

# Corona-Crisis

## Recommendations for business management actions

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### Overview

Delays in the supply chain, production breakdowns, liquidity bottlenecks - the economic impacts of the corona virus are currently causing much debates and hardly any company is not affected by its rapid spread. The novelty and dynamics of the situation require the flexibility of people and companies to adapt and cause great uncertainty worldwide. At the moment, decisions have to be made in a short way and fast, but not in a hurry.

The corona virus currently causes significant impairment of business operations in many companies. However, the extent of this is strongly dependent on the respective industry in which the company is active. Event agencies, exhibition booth builders, gastronomy and the entire tourism industry have already been hit hard by the current slump in sales. As it is not yet possible to predict how long the impacts of the corona virus will be felt, it can be assumed that the decline in sales will tend to become even more severe - even for companies that have not yet recorded any or only a slight decline in sales. For this reason, companies should consider developing various future scenarios and try to map the impacts of the corona pandemic on their own company as best as possible. It should be taken into account, that some industries and companies may only be affected by the adverse effects in a "second wave". These include, for example, wholesalers and service providers for the industries already severely affected, as well as large parts of the retail trade. The current discussion, that lost sales will merely be postponed and will be caught up later should not lead to a false safety feeling on the part of the undertakings concerned. It is currently not yet possible to foresee the extent to which lost sales can be

realized at a later time. Here as well it is recommendable to simulate various scenarios, whereby planning should always follow the principle of commercial prudence.

### Short-term measures to secure liquidity

Securing (short-term) liquidity is currently the top priority for many companies. In this context, the German government is providing support measures. In order to bridge the time until the governmental support measures are received, clear and consistent action by the company management is absolutely essential. The measures and instruments mentioned below serve to optimise and secure the liquidity required in the short term during the corona pandemic.

### Selected measures to secure remaining liquidity

- Application for reduction of tax advances;
- Application for interest-free deferral of any existing taxes liabilities;
- Application for waiving late filing and late payment penalties;
- Examination of possibilities for the accelerated utilisation of tax losses and input tax surpluses/VAT receivables;
- Examination of the introduction of short-time work and application for short-time work compensation;
- Application for deferral of social security contributions to the health insurance funds;
- Negotiations with the financing banks regarding suspension of due repayments;
- Implementation of cost reduction programs;
- Postponement of investments that are not absolutely necessary for operations;
- Utilisation of the maximum permissible

- payment targets for incoming invoices;
- Optimization of inventory management;
- Negotiations with suppliers/lessors about discounts or an extension of payment terms;
- Strengthening of equity capital, e.g. by reducing dividends to shareholders.

### Selected measures to (quickly) obtain additional liquidity

- Application for reimbursement of tax prepayments already made in the first quarter for the year 2020;
- In cases of permanent extension of the deadline, application for refund of the special VAT advance payment;
- Application for emergency government aid;
- Increase in existing credit lines with banks;
- Acceleration of cash receipts, e.g. granting of discounts or use of factoring;
- Optimisation of the reminder process and tighter accounts receivable management;
- Prompt invoicing;
- Sale of assets not required for operations;
- initiation of sale and lease-back transactions;
- Examination and evaluation of insurance services and compensation for damages;
- Strengthening the equity base by reviewing voluntary contributions from shareholders.

### Emergency concepts & further measures

In addition to measures to secure liquidity, companies or their managing directors and executives should draw up emergency plans in the coming weeks, rethink or adapt existing emergency plans and integrate further company divisions into their emergency plans.

Both short-term safeguarding measures and medium-term developments should be taken into account. Of particular importance is an analysis of the **own supply chain**. Here, it should be questioned in which supply chains the company itself and also its own suppliers are integrated nationally and internationally. It should be estimated at what time the own company could be affected by delays in deliveries.

On this basis, an estimate should be made of how long it is possible to wait for raw materials and production materials that fail to arrive or are delayed without major financial losses. At the same time it should be examined whether alternative ways of transportation can be used to counteract transport failures and delays in time. In addition, alternative sources of supply, possibly in Europe instead of Asia, should be developed in order to ensure the production capability of the own company independent of political decisions.

Companies should also examine whether and to what extent capacities can be reduced, e.g. if customers suspend their own production for several weeks. It may make sense to reduce shifts by introducing short-time work or to temporarily introduce a 2 to 3-day week in order to react to the lack of demand. The aim should be to achieve a controlled shutdown of, for example, parts of production and administration, while at the same time ensuring the best possible preparation for restarting production.

Another main aspect of the current situation is active customer management. Companies should approach their customers as quickly as possible and try to find solutions for the current crisis situation together. This may include, for example, adjustments to initially agreed order sizes. Furthermore, it can be useful to offer flexible delivery dates in order to accommodate customers in the event of an existing production shutdown, for example. In addition customers can also be given the opportunity to renegotiate existing conditions. All these instruments can help to stabilize long-term customer relationships even in this time of crisis and counteract sharp declines in sales.

Last but not least, a special focus should currently be placed on human resources.

In order to maintain operations, the absolutely necessary employees should be determined and those internal processes identified which must be constantly monitored or not be interrupted. In addition, rules for representatives for critical positions should be defined and, if necessary, several employees should be trained as possible representatives or interim internal transfers should be discussed. In order to reduce the risk of

infection, flexible jobs and working hours should be created, e.g. by using home offices and working time accounts. In this context, it is important to pass on information directly, transparently and completely to employees in order to create security and trust.

### Take your chance

Apart from the numerous problems and risks that companies are facing in the course of the Corona crisis, the current situation also offers opportunities. Companies should use existing resources and skills to make a contribution during the crisis, or to generate sales in new or previously less intensive fields of operations. It is possible that one's own company can support other companies and organisations facing increased demand in the current situation with products, know-how or logistics. In addition, it should be examined whether system solutions can be offered through cooperation with other companies, which could only be realized with great effort or not at all. Furthermore, the development of new products and innovations can be pushed forward and business processes optimized. Companies should also consider developing a marketing concept for the post-Corona virus period and, if necessary, adapting their business model to modified customer needs.

### Conclusion

The uncertainty of the current situation addresses major challenges to the companies in all sectors. In this context, it is essential to intensively deal with the opportunities and risks of the Corona crisis for your own company. Of particular importance in this context is an up-to-date and realistic assessment of your own liquidity requirements.

Through the use of emergency concepts across different business divisions, companies can not only secure their long-term operations, but also understand and use the crisis as an opportunity for new growth.

If you have any questions, please do not hesitate to contact us at any time.

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