

Welcome to

Aubrey Paton & Associates



Certified Practising Accountants
Business & Taxation Consultants

CASH IS STILL KING

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As Banks, Financiers and other lending institutions attempt to write business in these challenging times, one of the main areas requiring understanding from the credit teams is the **CASH POSITION** of the entities they are assessing.

While there are varying internal rules and policies surrounding this area, it is imperative to the success of the application that the client can demonstrate a cash position that will enable them to continue trading and meet their commitments adequately even under stress.

Stress tests are applied to Cash Flow figures, depending on the industry. Each industry has its own fair measures of what stresses will be placed on the business. Manufacturing has different stress points than retail for example.

It is important to highlight these issues, and the reasoning behind your forecasts in comprehensive Cash Flow Forecast Assumptions.

It is fair to say that in the majority of cases, if the lender can get comfortable with the fact that the company will have cash to trade through the next period and employ measures for growth then that's more than half the battle won.

It is also worth remembering that the new lending required, is shown and demonstrated as benefiting the business. If the lending is not seen to benefit the business then it is unlikely the application will be successful.