



# Your COVID-19 Financial Checklist

Helping you bridge the gap



# Businesses

Since the start of the pandemic we have been supporting businesses with advice and the latest news on the temporary new measures. Now, as we enter the recovery stage where we are all adjusting to the new 'normal,' it's time to plan for what's next.

The Mercer & Hole Financial Checklist has been put together to help you look at areas of the business you may want revisit. The 'Activity' and 'Areas to consider' section highlight the key financial issues and the 'Comments' section is for your reference notes specific to your business needs. As always, the Mercer & Hole team are here to help you with any questions this checklist process may have raised.

## Part 1

Activity	Areas to consider	Comments
<p>Prepare, review and analyse the financial statements:</p> <p>A statement of financial performance (income/profit and loss statement)</p> <p>A statement of financial position (balance sheet)</p> <p>A cash flow statement</p>	<p><input type="checkbox"/> The profit and loss statement, balance sheet, and cash flow statement can help identify problems in time for corrective action to be taken</p> <p><input type="checkbox"/> Calculate key ratios from the financial statements; such as working capital ratio and stock/inventory turnover ratio</p>	
<p>Prepare and review 3, 6 and 12-month cash flow forecasts using best, worst and expected case scenarios</p> <p>Improve liquidity position</p>	<p><input type="checkbox"/> Update cash flow forecasts regularly to reflect actual events and monitor ongoing cash positions</p> <p><input type="checkbox"/> Address future cash shortages, for example: what expenses could be reduced, such as travel and marketing?, which operations can be temporarily paused?</p> <p><input type="checkbox"/> Investigate how long the business can continue before future cash flows go negative</p> <p><input type="checkbox"/> Consider steps to increase cash coming into the business such as focusing more on product lines/services that continue to sell well/diversification</p> <p><input type="checkbox"/> Access external finance sources (such as an overdraft facility) and include anticipated repayments in cash flow</p>	

Activity	Areas to consider	Comments
Determine whether the business activities are eligible for a government COVID-19 grant or subsidy	<input type="checkbox"/> Explore what grants/subsidies/loans are available and the eligibility requirements	
Undertake a sensitivity analysis with changes in assumptions to prepare forecasts	<input type="checkbox"/> If sales drop further e.g. 15 or 20 percent <input type="checkbox"/> The impact of a loss of a major customer <input type="checkbox"/> If a major supplier is unable to deliver <input type="checkbox"/> How long could the business endure these losses? <input type="checkbox"/> Best/worst-case scenarios for the operational and financial positions in the next 3, 6 or 12 months	
Review working capital items, including: Stock/inventory balances Cash at bank	<input type="checkbox"/> Fewer sales may mean the stock value needs a write-down or to be written-off if obsolete <input type="checkbox"/> Recycle, re-purpose or dispose of old/slow moving stock/inventory <input type="checkbox"/> Explore the possibility of sales under special conditions in order to reduce the projected losses on inventories <input type="checkbox"/> Review purchasing policies to prevent overspending on stock/inventory	
Review accounts receivable/debtor ledger balance Review forward orders and customer payment terms	<input type="checkbox"/> Identify customers with large outstanding amounts and follow up – payment plans could be negotiated e.g. direct debits to pay off old balances (and collect new ones) <input type="checkbox"/> Invoice immediately once the service or product is delivered <input type="checkbox"/> Review forward orders to plan for any short-term need to expand or contract the business, e.g. are customers increasing or cancelling orders and if so, what is the credit risk? <input type="checkbox"/> Consider credit checks and limits for new/existing customers <input type="checkbox"/> New processes could be introduced to establish online payments <input type="checkbox"/> Consider factoring receivables to free up cash	

Activity	Areas to consider	Comments
Review the market valuation of certain assets	<input type="checkbox"/> Involve an accountant, or a specialist valuer, as required <input type="checkbox"/> Consider what assets are surplus to requirements and could be sold to raise cash <input type="checkbox"/> Reconsider or delay significant capital expenditure or investments if not business critical	
Review creditor/payables ledger balance  Review suppliers' contracts or payment terms	<input type="checkbox"/> Explore options to defer or renegotiate financial payments, e.g: smaller instalments, payment discounts, lengthened payment terms <input type="checkbox"/> Review how goods are supplied, e.g. renegotiate exclusivity clauses <input type="checkbox"/> Check alternative suppliers of critical items for terms and pricing <input type="checkbox"/> Review contracts to understand contractual obligations and to see, if due to the circumstances, orders can be changed depending on the need (e.g. cancelled, reduced or increased) <input type="checkbox"/> Explore payment deferrals offered by regulators <input type="checkbox"/> Investigate force majeure contract clauses	
Consider forthcoming tax payments due to HMRC	<input type="checkbox"/> Consider approaching HMRC to agree a 'time to pay arrangement' <input type="checkbox"/> Where quarterly instalments are due, recalculate and review whether there are overpayments that can be reclaimed from HMRC or reduced payments are appropriate	
Estimate any tax losses that may be available in the future	<input type="checkbox"/> Consider whether a change of accounting date will be of benefit to dilute pre COVID-19 profits with post COVID-19 losses <input type="checkbox"/> Work with your adviser to model the best use of losses for cash flow purposes	

Activity	Areas to consider	Comments
<p>Review bank loans, leases, credit cards or other finance:</p> <p>Check repayment schedules and liquidity requirements</p> <p>Check compliance with debt covenants</p> <p>Review financial commitments such as office and equipment leases</p> <p>Check which assets are security for which loan</p>	<p><input type="checkbox"/> Understand what is required to meet short-term obligations</p> <p><input type="checkbox"/> Explore options to seek external finance or renegotiate financial payments with loan commitments (or the interest rate) and seek debt restructuring plans</p> <p><input type="checkbox"/> Notify the bank immediately if the business is in breach of a covenant (or is expecting to breach a covenant in the near term)</p> <p><input type="checkbox"/> Discuss lease terms and rent payment options with the landlord</p> <p><input type="checkbox"/> Consider lease break options</p> <p><input type="checkbox"/> Negotiate a concession on office and equipment lease</p>	
<p>Balance sheet and/or stock</p>	<p><input type="checkbox"/> Undertake a count of current stock and identify any write off</p> <p><input type="checkbox"/> If possible, split this into a normalised percentage that would be expected (in relation to food items etc) and the exceptional element relating to the impact of the close-down period</p> <p><input type="checkbox"/> To identify, for the purpose of future budgeting, any additional stock item costs that relate to health and safety requirements that will be ongoing, e.g: masks, gloves, additional cleaning products, hand sanitisers etc</p>	
<p>Refunds and deposits</p>	<p><input type="checkbox"/> In relation to the refunds already given, select a sample of repayments from the bank statements and test these through the system and ensure they have all been tied up to cancelled bookings</p> <p><input type="checkbox"/> In relation to other deferred income, review what is sitting in deferred income currently to see that it is being deferred correctly</p>	

Activity	Areas to consider	Comments
One-off costs and future matters	<input type="checkbox"/> One-off items of expenditure – are these affordable and/or necessary? <input type="checkbox"/> 'COVID-19-related' expenses	
Completeness of accounting records /changes to procedures	<input type="checkbox"/> Consider backlog of work to be done once the offices are open and ensure that all accounting entries have been made/caught up. To consider changes to the roles and responsibilities of the team (e.g. more working from home, staggered work patterns etc) <input type="checkbox"/> Once everything is up to date, arrange with your advisers a review of the first full month end after re-opening	
Compensatory adjustments	<input type="checkbox"/> Government payments received under the furlough scheme and SEISS are taxable and need to be accounted for <input type="checkbox"/> You are required to keep supporting documentation in relation to furlough claims for a period of six years and HMRC reserve the right to audit them so a review beforehand would be advisable to identify any missing paperwork that can be easily remedied sooner rather than later	
Future revenues/ profitability	<input type="checkbox"/> To keep a close eye on the implications of reduced revenue and additional costs is important not just for routine business planning but also for bonus/incentive schemes	

## Part 2:

# A strategic review of the business – forward thinking, agile ways of working to help your business thrive

Our team are experienced in business advisory and business rescue advice. During this current period of uncertainty, we can work together on a framework to achieve the vision for your business.

Activity	Areas to consider	Comments
To consider how is/has COVID-19 impacted the vision for your business	<input type="checkbox"/> To consider how is COVID-19 impacting your vision <input type="checkbox"/> Risk: What are the risks and how do we mitigate them? <input type="checkbox"/> Waste: How much cost do we need to potentially remove and where? <input type="checkbox"/> Growth: Are there opportunities to grow?	
Update the strategic plan Undertake a SWOT analysis of the business	<input type="checkbox"/> To review and update business continuity plans <input type="checkbox"/> Determine which products or services are vital to ongoing cash flow <input type="checkbox"/> Focus on products or services most in demand <input type="checkbox"/> Consider whether resources should be re-allocated and if contract and temporary staff are needed <input type="checkbox"/> Review the decision-making process and whether this can be centralised with a core team	
Look at ways to create additional income streams as well as options to reduce costs	<input type="checkbox"/> Consider ways to create additional income streams <input type="checkbox"/> Reducing costs: Review staffing levels and look reducing shareholder dividends	
Review regulatory requirements	<input type="checkbox"/> Check extension to filing deadlines for financial and tax reporting <input type="checkbox"/> Could filing be met early? Would this help with quicker refunds of government support?	

Activity	Areas to consider	Comments
Consider the structure of the business going forward	<input type="checkbox"/> For groups – should you rationalise the number of entities? <input type="checkbox"/> For single entity operations with multiple business streams, should you demerge and ringfence each activity in an independent entity?	
Do you have the right staff incentive package for the business?	<input type="checkbox"/> Consider using non-cash share awards for key individuals driving the future of the business <input type="checkbox"/> Explore the use of the Enterprise Management Incentive scheme as a tax-efficient motivational plan to encourage engagement in business growth plans	
Are there tax breaks available linked to new business activity?	<input type="checkbox"/> If the business is exploring new products or processes, Research & Development tax relief may be available to reduce tax on profits or to create repayable tax credits	

Let's set a time for a one-hour session to devise a clear strategy to help navigate your business through this challenging time in order for you and your business to prosper. Please get in touch with your usual Mercer & Hole team member or call one of the offices to arrange.



Our team are experienced in business advisory and business rescue advice. During this current period of uncertainty, we can work together on a framework to achieve the vision for your business. Please visit the COVID-19 Recovery Planning section on: [www.mercerhole.co.uk](http://www.mercerhole.co.uk) to watch a short video on business planning and to download a business plan template.



# Individuals

We wanted to identify if there are particular considerations for individuals and their financial arrangements post COVID-19, and to pull together the obvious ones and some less obvious points as food for thought. We will be very happy to discuss your personal situation in more detail with you.

We have broken down the thinking into three principal areas looking at the short, medium and longer-term implications for each. We have also drawn attention to where some temporary reliefs or concessions are to be withdrawn so that you are not caught out. You should bear in mind that many HMRC returns are now required through online filings. This is a good development, but security constraints lead to a need for forward thinking to make sure the necessary registrations are in place and reference numbers are to hand in time to meet the often-short filing deadlines.

## Part 3

Activity	Considerations	Comments
Income	<ul style="list-style-type: none"><li><input type="checkbox"/> Complete your 19/20 tax return as early as possible to identify tax due and/or obtain a refund as soon as possible to aid cash flow</li><li><input type="checkbox"/> Consider deferring 31 July tax payment to assist with cash flow</li><li><input type="checkbox"/> 20/21 tax year — is your residence status a clear position? COVID-19 reliefs may not apply beyond 5 June 2020, day count may be different from usual, identifying the issues now may enable you to manage situation for rest of tax year.</li><li><input type="checkbox"/> Evidence of falling or lower income than usual? Manage cash flow by considering the following:</li><li><input type="checkbox"/> Reduce payments on account due Jan and July 2021 to reflect lower income</li><li><input type="checkbox"/> Check no loss of relief for tax reducing investments such as EIS; consider carry back to the previous tax year</li><li><input type="checkbox"/> If you make regular gifts out of income for inheritance tax purposes, is this still possible?</li><li><input type="checkbox"/> Where income is significantly reduced, check no excess gift aid donations are being made as tax charges may arise</li></ul>	

Activity	Considerations	Comments
Capital Gains	<ul style="list-style-type: none"> <li><input type="checkbox"/> Consider capturing capital losses. Investment decisions should take priority, but where available, capital losses could be important particularly if tax rates increase</li> <li><input type="checkbox"/> 30-day reporting for disposals of real property of increasing importance. Relaxations end on 31 July and there are then penalties for late filing</li> <li><input type="checkbox"/> You may need to register for the online filing early to ensure access to the system is available</li> <li><input type="checkbox"/> Applicable to direct ownership of land but can also include sales and gifts of land or shares in companies which own land</li> <li><input type="checkbox"/> Check if any REITS (Real Estate Investment Trusts) in investment portfolio – how will you know when sold?</li> <li><input type="checkbox"/> Watch out for roll-over relief in your investments. If accelerated sales, check no previous relief affected or crystallised</li> <li><input type="checkbox"/> Check new acquisitions, e.g. can you defer gains in to EIS investments?</li> </ul>	
Inheritance and gifts	<ul style="list-style-type: none"> <li><input type="checkbox"/> Have you received an inheritance?</li> <li><input type="checkbox"/> How should this be dealt with? Should the Will be varied to be more tax efficient? Could it be passed on a generation?</li> <li><input type="checkbox"/> Consider the impact on your other financial affairs. Do they need to be reviewed to make sure the strategy is coherent?</li> <li><input type="checkbox"/> Your own Will — Where is it? When was it last reviewed? Does it do what you want and is it tax efficient?</li> <li><input type="checkbox"/> The increased risk of sudden death we have experienced, focusses the mind. Would your loved ones know where to find your financial information? Make an “in case of emergency” file?</li> <li><input type="checkbox"/> Do you have a power of attorney in place? Who can deal with your financial affairs and medical decisions if you are incapacitated temporarily or permanently?</li> <li><input type="checkbox"/> Supporting others during the crisis</li> <li><input type="checkbox"/> Understand the gifts you’ve made and the tax consequences of them. Check the impact of loans made or use of assets by others on your situation</li> <li><input type="checkbox"/> Short term cash-flow has impact on long-term position. Review lifetime cash flow and financial planning to identify opportunities and needs</li> <li><input type="checkbox"/> Pension funds aren’t part of your estate so make sure you leave them to the right people rather than your pension company deciding. Do you need to update your nomination under your pension?</li> </ul>	

Activity	Considerations	Comments
Pension contributions	<input type="checkbox"/> Do you have unused relief? <input type="checkbox"/> Is your annual allowance restricted by your earnings?	
Pension drawdown	<input type="checkbox"/> Are you over 55 years of age and have a short-term cash flow issue?	
Pension performance	<input type="checkbox"/> Do you have a recent update on how your pension is performing?	
Tax efficient investment allowances	<input type="checkbox"/> Are you using all your tax allowances?	
Business leasing	<input type="checkbox"/> Do you own a business and trade from the premises/ have a commercial property you trade from? <input type="checkbox"/> Can your pension fund take over the building payments?	
Business Property Relief	<input type="checkbox"/> Does the nature of your business qualify for business property relief? <input type="checkbox"/> Is your business caught in the IHT net? <input type="checkbox"/> Do you have dormant business that doesn't qualify?	

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London  
020 7236 2601  
london@mercerhole.co.uk

St Albans  
01727 869141  
stalbans@mercerhole.co.uk

Rickmansworth  
01923 771010  
rickmansworth@mercerhole.co.uk

Milton Keynes  
01908 605552  
miltonkeynes@mercerhole.co.uk

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Mercer  
& Hole

