

mclaren knight

indica of
insolvency



indicators

By definition, an entity is considered to be insolvent when it is unable to pay its debts as and when they fall due. Resultant from our research into both successful businesses and those that fail, we have identified some prima facie operational and financial indicators that, when accompanied with other less obvious practices, may indicate that a business is at significant risk of future insolvency - if it is not already insolvent.

The hallmarks of insolvency include:

- a deficiency in assets over liabilities
- persistent and worsening trading losses
- consistent failure to meet creditor's payment terms
- defaults in payment of interest on banking facilities
- consistent failure to meet tax obligations
- consistent failure to meet Superannuation Guarantee obligations
- mounting letters of demand and statutory demands
- arrangements with trade creditors including payment of outstanding debts by instalments and trading on a COD basis
- failed requests for extended terms of credit and banking facilities
- failure to respond to or meet creditors' demands for payment
- dishonouring of cheques
- the existence of debt recovery proceedings
- retention of cheques payable to creditors
- failure to collect debts
- loss of key management personnel
- poor cash flow, or no cash flow forecasts
- disorganized internal accounting procedures
- incomplete fiscal records
- absence of budgets or business plans

This is not an exhaustive list of indicators of insolvency and is only to be used as a general guideline. If you are concerned about the financial well being of your business we recommend that you book a consultation with a member of our insolvency & recovery team.

Given that a company director has positive duties to avoid insolvent trading, and that best intentions today can often hurt those in the future when it comes to issues of insolvency (voidable transactions), we urge all business owners to undertake regular, honest and comprehensive health checks of their business.

Remember, our specialist services division at **mclaren knight** can assist you with your business review and/or answer any queries you may have in respect to this undertaking.

our solutions

- business viability reviews
- solvency assessments
- due diligence reports
- financial and operational management reviews
- investigative accountant's (IA) reports
- voluntary administrations
- private workouts
- liquidations (creditor's voluntary and members)

other publications

To assist our clients and partnered professionals we publish various flyers and brochures as part of our MENTOR PROGRAM. Please visit our website to obtain a current list of publications. You can also contact our office to obtain a full suite of our publications.

mclaren knight is staffed by experienced, committed professionals, who are selected and trained to identify the needs and goals of clients, and to work with them to achieve the desired result.

At **mclaren knight** we take our reputation extremely seriously. We only adopt the latest practices and use the most current information.

To learn more, please visit your local **mclaren knight** office or visit www.mclarenknight.com.au