

March 20,2020

## **Preserving Cash in the Face of Coronavirus**

As we all continue to process and address the effects of the coronavirus, it's clear that there has been and will continue to be a widespread and significant financial impact. It is critical to a business's future to consider ways to preserve, limit loss of, or, gain access to cash.

Here are some tips to consider:

- It's important to look ahead and project cash flow needs as much as possible. This can be done by looking at a monthly budget or historical activity. This can help you anticipate what's ahead and possibly act now to defer the obligation.
- Accelerate billing when possible.
- Actively pursue collections on slow paying customers. Consider accepting installments and even reducing the amount owed if that would provide you meaningful cash flow when you need it.
- Offer discounts for accelerated payments.
- Revisit your pricing to ensure it is competitive, yet appropriate, for the services or products you offer.
- Hold off or reduce inventory purchases.
- Delay capital expenditures whenever possible.
- Don't wait to be contacted by your vendors and lenders about past due accounts; contact them, and you'll generally find them to be more cooperative and willing to help.
- Negotiate payments on accounts payable or pay portions of invoices.
- Cut or postpone nonessential expenses.
- Consider restructuring work hours. You may need to consult with an attorney to ensure you stay compliant with Federal and state labor laws.
- Restructure, reduce or eliminate payroll.

- Negotiate with banks to refinance debt or defer principal payments on debt for a few months. Some banks have already extended deferrals in response to the coronavirus, and regulators are encouraging this.
- Consider options offered by the Small Business Administration (SBA) such as Disaster Assistance Loans. Last week the SBA approved a request by Governor Cooper to grant these disaster funds to North Carolina businesses in response to the coronavirus. More information is available at this [link](#).
- Plan to take advantage of the recently announced deferral of income tax payments from April 15 to July 15 ([Read more](#)). Even if you can afford to pay the tax, it's advisable not to spend available funds before you must.
- Keep a tight rein on spending until its clear the business has recovered, and that cash flow has remained stable for some period of time.
- Limit your use of credit cards unless you have very favorable interest rates and terms. Credit cards generally carry the highest interest rates, and those rates have caused many businesses to fail if the debt is not managed carefully.
- Do not hold onto or delay remittance of payroll taxes or sales taxes. These taxes represent amounts collected by you on behalf of others, and government agencies generally have very serious penalties for not remitting these timely.

Congress is working hard on a fiscal stimulus package, which is expected to include, among other things, additional support for small business loans and tax credits. Other proposals are being considered, including a payroll tax holiday for both employees and employers.

There are certainly other things to consider that can help your cash flow, some of which will be unique to your business. The key is to consider all your options and take advantage of as many of them as possible, keeping in mind the longer-term implications that those decisions might have.

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**Asheville**  
**828-254-2374**

**Boone**  
**828-262-0997**

**Marion**  
**828-652-7044**

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