident in your business and continue to provide the existing banking facilities to you?			

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42	Have you developed a contingency plan to deal with a scenario of your principal bankers reducing your existing banking facilities?			
Managing Your Capacity/Fixed Assets				
43	Have you done a review of your current production capacity and its current utilization?			
44	Have you drawn up a plan to manage and adjust your capacity to deal with a global recession?			
Manage Your Operating Cost				
45	Have you done a detailed review of all operating costs and taken proactive measures immediately to achieve cost savings with a view to save jobs?			
46	Are you aware of the training grants and schemes administered by the various government agencies to train your workers so as to improve efficiency and productivity?			
47	Are you implementing any energy savings measures to reduce the cost of energy in your operations?			
Manage Your Mindset				
48	Have you done a business plan for next year taking into account a global recession and have you communicated your plan to your staff to secure their support and confidence in you and your Company?			
49	Do you keep track of your company's key performance indicators so that you have objective and timely measures of your business key operating performance (by division/product/type). Some of these key performance indicators are (a) Sales per employee (b) Gross profit per employee (c) Gross profit to payroll cost (d) Operating overheads to sales ratio (e) Operating overheads to gross profit ratio (f) Operating cashflows to sales ratio (g) Debtors collection days (h) Creditors payment days (i) Stock turnover days			
50	Are you keeping a positive and alert mindset to look at opportunities to grow your business during a recession?			

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YOUR SCORE

If the Yes Tick is	
0 to 25	You are not prepared for a global recession. Please contact your Client Service Partner/Director in Chio Lim Stone Forest to arrange a free consultation to go through this checklist and develop an immediate action plan to cope with the recession.
26 to 40	You can do better by focusing on the “NO” item and work towards a “YES” within the next 3 months. You may wish to contact your Client Service Partner/Director in Chio Lim Stone Forest to arrange a free consultation to go through the “NO” item and brainstorm how you can turn them in “YES”.
Above 40	Congratulation, you appear to have taken proactive measures to prepare your business for this recession. You may wish to discuss your plan with your Client Service Partner/Director in Chio Lim Stone Forest.