

Liquidity Checklist

1.) Liquidity

Topics/questions

Liquidity management:

- 1 - Identify and release trapped cash in bank balance by site/account
- 2 - Review automated payment list (e.g. standing orders, direct debits) if payments can be moved to manual payments?
- 3 - Identify and implement cash pooling opportunities
- 4 - Optimize number of banks to concentrate funds flow
- 5 - Optimize Intra-week and Intra-month low points
(e.g. pay suppliers end of week)
- 6 - Analyze delta between cash book and bank book
- 7 - Understand use of cheques v. wire transfer
- 8 - Implement ABC supplier analysis to manage liquidity and risk
- 9 - Review AP payment methods (%<14days, <30day, 60 days etc.)
- 10 - Replace cash deposits with Holding letter of comforts or other non-cash arrangements
- 11 - What non-core assets does the company have that can be sold (e.g. excess stock, old molding tools, waste, other balance sheet assets)
- 12 - Ensure there are daily cash status reports
- 13 - Understand internal approval limits for capex, stock purchases etc. and how the company is controlling these

- 14 - Understand current debt structure and identify opportunities and restrictions on any ABL facilities to extend/free-up liquidity position (i.e. unallowables, etc.)

13 Weeks forecast:

- 14 - Review 13 week forecast in detail including weekly trend analysis and deviation analysis and verify underlying assumptions used for the forecast period
- 15 - Review liquidity forecasting process and verify that clear responsibilities, due dates, approval limits, definitions, etc. are in place throughout the group
- 16 - Perform a liquidity forecasting deviation analysis to identify typical weaknesses in the company's forecasting quality
- 17 - If there are multiple locations, understand which location/country is the weakest link and evaluate key issues

- 18 - Ensure A/R ledger unwind is reflected with usual customer payment behavior rather than payment terms

- 19 - Split other trade collections into order book release and pure forecast collections to identify collection risk clusters

- 20 - Report overdue trade collections in separate line to track progress and assumptions
- 21 - Prepare a sensitivity analysis on collections for forecast period and contingency plan
- 22 - Analyze supplier payments and split into fixed payment dates (i.e. confirming, L.C. pre-payment) and variable payments
- 23 - Review order process and link to liquidity forecast. Eliminate unforecasted and maverick ordering behavior.
- 24 - Move weekly wage payments to month-end payments
- 25 - Review VAT payment process if all available payment extensions are implemented
- 26 - Understand Intercompany cash flows and eliminate unwanted internal payment delays between plants that trigger external borrowing
- 27 - Implement daily Cash forecasts in tight liquidity weeks
- 28 - Is availability reported corrected (i.e. blocked availability taken out, allowed but not factored A/R included)

- 29 - Identify risks and opportunities (including identifying a person to that is identified responsible for the execution)

12 Months forecast

- 30 - Review monthly reforecasting process/closing of management accounts. When are corrections reflected in the forecast?
- 31 - Check rule applied to sales lost in the period (rolled forward, etc.)
- 32 - Review covenant calculation and headroom forecast. Identify tight early warning periods.
- 33 - Prepare sensitivity analysis and contingency plan
- 34 - Reconcile 13 week cash flow (month end values) with 12 month cash flow FC

2.) Working Capital Accounts receivables

- 35 - Measure actual DSO v. contractual DSO and highlight variances
- 36 - Ensure thorough A/R process (i.e.. call x # of customers per day, calls are logged centrally)
- 37 - review A/R ageing and identify opportunities to accelerate the collection process; prioritize customers
- 38 - review customer profitability analysis for low profit making customers, loss-making customers, low share of wallet customers with high profitability
- 39 - Ensure company is proactively following up with customer on payment clearance before receivable become due (all invoices on hand, no missing delivery notes, clear other issues that customer can use as excuse not to pay)

- 40 - Analyze Days Billing Outstanding for faster invoicing opportunities
- 41 - Ensure customer payment plans are in place and honored for customers with overdue receivables

42 - Review if customer credit limit and A/R collection policy is adequate and applied consistently through the group

43 - Prepare a BPDSO (Best possible DSO) analysis

44 - Analyze if large customers offer supplier finance schemes

45 - Identify check payments and confirm transition to ACH

46 - Ensure credit guidelines in place to limit /control new issues of credit

Accounts Payables

47 - Check industry benchmarks to cross-check company is no underperformer

48 - Prepare a BPDPO (Best possible DPO) analysis

49 - Prepare A-B-C supplier analysis to identify critical and non-critical suppliers

50 - Rank payment terms by A-B-C analysis

51 - Measure actual DPO v. contractual DPO by supplier

52 - Eliminate all payment terms <30 days

53 - Get supplier analysis by volume and analysis for supplier bundling potential

54 - If annual/year-end bonus payment are agreed with suppliers, switch to quarterly deduction

55 - Analyze fringe benefits (social securities, pensions, taxes etc.) if they can be reduced or payments can be stretched

56 - Check risk from key suppliers (e.g. weak financials, etc.) and contingency plan to secure production. Confirm vendor communication plan

57 - Confirm controls for PO issuance

Inventories

58 - Implement weekly scorecard (RM, WIP, FG) to track inventory

59 - Analyze ageing of inventory and sell obsolete inventory to release trapped cash

60 - Identify slow mover items and agree with company how to reduce

61 - Understand order backlog on suppliers if obsolete/slow movers are still being ordered

62 - Perform SKU analysis to identify loss making products, products with small margins and products with low volumes

63 - Ensure that procurement volumes and sales forecasting are aligned

64 - Evaluate if transfer of ownership can be push out further (i.e. consignment stock from suppliers, free-house rather than ex-works)

65 - Understand if supply chain costs can be reduced (warehouse rent reduction, square ft reduction etc.).