

The Best Result



# Insolvency Indicator Checklist

Your trusted and go to partner for all business turnaround, restructure and asset protection needs.

# INSOLVENCY INDICATOR CHECKLIST

## CHECKLIST FOR ACCOUNTANTS & ADVISORS



A company is insolvent when it cannot pay its debts when they are due. There are serious penalties for allowing your company to trade while insolvent.

Company directors must pass and store a solvency resolution within two months of the annual review date of the company, unless you have lodged a financial report with ASIC in the past 12 months.

A solvency resolution is a resolution made by the directors of a company as to whether or not, in their opinion, the company will be able to pay back its debts when they are due.

The directors must have a reasonable basis for their opinion and the resolution must be passed by a majority.

Directors have a duty to prevent insolvent trading. *ASIC Regulatory Guide 217: Duty to prevent insolvent trading: Guide for directors* listing four key principles that directors must do:

1. Directors must remain informed;
2. Directors should investigate financial difficulties;
3. Directors should obtain advice; and
4. Directors should act in a timely manner.

The below checklist provides a list of warning signs identified by ASIC. And as we always say at EO do not bury your *'head in the sand'*. Take action today!

## TICK ALL BOXES THAT ARE APPLICABLE AS RISK AREAS

- Ongoing losses
- Poor cashflow
- Absence of a business plan
- Incomplete financial records or disorganised internal accounting procedures
- Lack of cash-flow forecasts and other budgets
- Increasing debt (liabilities greater than assets)
- Problems selling stock or collecting debts
- Unrecoverable loans to associated parties
- Solicitors' letters, demands, summonses, judgements or warrants issued against your compan
- Suppliers placing your company on cash-on-delivery terms
- Special arrangements with selected creditors
- Payments to creditors of rounded sums that are not reconcilable to specific invoices
- Overdraft limit reached or defaults on loan or interest payments
- Problems obtaining finance
- Change of bank, lender or increased monitoring/involvement by financier



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- Inability to raise funds from shareholders
- Overdue taxes and superannuation liabilities
- Board disputes and director resignations, or loss of management personnel
- Increased level of complaints or queries raised with suppliers
- An expectation that the 'next' big job/sale/contract will save the company.

## **ACTION PLAN**

**If you ticked one or more boxes, then you should review the financial position and performance of the business and contact Eventum Optimum today. EO can assist with this process.**



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# Contact EO



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**Stop your clients  
from burying their  
heads in the sand**

