

SMALL BUSINESS CONTINUITY CHECKLIST HOW TO SURVIVE AND THRIVE POST COVID-19



Introduction

The unprecedented circumstances of COVID-19 have seen many businesses faced with challenges the likes of which they have never faced before. For many small businesses, having a trusted advisor that they can turn to for help and guidance through this crisis is incredibly important.

Small- and medium-sized practices (SMPs) have a deep knowledge of their clients' business and many of the specialist skills necessary to help them navigate through these most challenging of times.

The nature and extent of the advice needed will depend on a variety of factors, including the industry, cash reserves and the performance of the business prior to the COVID-19 outbreak. In the early stages of the crisis, guidance was needed to access government grants and subsidies. Many businesses now face a prolonged period of changing circumstances (i.e. the "next normal") and continue to require assistance and sound advice. A professional accountant can help effectively manage and reduce risk, explain how to take appropriate actions and fortify the business for the medium to long-term.

The Small Business Continuity Checklist is a diagnostic tool to navigate times of disruption, covering two key areas of Financial Management Tasks and Strategic Management Tasks. It is not intended to be an exhaustive checklist of requirements, but rather a tool to help identify priority actions for immediate attention.



Financial Management Tasks

Accurate and timely financial information is critical. The following financial management tasks should be considered to understand how the business is performing and identify focus areas for immediate action.

Activity	Actions to Consider	Comments
<ul style="list-style-type: none"> ➤ Prepare, review and analyze the financial statements: <ul style="list-style-type: none"> ✓ A statement of financial performance (income/profit and loss statement) ✓ A statement of financial position (balance sheet) ✓ A cash flow statement 	<ul style="list-style-type: none"> <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 <input type="checkbox"/> Calculate key ratios from the financial statements, such as working capital ratio and stock/inventory turnover ratio 	
<ul style="list-style-type: none"> ➤ Prepare and review 3, 6 and 12-month cash flow forecasts using best, worst and expected case scenarios ➤ Improve liquidity position 	<ul style="list-style-type: none"> <input type="checkbox"/> Update cash flow forecasts regularly to reflect actual events and monitor ongoing cash positions <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 <input type="checkbox"/> Investigate how long the business can continue before future cash flows go negative <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 <input type="checkbox"/> Access external finance sources (such as an overdraft facility) 	
<ul style="list-style-type: none"> ➤ Determine whether the business activities are eligible for a government COVID-19 grant or subsidy 	<ul style="list-style-type: none"> <input type="checkbox"/> Explore what grants/ subsidies/ loans are available and the eligibility requirements 	
<ul style="list-style-type: none"> ➤ Undertake a sensitivity analysis with changes in assumptions to prepare forecasts 	<p>Consider:</p> <ul style="list-style-type: none"> <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? 	

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	<ul style="list-style-type: none"> <input type="checkbox"/> Best- and worst-case scenarios for the operational and financial positions in the next 3, 6 or 12 months 	
<ul style="list-style-type: none"> ➤ Review working capital items, including: <ul style="list-style-type: none"> ✓ Stock/inventory balances ✓ Cash at bank 	<ul style="list-style-type: none"> <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 over-spending on stock/inventory 	
<ul style="list-style-type: none"> ➤ Review accounts receivable/ debtor ledger balance ➤ Review forward orders and customer payment terms 	<ul style="list-style-type: none"> <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 service or product 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 	
<ul style="list-style-type: none"> ➤ Review the market valuation of certain assets 	<ul style="list-style-type: none"> <input type="checkbox"/> Involve an accountant, or a specialist valuer, as required <input type="checkbox"/> Consider what assets could be sold to raise cash <input type="checkbox"/> Reconsider or delay significant capital expenditure or investments 	

Activity	Actions to Consider	Comments
<ul style="list-style-type: none"> ➤ Review creditor/ payables ledger balance ➤ Review suppliers' contracts or payment terms 	<ul style="list-style-type: none"> <input type="checkbox"/> Explore options to defer or renegotiate financial payments e.g. smaller installments, 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 <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 	
<ul style="list-style-type: none"> ➤ Review bank loans, leases, credit cards or other finance: <ul style="list-style-type: none"> ✓ Check repayment schedules and liquidity requirements ✓ Check compliance with debt covenants ➤ Review financial commitments, such as office and equipment leases ➤ Check which assets are security for which loan 	<ul style="list-style-type: none"> <input type="checkbox"/> Understand what is required to meet short-term obligations <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 <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) <input type="checkbox"/> Discuss lease terms and rent payment options with the landlord <input type="checkbox"/> Consider lease break options <input type="checkbox"/> Negotiate a concession on office and equipment leases 	

Strategic Management Tasks

It is important to review the business strategy, plan and operational procedures, especially if there have been significant changes.

Activity	Actions to Consider	Comments
<ul style="list-style-type: none"> ➤ Ensure health and safety of staff ➤ Enable remote working where possible 	<ul style="list-style-type: none"> <input type="checkbox"/> Explore remote operations including impacts on, and changes to, systems and processes <input type="checkbox"/> Provide IT equipment to staff who can work at home <input type="checkbox"/> Allow flexibility for staff and a work-life balance <input type="checkbox"/> Provide staff with personal protective equipment if necessary <input type="checkbox"/> Manage productivity and availability expectations e.g. alternate working schedules and safe commuting <input type="checkbox"/> Empathize with the challenges and issues of employees e.g. amending vacation and sick leave policies <input type="checkbox"/> Prepare workplaces for anti-contamination responses and ensure they are thoroughly cleaned and disinfected 	
<ul style="list-style-type: none"> ➤ Provide leadership and clear communication to staff 	<ul style="list-style-type: none"> <input type="checkbox"/> Aim for frequent messages and speed over perfection - increase touch points to engage on non-work matters e.g. arrange virtual social events <input type="checkbox"/> Consider ways to maintain morale, productivity and engagement <input type="checkbox"/> Inspire creativity, innovation and decision making at all levels <input type="checkbox"/> Build trust, support staff and understand emotional concerns and the importance of personal well being <input type="checkbox"/> Be transparent about future operational plans <input type="checkbox"/> Ask staff for ideas on how the business can survive and thrive 	
<ul style="list-style-type: none"> ➤ Review regulatory requirements 	<ul style="list-style-type: none"> <input type="checkbox"/> Check extensions to filing deadlines for financial and tax reporting <input type="checkbox"/> Explore whether it is advantageous to meet filing deadlines early – for example, early filing or lodgment may give quicker access to government support and/or refunds 	

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	<ul style="list-style-type: none"> <input type="checkbox"/> Consider any new requirements under COVID-19, such as prohibition on group gatherings 	
<ul style="list-style-type: none"> ➤ Update the strategic plan ➤ Undertake a Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis 	<ul style="list-style-type: none"> <input type="checkbox"/> Immediately develop or update business continuity plans and quantify the risk exposure – recognize this is an unprecedented crisis <input type="checkbox"/> Determine which products or services are vital to ongoing cash flow and should be preserved <input type="checkbox"/> Focus on services/ products that are most in-demand - maximizing volume and profitability <input type="checkbox"/> Consider whether resources should be reallocated to amplify certain activities or whether contract or temporary staff are needed <input type="checkbox"/> Review the options and explore potential to pivot into new and different revenue opportunities or alternative markets – consider how to meet different needs and demands from changes to customer behavior <input type="checkbox"/> Explore new ways of conducting business and providing products/ services to customers <input type="checkbox"/> Centralize decision-making with core staff <input type="checkbox"/> Enable structural changes and consider the long-term effects – it will not just impact today, but tomorrow and beyond - consider what transition steps are needed to explore and get to the new normal 	
<ul style="list-style-type: none"> ➤ Create or increase the online presence of the business 	<ul style="list-style-type: none"> <input type="checkbox"/> With customers staying at home and shopping online, consider creating or increasing online presence to reach such customers e.g. through a direct website and social media channels <input type="checkbox"/> With online sales, consider how best to deliver the product or services to clients 	
<ul style="list-style-type: none"> ➤ Stay close with customers – how the business responds will be critical for long-term loyalty and risk of reputational damage 	<ul style="list-style-type: none"> <input type="checkbox"/> Prioritize customer/ client engagement e.g. regularly connect with key customers about operations and services that are still available <input type="checkbox"/> Consider offers to customers that help to sustain the customer relationship without being seen to be opportunistic 	

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	<ul style="list-style-type: none"> <input type="checkbox"/> Position the customer experience online where possible <input type="checkbox"/> Utilize a variety of communication mechanisms – e-mail, video, social media etc. but don't neglect direct telephone contact for that personal touch <input type="checkbox"/> Leverage existing customer relationship management (CRM) systems and data <input type="checkbox"/> Consider how to maintain the services offered to customers in alternative ways 	
<ul style="list-style-type: none"> ➤ Establish, update/ review the "Policies Manual": <ul style="list-style-type: none"> ✓ Review staff authority to spend money ✓ Consider fraud risk ✓ Inform and educate staff about your policies 	<ul style="list-style-type: none"> <input type="checkbox"/> Review appropriate internal controls to safeguard assets including: <ul style="list-style-type: none"> ✓ approval of transactions ✓ authorization level for all payments, acceptance of supplier/ customer contracts ✓ renegotiation of terms (payment, delivery etc.) ✓ online system security access <input type="checkbox"/> As there could be a heightened fraud risk, engage with staff about prevention measures and identify whether procedures and policies are being followed 	
<ul style="list-style-type: none"> ➤ Review and update IT systems, including: <ul style="list-style-type: none"> ✓ The licenses needed to use the software are up to date ✓ Digital capabilities are enhanced, and cybersecurity protocols enabled ✓ Back-ups are performed frequently and held offsite ✓ Staff training needs are met ✓ Disaster recovery plan documentation has been reviewed 	<ul style="list-style-type: none"> <input type="checkbox"/> If possible, invest more in cyber security <input type="checkbox"/> Be aware of the rise in cybercrime and scam e-mails – think twice before sharing private company data <input type="checkbox"/> Ensure current versions of software are being used, that there are no unauthorized copies, and the number of licenses is adequate to cover the number of users <input type="checkbox"/> Test bandwidth, VPN infrastructure, protections to safeguard security and data under peak conditions <input type="checkbox"/> Test whether the staff know how to restore the back-up and it works <input type="checkbox"/> Arrange training on online tools and virtual meetings <input type="checkbox"/> Appoint a "champion" for each software product to enhance internal transfer of practical knowledge 	

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<ul style="list-style-type: none"> ➤ Review the business insurance coverage, including: <ul style="list-style-type: none"> ✓ Type of policy ✓ The amount of coverage in place 	<ul style="list-style-type: none"> ❑ Explore whether the insurance covers business interruption, financial losses, insolvency, life insurance, income replacement, etc. 	
<ul style="list-style-type: none"> ➤ Seek ways of reducing resource use in the business. Consider: <ul style="list-style-type: none"> ✓ Staff required ✓ The use of water, electricity, gas, petrol/diesel ✓ Using local suppliers if possible ✓ Eliminating unproductive steps or processes 	<ul style="list-style-type: none"> ❑ Review staff level and who is required to maintain essential operations; consider redundancies, reduced compensation, hours of work, explore options for leave without pay ❑ Reduce shareholder dividends ❑ Identify opportunities to reduce costs e.g. reduce travel and entertainment 	



COVID-19 Resources from IFAC's Network

As a knowledge convener, IFAC has developed a dedicated COVID-19 [web page](#) with essential resources, guidance and advice from our professional accountancy organizations (PAOs) and other stakeholders.

Topic areas include Audit, Financial Reporting, Business Continuity & Crisis Management and Professional & Personal Wellness.

Our goal is to help organizations and individuals demonstrate the agility to adjust, innovate and manage this rapidly evolving situation.

Knowledge Gateway

Visit the [IFAC Knowledge Gateway](#) to find relevant articles, videos and resources impacting the global accountancy profession and register to receive *The Latest*, a bi-weekly newsletter that summarizes the content added every two weeks.

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. IFAC's three strategic objectives are:

- Contributing to and promoting the development, adoption, and implementation of high-quality international standards;
- Preparing a future-ready profession; and
- Speaking out as the voice for the global profession.

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