

Simeen Gaidhar-Bhanji, Financial Expert Columnist



Simeen Gaidhar-Bhanji, CA is a Partner of Simeen Bhanji Chartered Accountant that offer a variety of services to corporations and individuals ranging from tax planning and consulting, compilation, reviews and audits of financial statements, corporate and personal tax returns, GST/PST services, and consulting for internal control, financing and tax.

Is the economy your friend or foe?

In the past few months our economy has been a rollercoaster ride and it is difficult to predict what will happen day to day.

In these troubled times, it's reassuring to see how many of my clients believe in the philosophy of "what goes down must come up." Many are able to reassess their current business strategies on the fly and view the downturn as an opportunity to build their business in a way they could not have conceived of before the events of the past few months.

Should I reevaluate my business strategy and products?

A successful business is constantly reevaluating its business strategies. To remain competitive and profitable in this economy, we must be willing to make changes in our business to ensure that we survive the ride.

In my practice, I have many clients that are in residential and commercial development. Given the statistics and stories in the media, it is evident that there is a slowdown in the real-estate development market. The financial crisis south of the border has made credit tight and there have been well-publicized developments that have been brought to a standstill.

Rather than being taken down by the storm, my clients decided to reinvent themselves and considered offering another line of business. They have found that with the slow movement in real estate, people are holding their property and making improvements to meet their needs.

So they have capitalized on this observation by transitioning from real-estate development to home-renovation. Rather than developing real estate, they are selling the idea that you don't have to move to a newer home to be happy, you can renovate your existing one.

This business strategy change has made several of my clients extremely profitable. There are many ways to reinvent your business, including changing your product line, marketing strategy, corporate philosophy and most importantly, making your business product or service a necessity to its target market. When the tide drops, you see all kinds of opportunities below the surface you never saw before.

Bargains in the marketplace

For the clients who believe in the philosophy of “what goes down must come up,” they are optimistic about the market and are having the time of their lives investing in many ventures that would ordinarily not be available to them.

Clients with the cash flow to purchase and hold investments are viewing this as a time to buy into the market and hold as prices are at an all-time low. They have the opportunity to invest in various industries including forestry, mining, oil and gas, and service-based corporations.

A few of my clients are currently using their cash flow to buy pieces of companies that have a strong product and business strategy but lack the operating capital needed to survive the storm. These clients are purchasing these companies at pennies on the dollar and see them as viable profit-generating companies once the economy picks up.

It is important to evaluate the company’s performance under regular financial conditions and a more stable economy. It is also important to review all of the financial information, including the company’s financial statements, projected cash flows, business strategy, marketing initiatives, and their plans on surviving the storm.

I have assisted my clients in reviewing these potential investments and extrapolating the historical performance of the company to the current and future periods. It is vital that the projected cash flows of the company are reviewed in detail, as the single most common reason for a company going under is due to the inability to pay its bills.

Diversify, diversify, diversify! This is a concept that has been preached to protect investors from financial consequences that impact one industry. In a strong market investing in different industries requires too much cash for a small piece of the pie, but many of my clients are viewing this as the ideal time to diversify their investment portfolios and are doing it for bargain prices.

The above information is for informational purposes only and therefore prior to making any decisions, please contact your accountant for advice.

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