

COVID 19 : Cash and Working Capital Management Challenges

Without notice, your team is working in a different world

The new world – how to keep your business running



The impact of COVID -19 is affecting global supply chains, disrupting financial markets and the day-to-day operations of the business. Therefore, a company's demand for cash can come at unprecedented speeds in challenging times.

Key Questions to Understanding Cash Needs

Do you have the required **INSIGHT?**

Is your current cash reporting capable of providing the cash insight you need at the right level of detail and speed?

What is the **IMPACT?**

What areas of your supply chain or revenue generation streams are most impacted?

What are your cash **NEEDS?**

What are your short-term, medium and long-term cash needs?

Concerned about the cash flow impact on your business? Here's how you can be resilient.

Strategy

Product

Supply

Customers and market

Put cash at the heart of operational and strategic decisions

Working capital

Purchase-to-pay

Forecast to deliver

Order-to-cash

Make short-term and sustainable working capital improvements

Other cash

Treasury

Tax

Property

Capex

Other assets

Go beyond working capital to plan for and execute cash management

Governance of cash decisions

Visibility

Control

Organization

Capability

Gain central visibility and control of the cash flow

The myths about cash and working capital

Here are some common misperceptions around cash and working capital

Myth	COVID-19 reality
"Is solely a finance issue!"	...the disruptions to your demand, supply chain, and workforce are the biggest impacts and opportunities
"It only takes some tweaks to our systems"	...must have cash management processes, governance and tools to create transparency to and manage the drivers of the ins and outs of cash
"Harms customer service!"	... if your company cannot manage its cash obligations, then your customer loses
"It is easy to improve"	...without creating the visibility and analytics for individual transactions surrounding the sources and uses of cash, it will be nearly impossible to manage
"It is not a strategic priority"	...it is now!

Why is it important for our clients to understand the need for cash during this crisis?



Day-to-day activities requiring cash:

- Ability to take care of employees
- Ability to pay vendors
- Ability to acquire inventory
- Business-required capital expenditure
- Ability to pay off debt
- Ability to address payroll
- Ability to operate facilities



Excess cash reserves provide:

- Ability to invest, if there is an opportunity
- Ability to upgrade infrastructure during the slowdown
- Option to reduce financial leverage
- Employee confidence
- Shareholder confidence
- Ability to make a strategic move

To survive

Develop and consider the appropriate actions for your business

- Update payables policies to match your needs
- Get close to your receivable transactions
- Infuse cash thinking into supply chain and customer strategies
- Put off any operational or capital expenditure not absolutely needed
- Infuse a cash culture into every decision
- Focus on your cash conversion cycle
- Make sure to understand the cash disruption and opportunities for all business dimensions
- Revisit financial and supplier/customer contract terms, to act upon facts

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