

# Small business continuity checklist

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Professional accountants are best-placed to help the owners and managers of small businesses navigate the consequences of natural disasters and other disruptions. They have specialist skills, knowledge and experience to help manage uncertainty and anticipate difficulties. A professional accountant can develop a clear action plan to help reduce risks and take the right decisions for long-term recovery.

This Small Business Continuity Checklist is a diagnostic tool to use in times of disruption. It covers two key areas of financial tasks and strategic management tasks.

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# Financial Tasks

*Accurate and timely financial information is critical. The following tasks will help managers understand how their business is performing and identify areas for action.*

Activity	Actions to Consider
<ul style="list-style-type: none"> <li>• Prepare, review and analyse financial statements:               <ul style="list-style-type: none"> <li>– A statement of financial performance (income/profit and loss statement)</li> <li>– A statement of financial position (balance sheet)</li> <li>– A cash flow statement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The profit and loss statement, balance sheet, and cash flow statement can help identify problems in time for corrective action to be taken</li> <li>• Compare key ratios from the financial statements, such as working capital ratio, stock/inventory turnover ratio or profit per employee, to averages in the industry</li> <li>• Compare performance against financial targets and past performance</li> </ul>
<ul style="list-style-type: none"> <li>• Prepare and review a 12-month cash flow forecast</li> <li>• Improve liquidity position</li> </ul>	<ul style="list-style-type: none"> <li>• Address future cash shortages, for example, what expenses could be downsized, such as travel and marketing, hiring of new employees, which operations temporarily paused</li> <li>• Access to external finance (such as an overdraft facility)</li> <li>• Update cash flow forecast to reflect actual events and monitor ongoing cash positions</li> </ul>
<ul style="list-style-type: none"> <li>• Review working capital items, including:               <ul style="list-style-type: none"> <li>– Stock/inventory balances</li> <li>– Cash at bank</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Less sales may mean the stock value needs a write-down</li> <li>• Recycle or dispose of old/slow moving stock/inventory</li> <li>• Review purchasing policies to prevent overspending on stock/inventory – orders may need to be reduced</li> <li>• Investigate how long the business can continue before future cash flows go negative</li> </ul>
<ul style="list-style-type: none"> <li>• Review accounts receivable/debtor ledger balance</li> <li>• Review forward orders</li> </ul>	<ul style="list-style-type: none"> <li>• Identify customers with large outstanding amounts and follow up – period payments could be negotiated</li> <li>• Invoice immediately once service or product delivered</li> <li>• Review forward orders to plan for any short-term need to expand or contract the business e.g. are customers cancelling orders and if so, what is the credit risk?</li> <li>• New processes could be introduced to establish online payments</li> <li>• Consider factoring receivables to free up cash</li> </ul>
<ul style="list-style-type: none"> <li>• Review creditor/payables ledger balance</li> </ul>	<ul style="list-style-type: none"> <li>• Explore options to defer or renegotiate financial payments, such as in smaller installments</li> <li>• Review contacts to see if the circumstances orders can be cancelled</li> </ul>

# Financial tasks (continued)

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Activity	Actions to Consider	✓
<ul style="list-style-type: none"> <li>• Review employment arrangements, including the payroll system:               <ul style="list-style-type: none"> <li>– Income tax withholding</li> <li>– Payroll tax</li> <li>– Paid parental/maternity leave</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Access government support to furlough employees</li> <li>• Explore payment deferrals offered by regulators</li> </ul>	
<ul style="list-style-type: none"> <li>• Review the market valuation of certain assets</li> </ul>	<ul style="list-style-type: none"> <li>• Involve an accountant or a specialist valuer as required</li> <li>• Consider what assets could be sold to raise cash</li> <li>• Reconsider or delay significant capital expenditure</li> </ul>	
<ul style="list-style-type: none"> <li>• Review regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Check extensions to filing deadlines for financial and tax reporting</li> <li>• Explore tax refunds</li> </ul>	
<ul style="list-style-type: none"> <li>• Review actual performance against budget</li> <li>• Undertake sensitivity analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake variance analysis and forecasts</li> <li>• Consider:               <ul style="list-style-type: none"> <li>– If sales drop further, for example 15 or 20%</li> <li>– The impact of a loss of a major customer</li> <li>– If a major supplier is unable to deliver</li> <li>– How long could the business endure these losses?</li> <li>– Best and worst case scenarios for the operational and financial positions in the next three, six or 12 months</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Set sales or production targets</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake a break-even analysis to determine what the business needs to sell before it makes a profit</li> </ul>	
<ul style="list-style-type: none"> <li>• Review bank loans, leases, credit cards or other finance:               <ul style="list-style-type: none"> <li>– Evaluate interest rates</li> <li>– Check repayment schedules and liquidity requirements</li> <li>– Check compliance with debt covenants</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Understand what is required to meet short-term obligations</li> <li>• Discuss lease terms and rent payment options with the landlord</li> <li>• Explore options to seek external finance or renegotiate financial payments with loan commitments and seek debt restructuring plans</li> <li>• Notify the bank immediately if the business is in breach of a covenant</li> <li>• Look at what other lenders are offering and consider whether to switch</li> </ul>	

# Strategic management tasks

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Activity	Actions to Consider	✓
<ul style="list-style-type: none"> <li>• Ensure health and safety of staff</li> </ul>	<ul style="list-style-type: none"> <li>• Explore remote operations</li> <li>• Provide IT equipment to staff who can work at home</li> <li>• Allow flexibility for staff and a work-life balance</li> <li>• Provide staff with personal protective gear if necessary</li> <li>• Managing productivity and availability expectations, such as alternative working schedules, safe commuting</li> <li>• Empathise with the challenges and issues of employees, such as amending annual leave and sick leave policies</li> <li>• Consider ways to maintain morale, productivity and engagement</li> </ul>	
<ul style="list-style-type: none"> <li>• Determine whether the business activities are eligible for a government grant/subsidy</li> </ul>	<ul style="list-style-type: none"> <li>• Explore what grants/loans are available and the eligibility requirements</li> <li>• Be aware of the rise in cybercrime and scam e-mails – think twice before sharing private company data</li> </ul>	
<ul style="list-style-type: none"> <li>• Update the strategic plan</li> <li>• Undertake a Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Immediately develop/update business continuity plans and quantify the risk exposure – recognize this is an unprecedented crisis</li> <li>• Determine which products or services are vital to ongoing cash flow and should be preserved</li> <li>• Review the options and explore potential to pivot into new and different revenue opportunities</li> <li>• Centralise decision making with core staff</li> <li>• Enable structural changes and consider the long-term effects – it will not just impact today, but tomorrow and beyond – what will the new normal look like?</li> </ul>	
<ul style="list-style-type: none"> <li>• Provide leadership and clear communication to staff</li> </ul>	<ul style="list-style-type: none"> <li>• Aim for frequent messages and speed over perfection – increase touch points to engage on non-work matters e.g. arrange virtual social events</li> <li>• Inspire creativity, innovation and decision making at all levels</li> <li>• Build trust, support staff and understand emotional concerns and the importance of personal well being</li> <li>• Be transparent about future operation plans</li> <li>• Prepare workplaces for contamination and ensure they are thoroughly cleaned and disinfected</li> </ul>	



# Strategic management tasks (continued)

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Activity	Actions to Consider	✓
<ul style="list-style-type: none"> <li>Stay close with customers – how the business responds will be critical for long-term loyalty and risk of reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Prioritise customer/client engagement. Regularly connect with key customers about operations and services that are still available</li> <li>Consider offers to customers that help to sustain the customer relationship without being seen to be opportunistic</li> <li>Virtualise the customer experience and marketing where possible</li> <li>Utilize a variety of communication mechanisms – such as email, PDF documents, video or intranet</li> <li>Enhance existing CRM systems and data</li> </ul>	
<ul style="list-style-type: none"> <li>Review sales contracts and customers' payment terms</li> </ul>	<ul style="list-style-type: none"> <li>Determine whether the sales contracts protect the business. For example, can the payment terms be shortened, credit limits implemented and personal guarantees and security sought</li> <li>Consider the potential impact of changes to future customer behavior</li> </ul>	
<ul style="list-style-type: none"> <li>Review suppliers' contracts or payment terms</li> </ul>	<ul style="list-style-type: none"> <li>Review all supplier contracts</li> <li>Negotiate a lengthening of the payment terms of trade</li> <li>Review how goods are supplied</li> <li>Reduce the minimum quantity ordered</li> <li>Look at payment discounts</li> <li>Check alternative suppliers of critical items</li> </ul>	
<ul style="list-style-type: none"> <li>Review financial commitments, such as:               <ul style="list-style-type: none"> <li>Office leases</li> <li>Equipment leases</li> <li>Contracts</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Understand contractual obligations</li> <li>Consider lease break options</li> <li>Understand ownership/payout arrangements at end-of-lease</li> <li>Investigate force majeure contract clauses</li> </ul>	
<ul style="list-style-type: none"> <li>Securities over assets</li> </ul>	<ul style="list-style-type: none"> <li>Check which of the assets is security for which loan</li> </ul>	

# Strategic management tasks (continued)

Activity	Actions to Consider	✓
<ul style="list-style-type: none"> <li>• Establish, update/ review the “Policies Manual”:               <ul style="list-style-type: none"> <li>– Consider fraud risk</li> <li>– Review staff authority to spend money</li> <li>– Inform and educate staff about your policies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Separate record-keeping duties from duties involving the handling of cash and other assets to minimise the risk of fraud or theft by employees</li> <li>• Review appropriate internal controls</li> <li>• Consider authorisation level for all payments for a short period as part of a cost reduction</li> <li>• Conduct random spot checks to ensure both compliance with the policies and to reduce the risk of fraud</li> </ul>	
<ul style="list-style-type: none"> <li>• Review and update IT systems, including:               <ul style="list-style-type: none"> <li>– The licenses needed to use the software are up to date</li> <li>– Digital capabilities are enhanced, and cybersecurity protocols enabled</li> <li>– Back-ups are performed frequently and held offsite</li> <li>– Staff training needs are met</li> <li>– Disaster recovery plan documentation has been reviewed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• If possible, investment more in cyber security</li> <li>• Ensure current versions of software are being used, that there are no unauthorized copies, and the number of users the license covers is enough</li> <li>• Test bandwidth, VPN infrastructure, protections to safeguard security and data under peak conditions</li> <li>• Test whether the staff knows how to restore the back-up and it works</li> <li>• Arrange training on online tools and virtual meetings</li> <li>• Appoint a “champion” for each software product to enhance internal transfer of practical knowledge</li> </ul>	
<ul style="list-style-type: none"> <li>• Review the business insurance coverage, including:               <ul style="list-style-type: none"> <li>– Type of policy</li> <li>– The amount of cover in place</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Explore whether the insurance covers business interruption, financial losses, insolvency, life insurance, income replacement, etc.</li> </ul>	
<ul style="list-style-type: none"> <li>• Seek ways of reducing resource use in the business. Consider:               <ul style="list-style-type: none"> <li>– Staff required</li> <li>– The use of water, electricity, gas, petrol/ diesel</li> <li>– The use of other resources</li> <li>– Using local suppliers if possible</li> <li>– Eliminating unproductive steps or processes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Review staff level and who is required to maintain essential operations; consider redundancies, reduce compensation, hours of work, explore annual leave without pay</li> <li>• Reduce shareholder dividends</li> <li>• Identify opportunities to reduce costs e.g. eliminate travel and entertainment</li> <li>• Consider how to operate the business if there was a disruption to the supply of electricity, gas or water</li> </ul>	

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