LYONS & CALZO ACCOUNTANTS

Unit 2A, M4 Business Park,
Celbridge, Co. Kildare, W23 PW2K

(01) 601 2600

NEWSLETTER 42

The Strategic Role of Debt in Fueling Business Growth

In the world of business, debt is often viewed with a sense of caution, even trepidation. However, when managed strategically, debt can be a powerful tool for fuelling business growth.

Far from being a burden, the right kind of debt can provide the capital necessary to expand operations, invest in innovation, and ultimately, achieve long-term success. This article shows understanding how to leverage debt effectively can distinguish a thriving business from one that stagnates.

Understanding Good Debt vs Bad Debt

The first step in using debt strategically is to understand the difference between good debt and bad debt. Good debt is borrowed capital that is invested in opportunities expected to generate more value than the cost of the debt itself. This could include expanding production capacity, entering new markets, or acquiring complementary businesses. Bad debt, on the other hand, is debt that does not generate sufficient returns, such as borrowing to cover ongoing operational losses or for non-essential luxuries.
Businesses should aim to use debt in ways that contribute to growth and profitability. This means carefully evaluating potential investments and ensuring that they will likely yield returns that exceed the cost of the borrowed funds.

Debt as a Catalyst for Growth

When used wisely, debt can act as a catalyst for growth in several ways:

Expansion and Scaling: One of the most common uses of debt is to finance expansion. Whether it's opening new locations, increasing production capacity, or launching new products, expansion often requires significant capital investment. Debt can provide the necessary funds without diluting ownership or relinquishing control, as equity financing would.

Leveraging Opportunities: Businesses frequently encounter time-sensitive opportunities—such as acquiring a competitor, purchasing bulk inventory at a discount, or investing in cutting-edge technology—that require quick access to funds. Debt can enable businesses to seize these opportunities, which might otherwise be missed due to capital constraints.

Optimising Cash Flow: Debt can also be used to smooth out cash flow, particularly for businesses with seasonal revenue fluctuations. By using debt to cover periods of lower cash inflows, a business can maintain steady

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operations and avoid disruptions, positioning itself to capitalise on peak seasons.

Tax Advantages: In many jurisdictions, interest on business debt is tax-deductible, which can reduce the overall cost of borrowing. This tax advantage makes debt a more attractive option for financing than equity, where dividend payments are not tax-deductible.

Risks and Considerations
While debt can be a powerful growth tool, it is not without risks. Businesses must be careful not to over-leverage themselves. Excessive debt can lead to cash flow problems, particularly if revenues do not meet expectations. This can result in missed payments, damaged credit ratings, and in extreme cases, bankruptcy.

It's crucial for businesses to have a clear understanding of their capacity to service debt. This involves rigorous cash flow forecasting and stress testing to ensure that even in a downturn, the business can meet its debt obligations. Moreover, businesses should consider the terms of the debt carefully.

Interest rates, repayment schedules, and covenants can vary significantly between lenders and loan products. Negotiating favourable terms can make a substantial difference in the long-term impact of the debt on the business's finances.

Strategic Debt Management
Strategically managing debt involves a few key practices:

Diversifying Debt Sources: Relying on a single source of debt can be risky. By diversifying across different lenders and types of debt, businesses can reduce their exposure to any one lender's terms or economic conditions.

Aligning Debt with Business Objectives: Debt should always be aligned with the strategic goals of the business. For instance, short-term loans may be appropriate for temporary cash flow needs, while long-term debt might be better suited for funding major capital projects.

Monitoring Debt Levels: Regularly reviewing debt levels relative to the business's performance metrics is essential. This allows for timely adjustments if the debt becomes too burdensome or if the business's financial situation changes.

Building Relationships with Lenders: Strong relationships with lenders can lead to better loan terms and increased flexibility in times of need. Maintaining open lines of communication with lenders can also provide businesses with valuable insights and support.

Conclusion
Debt, when used strategically, can be a powerful driver of business growth. It enables businesses to expand, seize opportunities, and optimise cash flow without diluting ownership. However, it requires careful planning, rigorous management, and a clear understanding of the risks involved.

By differentiating between good and bad debt, aligning debt with strategic objectives, and maintaining a disciplined approach to debt management, businesses can harness the power of debt to fuel sustainable growth and achieve long-term success. In the end, debt is not just a financial obligation; it is a strategic tool that, when wielded wisely, can unlock new avenues of growth and prosperity.

Insights for your journey

Enterprise Ireland has built a strong library of practical webinars and podcasts that many firms overlook once the funding conversation ends. That is a mistake. The content is well produced, current, and focused on real operational challenges faced by Irish businesses.

Topics range from scaling and cashflow management to leadership, exporting, digital transformation, and ESG. Many sessions feature experienced founders, sector specialists, and economists rather than generic motivational speakers. For accountants, this material can be valuable both for your own insight and as a resource to share with clients who are asking broader business questions beyond compliance.

The sessions are short, accessible, and designed to be consumed alongside day to day work. Some firms assume these resources are aimed only at larger or high growth companies. In practice, many of the discussions are highly relevant to SMEs navigating uncertainty, investment decisions, and growth planning.

Worth bookmarking and selectively sharing with clients who want to think beyond the numbers.

Link:
https://www.enterprise-ireland.com/en/insights-webinars

Financial Strategies for a Tight Labour Market

We know wage pressures are becoming one of the most significant financial challenges for SMEs. A tight labour market gives employees more bargaining power, and many businesses feel compelled to increase pay simply to retain their existing teams.

While higher wages can help with stability, they can also strain cash flow and erode margins if not supported by wider financial planning. Treating wage growth as an unavoidable cost is a limited approach and can leave you exposed when market conditions shift.

A more strategic response starts with understanding the true drivers of your labour costs. Many SMEs focus on base salaries and overlook the financial impact of overtime, seasonal peaks, benefits and inefficiencies in scheduling. Analysing your labour spend in detail often reveals hidden costs that contribute more to pressure than headline wage rates. You gain greater control when you identify which costs support productivity and which costs arise from outdated processes.

Productivity must be examined with clarity. It is easy to assume your team is stretched to capacity and that more staff or higher wages are the only solution. In reality, many businesses have workflow bottlenecks, duplication of effort or unnecessary manual tasks that inflate labour needs. Improving systems, automating routine tasks or reallocating responsibilities can reduce the volume of work required without relying on constant pay rises. Challenging your internal assumptions here matters, because wage inflation becomes far harder to manage if efficiency issues remain unaddressed.

Pricing strategy is another area that often receives too little attention. If your costs rise and your pricing remains static, the pressure compounds quickly. Reviewing your pricing structure and communicating clear value to clients helps you adjust rates in a way that reflects the changing cost base. Many SMEs delay price reviews out of fear, yet this hesitation frequently damages financial stability far more than clients reacting to a well explained increase.

You should also analyse the return on investment from employee development. Wage rises without skill growth can undermine competitiveness, while targeted training can increase capability and reduce turnover. Investing in development can improve performance enough to offset the cost of higher wages. Staff who see a path for progression are far less likely to leave, reducing recruitment expense and disruption.

Finally, scenario planning gives you the information you need to make informed decisions. Modelling different wage outcomes helps you prepare for future negotiations and identify what level of increase the business can sustain. It also prevents rushed decisions that create long term commitments based on short term emotion.

Rising wage pressures are not a temporary inconvenience. They require financial discipline, structural improvements and a willingness to question long held assumptions. SMEs that take a proactive approach strengthen their position and create a more resilient, motivated workforce.

Right Finance Options for Your Business

We know at some stage, most businesses need external finance to achieve their goals.

Whether it is funding growth, covering seasonal gaps or investing in new equipment, borrowing can be a powerful tool when used wisely. The challenge lies in choosing the right type of finance and ensuring it supports your long-term strategy rather than creating unnecessary risk.

The first step is to clearly identify why you need the funds. Borrowing without a specific purpose often leads to mismatched finance and higher costs. A short-term need, such as bridging a gap in cash flow, is best served with short-term facilities like overdrafts or invoice financing. Long-term investments, such as property or machinery, are better suited to loans with longer repayment periods. Matching the type of finance to the nature of the expense prevents strain on your cash flow.

Another important consideration is the cost of borrowing. Beyond the interest rate, businesses should examine fees, charges and the potential impact of early repayment clauses. Comparing different lenders and seeking independent advice can help you avoid hidden costs and secure terms that fit your circumstances.

Flexibility is equally crucial. Business conditions can change quickly, so it is wise to consider finance options that allow some room to adjust repayment schedules if needed. Facilities that can scale with your business, such as revolving credit, may provide greater security than rigid long-term commitments.

Business owners should also pay close attention to security requirements. Some lenders will ask for personal guarantees or business assets as collateral. While this may make borrowing more accessible, it also increases risk if the business encounters difficulties. Understanding these implications before signing is vital to protect both your company and personal finances.

Finally, borrowing decisions should always be guided by a wider financial strategy. Debt should be seen as a tool to create growth, not a way to cover inefficiencies. Regularly reviewing your financial position and future plans with your accountant can ensure that borrowing supports your objectives and strengthens rather than weakens your business.

Smart borrowing is not about avoiding finance altogether, but about making deliberate, informed choices. By aligning the type, cost and terms of borrowing with your business goals, you can unlock opportunities while keeping risk under control. Used wisely, borrowing can become a powerful driver of growth and long-term stability.

What is the Energy Efficiency Grant?

The Energy Efficiency Grant from the Local Enterprise Office helps small Irish businesses invest in technologies and equipment that reduce energy use and environmental impact.

To qualify, a company must have completed a Green for Business, GreenStart report or a SEAI energy audit, and be established and trading within the Local Enterprise Office area. The grant can fund a substantial portion of the cost of eligible sustainability measures, up to a maximum amount and rate set by the scheme. It supports a wide range of improvements linked to energy, water and circular economy goals. Eligible enterprises should consult their local office to understand how the grant can support their sustainability plans.

Link: **https://www.localenterprise.ie/portal/energy/what-is-the-energy-efficiency-grant-/what-is-the-energy-efficiency-grant-.html**

VAT Compliance for SMEs: Avoiding Common Errors

We know for small and medium enterprises, VAT is one of the most common areas of tax compliance. It is also one of the easiest to get wrong. Errors in VAT reporting can lead to penalties, interest charges, and unnecessary audits. With a clear understanding of the rules and a structured approach to record-keeping, businesses can reduce risk and stay on the right side of Revenue.

Know your VAT obligations

The first step is to establish whether your business is required to register for VAT. Thresholds vary depending on whether you supply goods or services. Once registered, you are obliged to charge VAT on sales, issue compliant invoices, and file periodic returns. Many errors stem from businesses not keeping track of their obligations as they grow.

Avoid common mistakes

A number of recurring issues cause problems for SMEs. These include charging the wrong VAT rate, reclaiming VAT on non-deductible expenses, and missing filing deadlines. Businesses often struggle with cross-border transactions, particularly when dealing with the EU's rules on goods and services. Another frequent error is failing to keep sufficient backup documentation, which is required to support claims and deductions.

Maintain accurate records

VAT compliance depends on good record-keeping. All invoices, receipts, and credit notes should be stored in an organised and accessible way. Revenue increasingly expects digital records, so adopting accounting software that integrates VAT calculations can make a big difference. Accurate records not only help you file correct returns but also provide protection in the event of an audit.

Plan for deadlines

VAT returns are typically filed every two months. Missing a deadline can trigger penalties and interest, even if the error was unintentional. Setting reminders or using automated software ensures you never miss a due date. If you find that a return is incorrect after submission, it is better to correct it promptly rather than wait for Revenue to raise the issue.

Checklist for SMEs

- Confirm if your business must register for VAT
- Apply the correct VAT rates to sales
- Avoid reclaiming VAT on non-deductible expenses
- Keep invoices and receipts properly filed
- Use digital tools to streamline calculations
- File returns on time and correct errors quickly

By understanding where mistakes commonly occur and building systems to prevent them, SMEs can protect their finances and avoid costly penalties. Staying VAT compliant is not simply about avoiding problems. It also builds credibility and trust with customers, suppliers, and Revenue alike.

Showcase 2026

Showcase Ireland is Ireland's only international trade fair with over 4,000 retail buyers with international buyers from over 20 countries.

Showcase Ireland offers national and international retail buyers the opportunity to develop business relationships and source sustainable and innovative new Irish products/ brands from over 400 exhibitors.

For further information please visit the official Showcase Ireland website **www.showcaseireland.com**

Contacts
Karen Conroy

Date
Sunday 18 January 2026

The Financial Blind Spots That Hold Businesses Back and How to Fix Them

We know many business owners believe they have a clear understanding of their finances. They review their accounts, monitor sales, and keep an eye on costs. Yet even well run companies often operate with blind spots that quietly undermine growth. These gaps are rarely obvious, and they tend to develop over time as habits form and assumptions go unchallenged.

One common blind spot is an overreliance on top line revenue. Strong sales figures can create the illusion of success, even when margins are weakening. A business may be working harder for less profit without fully recognising it. The solution begins with detailed margin analysis across products, services, and customer segments. When profitability is measured accurately, underperforming areas become visible and decisions become sharper.

Another blind spot appears in cash flow discipline. Many SMEs focus on profit and overlook the timing of money coming in and going out. Late payments, seasonal swings, and rising input costs can create pressure that profits alone cannot solve. Regular cash flow forecasting helps expose future shortages and prevents surprise crises. It also supports more confident planning around investment and growth.

Customer concentration is a further risk that often goes unnoticed. A business may be thriving because of one dominant client or one strong sector. If that customer reduces orders or the sector slows, the impact can be severe. Reviewing customer dependency and diversifying revenue streams strengthens long term stability. It also forces a clearer view of where future opportunities lie.

Internal processes can also create hidden weaknesses. Manual systems, outdated pricing models, or informal decision making often feel manageable until volume increases. These issues limit scalability and mask inefficiencies. A structured operational review reveals where time is wasted, where errors occur, and where processes need to be modernised. Businesses that invest in efficiency early tend to outperform competitors when demand grows.

Finally, many companies underestimate the value of regular performance reviews. Decisions are often based on habit rather than data. Without consistent oversight, problems remain unaddressed for too long. Monthly management accounts, reviewed with a critical mindset, turn scattered information into actionable insight. They highlight trends, challenge assumptions, and create accountability across the organisation.

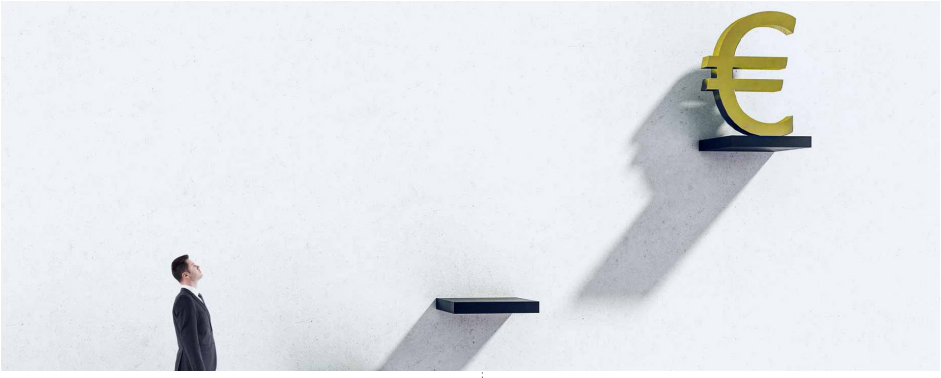
These blind spots do not reflect poor management. They arise because businesses evolve faster than owners realise. Identifying and addressing them strengthens financial resilience and creates a clearer path to growth. When leaders shine a light on what they cannot see, they make better decisions and build a more sustainable future.

Profit or Pipeline? How to Judge Whether Your Business Is Ready to Scale

We know many business owners assume that a profitable year is a clear signal to expand. Profit matters, but it is not the only indicator that a company is ready for growth. Scaling too early strains cash, resources, and management capacity. Scaling too late risks missing opportunities that competitors may seize first. The real question is whether your business has both the financial strength and operational structure to handle expansion.

The first step is to look beyond the headline profit figure. A business may show profit on paper yet face cash shortages because customers are slow to pay or stock levels are too high. Scaling in that situation increases pressure rather than creating stability. Strong cash flow, supported by consistent collections and predictable margins, is a more reliable indicator of readiness than profit alone.

Next, scrutinise your pipeline. Sustainable growth requires ongoing demand rather than a short burst of sales. A robust pipeline shows that customers are not only buying now but are likely to continue buying in the months ahead. This is especially



important for businesses with long sales cycles or heavy upfront costs. If future revenue is uncertain, scaling becomes a gamble rather than a structured move.

Operational capacity is another essential factor. Even if the demand exists, can your team deliver on it without a decline in quality or service? Many businesses grow quickly only to develop bottlenecks in production, fulfilment, or customer service. A readiness review should include staff capabilities, supply chain resilience, and the ability of internal systems to support increased volume. Scaling exposes weaknesses that may be hidden during quieter periods.

Financial forecasting plays a critical role in this assessment. It allows you to model different scenarios and understand how additional staff, stock, or overheads will affect cash in the months ahead. A forecast can reveal gaps that profit and pipeline figures alone do not show. It highlights whether you have enough working capital, whether margins will hold, and how sensitive the business is to changes in demand.

Finally, consider your strategic clarity. Scaling is not only about increasing output. It requires a clear vision of the market you want to serve, the products that will drive growth, and the competitive position you hope to hold. A business that scales without direction risks expanding costs rather than value.

A business is ready to scale when profit is steady, the pipeline is strong, operations can absorb growth, and the financial plan supports expansion. When these elements work together, scaling becomes a controlled step forward rather than a leap into the unknown.

Business Supports to Trade Tariffs

Practical help for small Irish firms affected by recent tariff increases on goods exported to the United States. It highlights the Export Business Advisory Service, through which companies can speak with experienced advisers to analyse export challenges, assess tariff impacts, and explore new markets. One core support is the Market Explorer Grant, which offers funding to conduct essential market research and develop sustainable entry strategies into new geographic markets. The page encourages businesses to engage with their local office to understand which supports suit their circumstances and to plan export activity effectively.

Link: **https://www.localenterprise.ie/discover-business-supports/business-supports-in-response-to-trade-tariffs/**

Financial Stress Testing: Preparing Your Business for the Unexpected

We Know running a business always involves a degree of uncertainty. Market changes, sudden shifts in customer demand, rising costs or unforeseen global events can all impact your bottom line. While you cannot predict the future, you can prepare for it. One of the most effective ways to build resilience is through financial stress testing.

Stress testing is a process that allows you to simulate how your business would perform under different adverse scenarios. Think of it as a financial fire drill. Just as a fire drill reveals weaknesses in safety procedures, stress testing highlights vulnerabilities in your financial structure and provides valuable insight into how well your business could withstand a crisis.

The starting point is to identify the risks most relevant to your business. For some companies, this could be a sharp drop in sales or the loss of a major client. For others, it might be an increase in supply chain costs or interest rate hikes. Once you have outlined these scenarios, you can model the financial impact on your revenue, cash flow and profitability.

By running these simulations, you can answer important questions. How long could your business continue to operate if revenue fell by 20 percent? Could you still meet loan repayments if interest rates increased significantly? Would your current level of cash reserves be enough to cover several months of reduced income? The answers to these questions can guide practical decisions about cost control, credit management and working capital.

Stress testing is not only about identifying weaknesses, it also helps you strengthen your financial strategy. If the results show your cash reserves are insufficient, you might decide to build a larger buffer. If debt repayments look unsustainable under certain conditions, it may be worth renegotiating terms. In many cases, the insights from stress testing can shape investment decisions and highlight opportunities to make your business more adaptable.

Importantly, stress testing should not be a one-off exercise. The business environment changes constantly, and so should your assessment of risk. Regular reviews will keep your business agile and ensure that financial strategies remain aligned with current realities.

In uncertain times, resilience is one of the most valuable assets any business can have. Financial stress testing gives you the tools to prepare for the unexpected, anticipate potential challenges and build a stronger foundation for long-term success.

All In A Day's Work

The All In A Day's Work website from the Local Enterprise Office is designed to help small Irish businesses save time, money, and energy by connecting them with tailored supports.
It highlights practical programmes in three key areas: Lean for Business, which focuses on improving efficiency and productivity; Green for Business, which helps firms reduce energy use and cut costs; and Digital for Business, which supports digital transformation. Through case studies and easy access to expert advice, the site helps business owners identify opportunities to become more competitive and sustainable. Small businesses can register interest and a Local Enterprise Office adviser will follow up with relevant support options.

Link: **https://allinadayswork.ie/**