Liquidity Management

Optimising to help maintain sustainability

ADVISORY

Effective cash optimisation is critical to all organisations, especially in a tough economy. Cash is the lifeblood of organisations. An organisation having a proper set of liquidity management policies and procedures will improve profits, reduce the risk of corporate failure and significantly improve its chances of survival. It also provides a strategic advantage especially in difficult economic times. Effective liquidity management will enable an organisation to derive maximum benefits at minimal cost.

What is liquidity management?

Cash is the lifeblood of organisations. Effective liquidity management will enable an organisation to derive maximum benefits at minimal cost. Your KPMG team will focus on the following:

Account management

- Bank and bank account management
- Consolidation of bank account balances

Cross-border cash management

- Regulatory and tax feasibility study
- Cross-border receipts and payments management

Infrastructure management

- Selection and implementation of cash/treasury system
- Cash management policies and procedures
- Cash management department structure

Reconciliation management

- Cash/bank reconciliation
- Accounts receivables reconciliation
- Accounts payables reconciliation

Risk management

- Forex, liquidity, asset risk management
- Hedging optimisation
- Risk policies and procedures

Working capital management

- Receivables management
- Payables management
- Inventory management
- Collection management
- Invoicing management
- Payments management

Organisations which need liquidity management

- Difficulty in managing and co-ordinating numerous accounts with numerous banks.
- High volatility in cash flow positions.
- Excess cash-in-transit or cash float locked in operational processes.
- Inability to tell at any point in time the cash position for a multi-locational group of companies.
- Numerous tedious reconciliation processes performed on a regular basis, keeping staff away from more useful activities.
- Inability to forecast short-term and long-term cash requirements.
- Inability to obtain financing from banks due to poor cash flow positions or too high a leverage.
- Different IT systems used by entities under the group, making interfacing and group-wide cash management difficult.
- Not fully leveraging technology to assist in the cash management and treasury functions.
- Difficulty in organising an optimal or feasible cash management structure after taking into account the operational and regulatory constraints.
- Absence of a proper set of cash management, risk management, and hedging policies and procedures.
- Struggle on centralising and outsourcing cash management decisions.
- Cash flow imbalance – either too high or negative cash balances in relation to the working capital.

KPMG's approach

KPMG understands that every organisation's liquidity management and requirements are different. We add value through helping our clients develop tailored solutions. Our approach is divided into three stages:

- Diagnostic
  We can help you review, analyse and document your current liquidity management or specific functional area processes to identify improvement opportunities. This is achieved through our knowledge of best practices and benchmarking surveys.
- Design
  We can work with you to develop your desired liquidity management or specific functional area processes, incorporating identified improvement opportunities.
- Implementation
  We can help develop an action plan laying out critical milestones, continuous improvement metrics, deliverables and designated process owners.

Key benefits

- Improved cash flow
  Liquidity management releases the dollar locked in working capital, enabling it to contribute to higher shareholder value.
- Enhanced profitability
  With less funds locked in working capital, there is more money available to fund expansion or growth. Less financing will then be required, lowering interest costs, and increasing the ability to generate higher profits.
- Reduced reliance on short-term debt
  Liquidity management reduces reliance on short-term debt for an organisation's daily operations. It allows the organisation to use its borrowing power for other purposes such as acquisition and growth.

How KPMG can help

- Experience
  Our team of liquidity management advisers has breadth of experience and knowledge of best practices in liquidity management pertaining to policies and processes, regulatory constraints, tax considerations and liquidity management systems. We have assisted numerous companies in reducing costs through various process improvements initiatives from both the operational and financial perspectives.
- A structured and tested methodology
  KPMG's set of liquidity management methodologies has been successfully applied to many clients locally as well as overseas. KPMG's phased and structural approach in liquidity management can be easily adapted for various organisational sizes and types.
- Transfer of knowledge
  KPMG believes that a close collaboration of our clients' staff and our team of consultants is critical to a project's success. We will work closely with your staff, and utilise appropriate tools and instruction materials to help ensure knowledge transfer.

Contact us

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