

Financial Services in Uncertain Time

Cash Flow Review

Context

There are many factors influencing the performance of corporate clients and thus reducing the level of comfort in the FSI sector. Among them, the following can have the highest negative impact on working capital in companies:

- Increased pressure from creditors, resulting in reduced credit days outstanding.
- Reduced visibility of demand, which makes manufacturing planning more difficult and may significantly impact the level of stock in the company.
- Higher pressure from debtors to delay payments and increased level of debtors in the balance sheets of corporate clients. Increased margin pressures as a result of balancing between payment terms and early payment discounts.
- Reduced resources due to headcount reductions and other matters, which makes it more difficult to control operations including, managing the effective implementation of a credit policy.

Risks and Challenges

The following are the main risks companies may face:

- The risk of insolvency or inability to finance the company's short-term operations caused by lack of cash funds.
- The risk of running low on cash, which increases stress, delays payments and increases internal pressures on management and staff.

The challenges FSI clients might face are:

- To quickly monitor and identify working capital deficiencies.
- To manage positive business relationships with debtors while enforcing credit control.
- To improve just-in-time planning principles to optimise performance of inventories.

How Deloitte can help

Deloitte can help by delivering quick and long-term improvements through two phases:

Phase 1. Quick diagnostic review in the scope areas with the aim of identifying the level of pressure on cash, and the key factors influencing this pressure.

Phase 2. Devising a quick-hit improvement implementation plan, and implementing those improvements. We assist clients in quantifying the potential benefits of implementing improvements in the identified areas, and in developing a programme to realise those benefits.

Contact us for more information: deloitte.sk@deloittece.com

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