



## Managing a business crisis

### Practical and proven strategies you can deploy today.

Australia is experiencing unprecedented events, firstly following the bushfires and now through the increasing impact of the coronavirus.

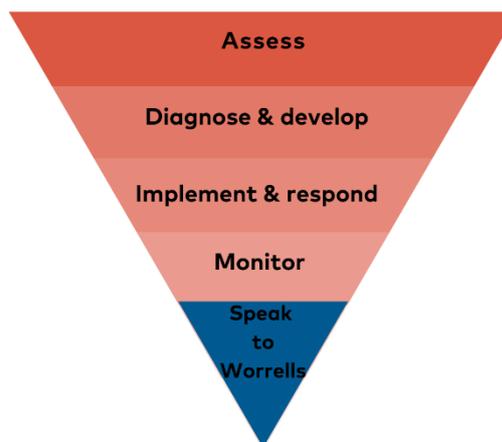
The impact of these events is likely to see Australia enter into recession for the first time in 29 years.

For businesses to prepare and combat the effect of a recession, business owners must urgently assess and prepare for such an event. To assist business owners (or your clients) through these difficult times, below is a simple and practical approach that business owners can implement during such a crisis. Worrells can also assist business owners with this assessment.

Here is our simple 5-step process to crisis proof your business.

### Crisis management framework

1. assess
2. diagnose and develop
3. implement and respond
4. monitor
5. speak to us



#### 1. Assess

The task is to focus on what is within your control and what your business key drivers are.

- Is the work environment for staff and customers safe?
- What business expenses are key to the business operating and which are not?
- Are there any business expenses that can be reduced without impacting the business's long-term viability?
- Which revenue streams have been impacted?
- What initiatives can be undertaken to protect and maintain revenue?
- What obligations do you have to financial institutions through facilities?
- What statutory obligations exist?



## 2. Diagnose and develop

Once you have assessed the key drivers of your business then it is imperative to develop a plan. Documenting such a plan, allocating responsibilities, and setting agreed timelines is essential. Ensure your staff and key stakeholders are supportive of the plan. Communication is key.

- **Design a plan to ensure a safe environment** for your staff and customers. How are you communicating that a safe environment exists? How often are you communicating?
- **Optimise revenue**—what revenue initiatives can be undertaken to maintain a sustainable level of income—consider collection of debtors, sale campaign, alternative delivery methods (online). Are there new revenue initiatives that can be undertaken as a result of changing market conditions?
- **Supply lines**—ask your suppliers if they can recommend alternative supply lines if they're affected by imports. If they can't, explore finding alternative lines of supply.
- **Reduce expenses**—a detailed review of business expenses should be undertaken to identify any expenses that can be reduced or even eliminated altogether. This could be a reduction in staffing hours, termination of unnecessary or non-essential services or even sale of surplus assets that are subject to finance.
- **Deferral of expenses**—are there any other expenses that can be postponed? Are there any creditors including suppliers and landlord that are willing and able to provide such support through relaxed payment terms? The Australian Taxation Office (ATO) can provide relief through the following initiatives:
  - Deferring (by up to four months) the payment date of amounts due through the business activity statement—including pay as you go (PAYG) instalments—income tax assessments, fringe benefits tax assessments and excise tax.
  - Allowing businesses on a quarterly reporting cycle to opt into monthly GST reporting to get quicker access to GST refunds they may be entitled to.
  - Allowing businesses to vary PAYG instalment amounts to zero for the March 2020 quarter. Those businesses can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.
  - Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.
  - Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low-interest payment plans.
- **Financier support**—contact your financier to discuss what financial support is available (usually by way of deferred payment terms under the loan facility).
- **Consider government assistance**—find out which government support applies to your circumstances (see page 4).

## 3. Implement and respond

Urgently responding to these situations could include the following approach.

- **Increase sales** through new sales initiatives and innovative revenue avenues.
- **Increase exposure** through other platforms to sell and market your business. Could platforms previously determined irrelevant to the business now be relevant? Consider ecommerce platforms and social media platforms to increase your businesses visibility and exposure to current and new markets.



- **Communicate with stakeholders.** Communication must be open and transparent with employees, financial institutions, landlords, suppliers, the ATO, customers and local business networks. It should be regular and often.
- **Implement relaxed payment terms.** Make it easier for other businesses to do business with you. Be careful that you understand the financial impact it might have on your business.
- **Enable staff to work from home if possible.** Staff safety is paramount and non-negotiable. However, knowing what they need to be effective in their job away from an office or premises environment will help expedite this process and streamline job functions/tasks during this period.

#### 4. Monitor

Regularly check on the financial position. Step 4 means:

- **Monitor** on a regular basis.
- **Adapt and amend** your plan if necessary.

#### 5. Speak to a restructuring adviser

The current environment can be very daunting and Worrells partners and staff are available at any time to assist business owners that find themselves in a distressed position. We are experts in providing restructuring advice and can provide the guidance that may be needed in these difficult times. Worrells has 29 insolvency experts across Australia ready to assist. Their advice is qualified, regulated and experienced to help all types of businesses, in all industries. If you have a contact within Worrells please call them direct or through your accountant or lawyer.

Worrells has been providing formal and informal insolvency solutions (including voluntary administration, liquidation, and bankruptcy) services for over 47 years. We pride ourselves on approaching sensitive financial challenges through “Plain Talk, Straight Answers, and Fast Results” when people need it the most.

Worrells has 34 offices across Qld, NSW and the ACT, Vic, South and West Australia.

[Contact us here.](https://www.worrells.net.au/contact-us)

**LOCATIONS**

QLD OFFICES	VIC OFFICES	NSW/ACT OFFICES	SA OFFICES	WA OFFICE
BRISBANE	MELBOURNE	SYDNEY	ADELAIDE	PERTH
BUNDABERG CAIRNS CAPALABA CHERMSIDE GOLD COAST IPSWICH LOGAN MAROOCHYDORE MOUNT GRAVATT NOOSA NORTH LAKES ROCKHAMPTON SPRINGFIELD TOOWOOMBA	BALLARAT BENDIGO ESSENDON FRANKSTON GEELONG NARRE WARREN RINGWOOD	CANBERRA CENTRAL COAST CENTRAL WEST LISMORE WESTERN SYDNEY WOLLONGONG	EYRE PENINSULA KANGAROO ISLAND	

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Focused locally, resourced nationally—Worrells is the firm of choice for all insolvency and restructuring appointments.



## Government stimulus plan

Instant asset write-off	Depreciation	Rebate	Subsidies
<b>Increased threshold from \$30,000 to \$150,000</b>	<b>Accelerated depreciation to 30 June 2021</b>	<b>Employers get a cash boost up to \$100,000</b>	<b>Wage subsidies for apprentices and trainees</b>
<p>Includes businesses with aggregated annual turnover &lt;\$500 million (up from \$50 million) until 30 June 2020.</p> <p>For example, assets that may be able to be immediately written-off are a concrete tank for a builder, a tractor for a farming business, and a truck for a delivery business.</p>	<p>Provides a 15-month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions.</p> <p>Businesses with turnover &lt;\$500 million can deduct an additional 50% of the asset cost in the year of purchase.</p>	<p>Eligible small and medium-sized businesses receive between \$20,000-\$100,000 when employing staff as at 12 March 2020.</p> <p>Businesses turnover with &lt;\$50 million receive the payment tax-free.</p> <p>The payments will be split and automatically applied (minimum of \$10,000—maximum of \$50,000) to Activity Statements (Mar to June 2020 + June to Sept 2020).</p> <p>See the full criteria and explanation <a href="#">click here</a>.</p>	<p>Eligible employers can apply for a wage subsidy of 50% of the apprentice's or trainee's wage for up to 9 months from 1 January - 30 September 2020.</p> <p>Where a small business cannot retain an apprentice, the subsidy is available to a new employer that employs that apprentice.</p>
<b>Temporary rules</b>		<b>Lender support for new debts</b>	
<b>Temporary relief for distressed businesses and their directors.</b>		<b>Coronavirus SME Guarantee Scheme will provide a guarantee equal to 50% to lenders for short-term unsecured loans to SMEs.</b>	
<p>Creditor statutory demand on a company increased threshold from \$2,000 to \$20,000</p> <p>Minimum debt for a creditor to start bankruptcy proceedings increased threshold from \$5,000 to \$20,000.</p> <p>Presumption of insolvency/act of bankruptcy when not responding to a demand/bankruptcy notice increased from 21 days to 6 months.</p> <p>Personal liability for insolvent trading relieved for a 6-month period.</p>		<p>Business turnover must be &lt;\$50 million.</p> <p>Loans will unsecured (apart from government guarantee), up to \$250,000 for up to 3 years, and no payments for the first 6 months.</p>	

Correct at time of publishing: 23 March 2020.

## Resources

Source	Information
<a href="#">Australian Government: Economic response to the Coronavirus</a>	Boosting cash flow for employers/supporting apprentices and trainees. Includes case study examples.
<a href="#">ATO: Support measures to assist those affected by COVID-19</a>	ATO support measures for those affected by COVID-19.
<a href="#">Australian Banking Association</a>	Financial difficulty—banking assistance options. Includes hardship team contact details for 22 financial institutions.
<a href="#">Australian Department of Health</a>	Health alert that reports (daily) on the latest medical advice and official reports.
<a href="#">World Health Organisation</a>	Getting your workplace ready for COVID-19.
<a href="#">Harvard Business Review</a>	Lead your business through the coronavirus crisis.
<a href="#">Harvard Business Review</a>	Prepare your supply chain for coronavirus.
<a href="#">Harvard Business Review</a>	What organisations need to survive a pandemic.
<a href="#">Harvard Business Review</a>	What's your company's emergency remote-work plan?

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