



Business Survival Mode During Covid-19 Crisis

How to read our financial statement for survival during Covid-19 crises?



Business community is besieged by incessant bad news as the global economy is reeling under the impact of COVID-19 endemic. Maybank Group estimated that the Malaysian economy may shrink by 3.3%, while Malaysia Employers Federation estimated that number of unemployed persons may reach up to 2 million this year with a staggering unemployment rate of 13%, excluding another 500,000 persons expected to join the job market this year.

Financial statements which present true, fair and timely picture of our business is vital to assist us to appreciate our financial condition. It is also an indispensable starting place for us to think of measures to save ourselves. We need to identify issues impacting our financial statement areas and try to think of counter measures to address the threats to our survival. We can then apply the relevant tools to give us a fighting chance to survive.

The various tools and methods available includes but not limited to

- revising your forecast and come up with scenario analysis;
- enhance collaboration and communication with as many stakeholders as possible;
- utilise whatever tax relief and wage subsidies that is available to you;
- identify and seek suitable financial assistance;
- safeguard your assets, inventory and business network

In this difficult time, we just have to keep trying to do our best to survive.

PROFIT AND LOSS ACCOUNT

- REVENUE -

[ISSUES] Sales to existing customers may be severely curtailed

[COUNTER MEASURES]

- Identify new source of business stream or service delivery channels
- Reforecast your sales and margin levels
- Using latest available communication tools to maintain close relationship with clients, understand their needs and offers attractive promotion package

- COST OF GOODS SOLD -

[ISSUES] Supply chain disruption, unable to get materials for production.

[COUNTER MEASURES]

- Stabilize your supply chain. Maintain close relationship with key suppliers and ensure supply chain is not interrupted.
- Source for alternate suppliers if necessary
- Conduct honest, regular and inclusive employer-employee engagement processes to ensure all employees are working towards the same objectives and directions as well as improving cost awareness.

- TAXATION -

[ISSUES] Initial tax estimate might be too high

[COUNTER MEASURES] Revise your CP204 tax estimation and take advantage of the tax instalment holidays

Statement of Comprehensive Income

Revenue XX

Less:

Cost of Goods Sold XX

Gross Profit XX

Less:

Operating Expenses XX

Net Profit before Tax XX

Taxation XX

Net Profit After Tax XX

- OPERATING EXPENSES -

[ISSUES] Committed to fixed cost of business despite no / severely curtailed revenue

[COUNTER MEASURES]

- **Rental**
Request landlord to give rental discount as the government has provided tax relief for discount on rental to landlords
- **Wage Subsidy Programme**
Apply for Wage Subsidy and Employment Retention Program to subsidize your staff cost
- **Review Discretionary Items**
Review for discretionary items and remove from budget and planned spending (e.g. staff entertainment, company trip etc). Review and cancel unfulfilled and unnecessary Purchase Orders
- **Outsource services**
Postpone non-critical recruitment, consider to outsource non-core business activities to achieve lower operating costs, eg: accounting services
- **Rescheduling EPF contribution payments**
Engage EPF Employer Advisory Services (EAS) Programme to ask for advice for deferment, restructuring and rescheduling of contribution payments
- **Staff Training**
Send existing workers for training to upskill your employees, especially when they are idle. Utilise HRDF fund where applicable
- **Advertising & Promotion**
Maintain or increase effective advertisement and promotion activities to retain high visibility and stimulate sales revenue, Eg: Digital marketing

BALANCE SHEET

– NON-CURRENT ASSETS –

- During lock down, should ensure assets are still in safe custody
- Employ capital expenditure analysis and forecasting to identify investment opportunities
- Capital allowance are allowed for renovation & refurbishment expenses incurred from 1 March to 31 Dec 2020, tax deduction up to RM300,000
- Accelerated capital allowances (ACA) for machinery & equipment (including ICT) are allowed for capital expenditure incurred from 1 March – 31 Dec 2020

– CURRENT LIABILITIES –

Trade Payables

- Negotiate for discount/ longer payment credit term
- If the Company has huge problem repaying debts, they may have to apply for judicial management

Non-trade Payables

- Utilise Employer COVID-19 Assistance Programme (e-CAP) from EPF to defer some of the EPF instalments, if applicable

Bank Loan Financing

- Utilise the loan instalment payment moratorium offered
- Considering low interest financing allocated under Prihatin Economic Stimulus package, such as
 - Special Relief Facility (SRF)
 - Automation and Digitalisation Facility (ADF)
 - Micro/i-Kredit financing

Statement of Financial Position

Non-Current Assets

XX

Current Assets

Cash at Bank

XX

Inventories

XX

Trade Receivables

XX

Provision of Tax

XX

Total Assets

XX

Current Liabilities

Trade Payables

XX

Non trade payables

XX

Loan Financing

XX

Equity, shareholders' fund

xx

Total Equity & Liabilities

xx

– CURRENT ASSETS –

Cash at Bank

- Prepare cash flow forecast, monitoring spending and seek financing to fill cash shortfalls if necessary

Inventories

- Monitor inventory level closely, keep sufficient inventory level to meet demand and convert excess inventory into cash by sales promotions, bundle deals etc
- During lock down period, need to ensure inventory are not pilferaged or damaged.

Trade Receivables

- Maintain good relationship with key customers
- Offer discount for prompt payment

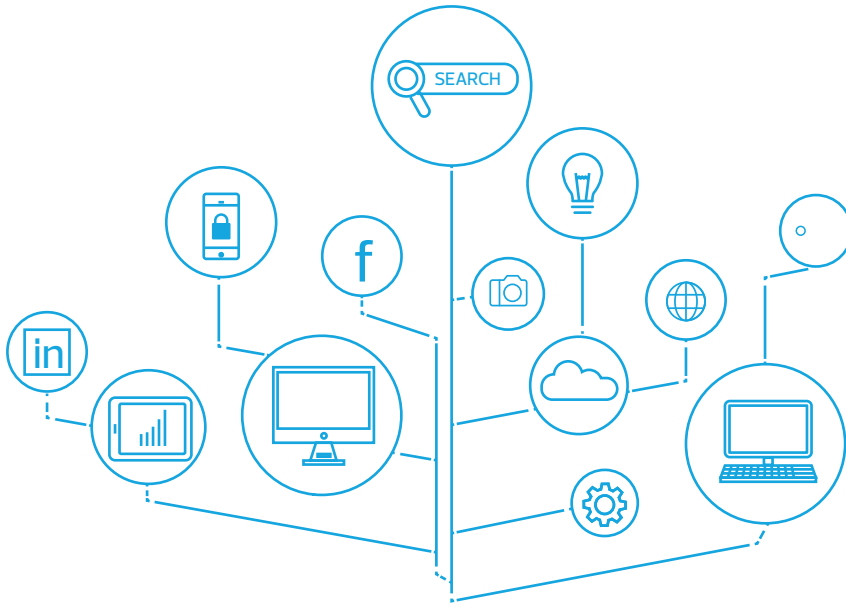
Provision of Taxation

- Revise your CP204 tax forecast so that you do not over pay your taxes
- SMEs are automatically allowed to defer CP204 instalments for 3 months

Financiers will also want to look at your financial statements before deciding to assist you or otherwise hence having quality financial statements prepared on a timely basis, is a good business management practice

To assist our clients get through this difficult time, we do offer business support services including preparing cash flow forecast and scenario analysis; review, analyse and reporting the current financial position of your business, propose relevant recommendations on business strategies and solutions.

If you are interested to know more details, please do not hesitate to contact us.



BUSINESS PROCESS OUTSOURCING

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