

Expect Cash Flow Issues To Develop, Says Mitchell

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[File](#)

File Howard Mitchell, businessman and former PSOJ president.

Given the toll of the coronavirus on the economy, businesses are expected to run into even more cash flow problems, warns Howard Mitchell, the immediate past president of the Private Sector Organisation of Jamaica, PSOJ.

“I see a tightening up of the market, and people are restricting their liquidity,” said Mitchell, a businessman and attorney who was part of a panel of legal experts at a Development Bank of Jamaica midweek webinar on insolvency.

The fallout of tourism, mining and outsourcing services will result in a contraction in the velocity of money, he said, noting and those effects will spread to other sectors and into the overall economy.

“That is going to put a heavy burden on working capital for businesses and cash flow for businesses,” Mitchell said.

He adds that while Jamaica has a number of large and medium-sized firms in the distribution trade whose businesses generate a lot of cash, the assessment of how funds flow fails to take the full costs of doing business into account, and the flow may also involve goods sold with delayed payment.

“In Jamaica, we have a lot of distribution businesses and you will be fooled into thinking that you have a lot of money, because there is this stream of cash as your inventory exchanges,” he said.

Webinar moderator Dennis Chung, a financial analyst and executive at gaming company Supreme Ventures Limited, said he expects economic output to fall by about 10 per cent, arising from COVID-19.

Once cash flows begin to dry up, so does working capital, which in turn can put companies on the path to insolvency if they have no means by which to turn the business around, Mitchell noted.

“That is why I am saying find the insolvency supervisor, go to your banker, and make sure you carry proper records,” he said.

A company or individual is considered insolvent individual when they owe more than \$300,000 to creditors without the means to meet their obligations.

The webinar, beset with audio issues, did not reveal data on insolvency cases.

The supervisor of insolvency, Justice Ferdinand Smith, said that companies can file for insolvency even if their records are not perfect, but in various stages of readiness.

The Insolvency Act, passed in October 2014, merged legislation relating to bankruptcy, insolvency, receiverships, provisional supervision and the winding up of companies. It also repealed the Bankruptcy Act.

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