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Going Concern and Related Assessments

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1 Introduction and purpose of this document

All entities must consider their solvency and ability to continue operating as a going concern on an ongoing and annual basis.

This publication provides an overview of directors'[1] and management's:

- duties in relation to assessments of solvency and going concern, and how these concepts interact; and
- responsibilities to assess whether the going concern basis of preparation is appropriate and how this impacts the preparation of, and the disclosures in, their financial statements.[2]

This publication has also been prepared to assist auditors by providing an overview of an auditor's obligations in relation to going concern and directors' declarations of solvency as part of their overall responsibilities when conducting an audit of the financial report.[3]

This publication does not amend, interpret or provide advice on applying Australian Accounting Standards, Australian Auditing Standards or international financial reporting or auditing standards. Entities and auditors should view this publication as a guide to identify areas for consideration in preparing and auditing financial statements. Entities must apply those authoritative pronouncements to their own specific facts and circumstances.

This publication is relevant to all types of entities preparing financial statements in accordance with Australian Accounting Standards. Where requirements vary between entity type – such as between for-profit and not-for-profit (NFP) entities ~~(NFP)~~ – every ~~attempt~~ effort has been made to distinguish the requirements. Some terminology used might be specific to for-profit entities, but this does not indicate that it is irrelevant to ~~not-for-profit~~NFP entities in the private or public sectors.

1 References to "directors" in this document should also be read as responsible persons or office holders in the not-for-profit private sector, and ~~terms used in other sectors used to identify~~ as those charged with governance in other sectors.

2 The terms financial statements and financial reports are both used in this publication. The financial report consists of the financial statements plus the directors' declaration.

3 Auditors should also refer to the IAASB's Staff Audit Practice Alert *Going Concern in the Current Environment – Audit Considerations for the Impact of COVID-19*.

2 Solvency and going concern assessments

Overview of responsibilities and duties of those charged with governance relevant to solvency and going concern

This table outlines the different responsibilities relevant to those charged with governance of the entity. Throughout this publication, those various responsibilities are discussed in more detail.

Table 1: Overview of responsibilities and duties of those charged with governance relevant to solvency and going concern

	Directors' duties – solvency	Directors' statement – solvency	Financial reporting – going concern
For-Profit Private Sector Entities			
~~Companies~~ Entities required by the *Corporations Act 2001* (the Corporations Act) to prepare a ~~f~~Financial ~~Statements~~report	A company must not trade while insolvent. (refer to the Corporations Act s.588G) Directors must actively monitor the financial position of the company and regularly assess solvency.[4]	A declaration whether, in the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable. Must assess at the date of signing the annual or half-year financial report, as authorised through the Directors' Declaration. Solvency statement may be positive, refer to a material uncertainty or negative (if insolvent). Refer to ~~ASIC's FAQs number 11 for further details on qualified solvency statements and~~ ASIC's Regulatory Guide 22 *Directors' solvency declaration*~~Directors' Statement as to solvency~~. (the Corporations Act s.295(4)(c))	When preparing financial statements, management shall assess an entity's ability to continue as a going concern (AASB ~~101~~108 *Basis of Preparation of Financial Statements*~~Presentation of Financial Statements~~ paragraph ~~25~~6K [previously AASB 101 *Presentation of Financial Statements* paragraph 25] or AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* paragraph 2.6).[5] Management shall take into account all available information about the future, covering at least – but not limited to – ~~twelve~~ 12 months from the end of the reporting period (AASB 108 paragraph 6L [previously AASB -101 paragraph -26] or AASB 1061 paragraph 2.6 for Tier -3 entities). ~~also~~ Also refer to section 3.2 of this publication for the relevant period required by the Auditing Standards~~)~~. The basis of accounting should be adjusted if management determines that the going concern basis is no longer appropriate, including if that is determined after the reporting period (AASB 110 *Events after the Reporting Period* paragraph 14).

4 ASIC's Regulatory Guide 217 *Duty to prevent insolvent trading: Guide for directors*

5 When the AASB issued AASB 18 *Presentation and Disclosure in Financial Statements*, the requirements about an entity's assessment of its ability to continue as a going concern were moved unchanged from AASB 101 *Presentation of Financial Statements* to AASB 108 (which was retitled as *Basis of Preparation of Financial Statements*). AASB 18 is effective for annual reporting periods beginning on or after 1 January 2027 for for-profit entities other than superannuation entities (1 January 2028 for NFP entities and superannuation entities). For NFP private sector entities applying AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*, AASB 1061 is effective for annual reporting periods beginning on or after 1 July 2029, with earlier application permitted. NFP private sector entities applying AASB 1061 are referred to as Tier 3 entities.

	Directors' duties – solvency	Directors' statement – solvency	Financial reporting – going concern
			Solvency and going concern are related but separate concepts. An entity ~~company~~ can be solvent but not permitted to use the going concern basis of preparation if the entity is able to pay current debts but has decided (or has no choice but) ~~-~~to liquidate the entity or to cease trading in the future. In rare cases, an entity ~~company~~ can be insolvent but permitted to use ~~continue using~~ the going concern basis of preparation if ~~they are~~ ~~it is~~the entity's plans for future actions address the doubt on the entity's ability to continue as a going concern, are feasible in the circumstances and management has both the intent and ability to carry out the required action ~~expected to become solvent again, avoid liquidation and continue trading~~. Refer to sections 2.1 – 2.3 for further details on the interplay between solvency and going concern assessments.
~~Companies~~ Entities within the scope of the Corporations Act but not required to prepare a f~~F~~inancial r~~R~~eport	Same as companies required by the Corporations Act to prepare a f~~F~~inancial r~~R~~eport (above)	n/a	n/a
Other types of for-profit entities registered with another regulator	Refer to requirements of specific legislation.	Refer to requirements of specific legislation.	Same as companies required by the Corporations Act to prepare Financial Statements (above) if: • preparing g~~G~~eneral p~~P~~urpose f~~F~~inancial s~~S~~tatements; or • required or choose (e.g. in s~~S~~pecial p~~P~~urpose f~~F~~inancial s~~S~~tatements (SPFS))~~[6]~~ to comply with AASB 108 [previously AASB 101].[6]
~~Not-for-Profit~~NFP Private Sector Entities			
Charities registered with ACNC under the *Australian*	Responsible persons of a charity cannot allow the registered charity to operate while insolvent.	For medium and large charities, same as for-profit companies required by the Corporations Act to prepare a	For medium and large charities, same as for-profit companies required by the Corporations Act to prepare a f~~F~~inancial ~~Statements~~report (see above).

6 From 1 July 2021, certain for-profit private sector entities can no longer prepare SPFS that claim compliance with Australian Accounting Standards. See AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* for information on affected entities. From 1 July 2029, certain NFP entities can no longer prepare SPFS that claim compliance with Australian Accounting Standards. See AASB 2026-2 *Amendments to Australian Accounting Standards – Extending the Application of the* Conceptual Framework *and Limiting the Ability of Not-for-Profit Entities to prepare Special Purpose Financial Statements* for information on affected entities.

	Directors' duties – solvency	Directors' statement – solvency	Financial reporting – going concern
Charities and Not-for-profits Commission Act ~~2010~~2012 (the ACNC Act)	Assessment is an ongoing duty. If a charity becomes insolvent, it should seek professional advice immediately and notify the Australian Charities and Not-for-profits Commission (ACNC), its members and its state or territory regulator if incorporated.[7] (ACNC Governance Standard 5, paragraph 2(g)).	~~F~~financial ~~Statements~~report. (*Australian Charities and Not-for-profits Commission Regulations 2022* (Cth) (the ACNC Regulations) s60.15)	(ACNC Regulations s60.10 and s60.30)
Companies limited by guarantee reporting to ASIC	Same as for-profit companies required by the Corporations Act to prepare a f~~F~~inancial r~~R~~eport. (see above).	Same as for-profit companies required by the Corporations Act to prepare f~~F~~inancial ~~S~~statements (see above).	Same as for-profit companies required by the Corporations Act to prepare f~~F~~inancial ~~S~~statements. (see above).
Incorporated associations	Refer to requirements of specific legislation. Generally, legislation requires 'office holders' to exercise reasonable care, skill and diligence in carrying out the role of a committee member. This means office holders must prevent insolvent trading by the association, which includes the duty not to incur a debt that will cause the association to become insolvent. Assessment is an ongoing duty.	Refer to requirements of specific legislation.	Same as for-profit companies required by the Corporations Act to prepare a ~~F~~financial ~~Statements~~ report if: • preparing g~~G~~eneral p~~P~~urpose f~~F~~inancial s~~S~~tatements; or • required or choose (e.g. in SPFS)~~[8]~~ to comply with AASB 108 [previously AASB 101].
Public Sector Entities			
All	Refer to requirements of specific legislation.	Refer to requirements of specific legislation.	Same as for-profit companies required by the Corporations Act to prepare f~~F~~inancial s~~S~~tatements.

7 See ~~https://www.acnc.gov.au/tools/guides/governance-good-acncs-guide-charity-board-members~~ https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/5-duties-responsible-people

~~8 From 1 July 2021, certain for-profit private sector entities can longer prepare. See AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* for information on affected entities.~~

2.1 What is an assessment of solvency?

The Corporations Act[9] defines "solvency" as being able to pay all one's debts, as and when they become due and payable.

At least annually (and half-yearly for listed entities and disclosing entities), the Corporations Act requires directors, as part of the annual financial report, to make a declaration of solvency. This declaration states that, in their opinion, "there are reasonable grounds to believe that the company, registered scheme, registrable superannuation entity or disclosing entity will be able to pay its debts as and when they become due and payable". When making this declaration, directors must consider the capacity to pay debts which ~~it~~ the entity has incurred at the time of the declaration.

As detailed in ASIC's FAQs number 11, while the solvency statement is made at a point in time, the requirements concerning solvent trading apply at all times. Therefore, directors must monitor a company's solvency throughout the year, not just at year end/half yearly reporting dates or when signing solvency resolutions.

There are several potential consequences if an entity becomes insolvent. Directors should seek legal advice immediately if they suspect their entity is insolvent or likely to become insolvent.

Refer to ASIC's Regulatory Guide 22 (RG 22) for further details on directors' responsibilities in relation to solvency statements, as well as the events or conditions to be considered by directors when assessing solvency. Also detailed in RG 22 and ASIC's FAQs, the directors' solvency statement may ~~either~~ state that:

- the directors have reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; or
- there is a material uncertainty as to whether the entity will be able to pay its debts as and when they become due and payable – for example, the ability to renegotiate loans due for repayment; or
- the directors do not have reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable (negative declaration).

RG 22 also provides details on when a material uncertainty or negative statement may be appropriate and the disclosures required in the directors' statement or the financial statements.

~~This helps ensure that directors comply with their legal obligations.~~

The ~~*Australian Charities and Not-for-profits Commission Act 2010* (~~ACNC Act~~)~~ also requires registered charities to assess solvency and provide a declaration in the same manner described above for for-profit entities. Other entities not registered with ASIC or the ACNC, such as incorporated associations that are not charities, should consult their relevant legislation to understand the applicable requirements.

2.2 What is an assessment of going concern?

The going concern assumption is a fundamental principle that underlies the preparation of financial

9 Entities not governed by the Corporations Act should look to their relevant legislation. For example, ~~not-for-profit~~NFP entities registered with the ACNC should consider the requirements of the ~~*Australian Charities and Not-for-profits Commissions Act 2012*~~ACNC Act, where the Corporations Act is referenced in this publication.

statements. When preparing financial statements, AASB 108 [previously AASB ~~-~~101] or AASB 1061 for Tier 3 entities requires management to assess an entity's ability to continue as a going concern. An entity (whether for-profit or ~~not-for-profit~~NFP) prepares its financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or it has no realistic alternative but to do so. When assessing whether the going concern assumption is appropriate, all available information ~~about the future~~ should be considered ~~that~~ about the future, which is at least, but ~~is~~ not limited to, 12 months from the end of the reporting period (refer to paragraph 6L of AASB 108 [previously paragraph 26 of AASB 101] or paragraph 2.6 of AASB 1061 for Tier 3 entities).~~section 3.2 for the relevant period required by the Australian Auditing Standards).~~

If ~~a company~~ an entity is not able to continue as a going concern, its financial ~~report~~ statements will need to be prepared on an alternative basis. Refer to section 6 for more detail. Under Australian Accounting Standards and the Corporations Act, directors must satisfy themselves that it is appropriate to prepare the financial report on a going concern basis.

2.3 What is the interaction between solvency and going concern assessments?

Directors have a responsibility to form an opinion on the solvency of the entity and assess an entity's ability to continue as a going concern. Forming an opinion on the solvency of the entity is separate from assessing the entity's ability to continue as a going concern, and whilst rare, the outcome of these assessments may differ.

As discussed above, an entity is assumed to be a going concern unless management either intends to liquidate the entity or to cease trading, or it has no realistic alternative but to do so. The going concern assessment is for a period of at least, but ~~is~~ not limited to, 12 months from the end of the reporting period (refer to section 3.2 of this publication for the relevant period required by Australian Auditing Standards). In comparison, ~~a company~~an entity is insolvent when it is unable to pay all its debts as and when they become due and payable. This considers the ~~company~~entity's capacity to pay debts that it has incurred at the time. An entity may be able to pay its existing debts but needs to ~~wind-up~~ wind up its operations for other reasons, such as a loss of a major contract, and is, therefore, solvent but not a going concern. Alternatively, in rare circumstances, an entity ~~may~~ can be insolvent but may be ~~elect to continue operations~~permitted to use ~~, and the directors may assess that~~ the going concern basis of preparation ~~is appropriate~~ if the entity's plans for future actions address the doubts on the entity's ability to continue as a going concern, are feasible in the circumstances and management has both the intent and ability to carry out the required actions.

If the solvency statement differs from the assessment of going concern, additional disclosures may be required in the financial statements to explain the reasons for the different conclusions. This information may be necessary for an understanding of the financial statements~~report~~ (AASB 18 paragraph 113(c) [previously AASB 101 paragraph 112(c)~~)~~] or AASB 1061 paragraph 7.3(b) for Tier 3 entities) and to give a true and fair view (the Corporations Act s297). ASIC's ~~Regulatory Guide~~RG 22.11 states:

> "*Where a qualified statement impinges upon the "going concern" assumption as the basis for preparing accounts, the directors should explain in the accounts their reasons for adopting the assumption in the light of the qualified statement. Similarly, where directors state that there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due*

despite prima facie indications to the contrary from the accounts, the directors should disclose the reasons for that opinion in order to ensure that the accounts disclose a true and fair view".

Overview of the auditor's responsibilities regarding solvency statements and going concern assessments

2.4 What are the auditor's responsibilities regarding solvency statements and going concern assessments?

The directors' solvency statement is a required part of the directors' declaration which forms the basic contents of an entity's annual financial report. An auditor who conducts an audit of an entity's financial report is required to form an opinion about whether the financial report, which includes the director's declaration, is in accordance with the Corporations Act.

Under ASA 570 *Going Concern*, the auditor has an explicit requirement to conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial report and whether a material uncertainty exists in relation to going concern. ASA 570 also requires the auditor to assess whether going concern matters are adequately disclosed in the financial report.

2.5 What are the auditor's obligations under section 311 in relation to solvency and going concern?

In addition, the auditor is required by section 311 of the Corporations Act, to notify ASIC where they have a reasonable suspicion regarding significant contraventions of the Corporations Act. ASIC has specifically stated in Regulatory Guide 34 *Auditor obligations: Reporting to ASIC* that they consider trading whilst insolvent and non-compliance with Accounting Standards if the auditor does not agree with the basis of preparation, to be considered significant contraventions.

There is also a requirement for auditors of charities under the ACNC Act s65 5(2) to notify ACNC of any significant contraventions of the ACNC Act

2.6 What are the disclosure requirements outside ~~of~~ the financial statements?

The following additional disclosure requirements outside the financial statements also become relevant when an entity identifies solvency issues or its ability to continue as a going concern. These requirements are not set by the AASB and entities should refer to the specific requirements for more information.

	Directors' disclosure requirements outside the financial statements	Auditor's responsibilities
For-Profit Private Sector Entities		
Disclosing Entities (as defined by the Corporations Act)	Listed disclosing entities – ASX Continuous Disclosures • Under listing rule 3.1, once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.	The auditor does not provide assurance over whether the entity has complied with continuous disclosure requirements, however under ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* the auditor is

	Directors' disclosure requirements outside the financial statements	Auditor's responsibilities
	Unlisted disclosing entities – the Corporations Act • Continuous disclosure requirements under s675 of the Corporations Act See further ASX Guidance Note 8 and ASIC Regulatory Guide RG 198 *Unlisted disclosing entities: Continuous disclosure obligations*	required to respond appropriately if any non-compliance or suspected non-compliance is identified during the audit (refer to ASA 250 paragraph 19 for more detail). The auditor also considers its obligations under section 311 of the Corporations Act. Refer to Regulatory Guide 34.~~10~~
Companies required by the Corporations Act to prepare a f~~F~~inancial ~~Statements~~ report (including disclosing entities)	The Corporations Act s299/299A Directors' Report • Must include a review of operations, and for listed and disclosing entities additional specified information (Operating and Financial Review) • Should explain (rather than repeat) the information in the financial report related to any doubt over the entity's solvency or uncertainties around its ability to continue as a going concern Refer to ASIC's FAQs for further information (The Corporations Act s.299/299A, RG 247.45)	The Directors' Report will include important disclosures in relation to the impact of risks to the business and how they are responding to them. The auditor's report on the financial report does not include the Directors' Report. However, the auditor is required by ASA 720 *The Auditor's Responsibilities Relating to Other Information*, to read and consider if there is a material inconsistency with the audited financial report, and or the auditor's knowledge obtained during the audit.
~~Not-for-Profit~~NFP Private Sector Entities		
Registered with ACNC	No specific requirements.	
Companies limited by guarantee reporting to ASIC	Same as for-profit companies reporting to ASIC.	Same as for-profit companies required by the Corporations Act to prepare a f~~F~~inancial ~~Statements~~report.
Incorporated associations	Refer to relevant legislation.	
Public ~~sector~~ Sector Entities		
All	Refer to relevant legislation.	

~~10 ASIC's Regulatory Guide 34 *Auditor's Obligations: Reporting to ASIC*~~

3 Overview of going concern assessments

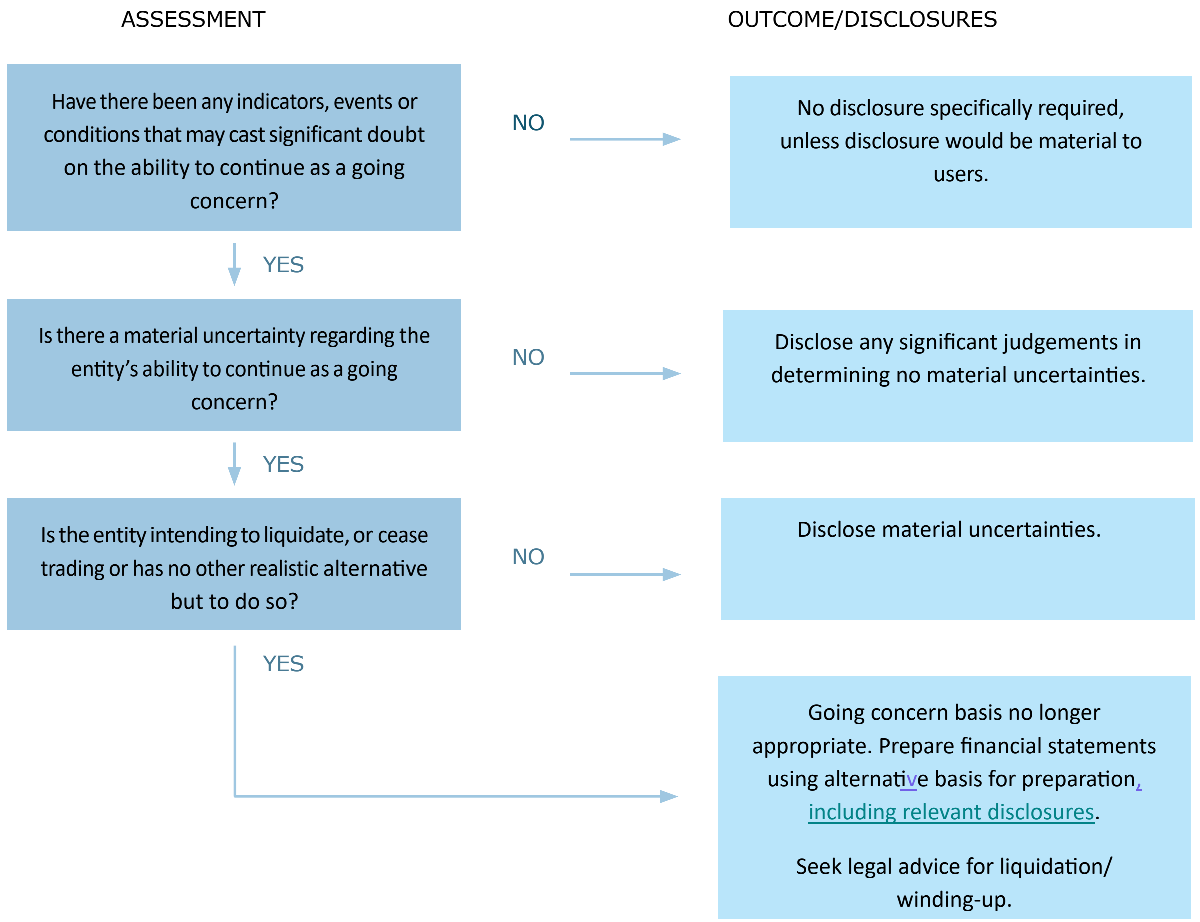
An entity's ability to continue as a going concern is a fundamental assumption underlying the preparation and presentation of the financial statements. When preparing financial statements, AASB 108 [previously AASB 101] ~~Presentation of Financial Statements~~ or AASB 1061 for Tier 3 entities requires management to make an assessment of an entity's ability to continue as a going concern.

The going concern basis of accounting is no longer appropriate if management intends to, or has no realistic alternative but to:

- liquidate the entity; or
- cease trading.

(See AASB 108 paragraphs 6K and 6L [previously AASB 101 paragraphs 25 and -26] or AASB 1061 paragraph 2.6 for Tier 3 entities.)

Practically, it is expected that the going concern assessment will result in one of four possible outcomes, as illustrated below. This section discusses those possible outcomes in more detail (see Section 4 for the disclosure requirements in financial statements).



3.1 What should management consider to identify going concern issues?

The vast majority of financial statements of Australian entities are prepared on the assumption that an entity is a going concern.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future. AASB 108 paragraph 6L [previously AASB 101 paragraph 26] or AASB 1061 paragraph 2.6 for Tier 3 entities specifies that management should consider information ~~for~~ covering at least, but not limited to, the next 12 months from the end of the reporting period.[11] If information about events occurring after 12 months is available, it must also be considered.

Entities must remember to consider the impact of any events that occur after the end of the reporting period up until the date of signing the financial report. Regardless of whether the event is considered adjusting or non-adjusting in accordance with AASB 110 *Events after the Reporting Period*, if the entity determines after the reporting period that it intends to liquidate the entity or to cease trading, it shall not prepare its financial statements on a going concern basis (see AASB 110 paragraphs 14-16). Don't forget that even after signing the financial report, entities must continue to monitor their solvency and consider the legal consequences if the entity is insolvent at any time (as discussed in Section 2).

The degree of consideration by the entity in its going concern assessment will depend on its own facts and circumstances.

~~Accounting standards do not set out indicators or circumstances where a detailed review of the going concern assumption may be necessary. It is up to the entity to determine where these might exist.~~ Paragraph 6L of AASB 108 [previously paragraph 26 of AASB 101] states that when assessing whether the going concern basis of preparation is appropriate, management may need to consider a wide range of factors relating to the entity's current and expected profitability, the timing of repayment of liabilities and potential sources of replacement financing. AASB 108 [previously AASB 101] or AASB 1061 for Tier 3 entities requires management to take into account all available information about the future. ~~For example, management might need to consider a wide range of factors before concluding that the going concern basis is appropriate. Practically,~~ Some possible indicators that may lead to an entity assessing the appropriateness of the going concern assumption in more detail might include:

- ~~temporary shut-down of operations;~~
- ~~reduced demand for goods and services or other income streams, caused by:~~
  - ~~restrictions and shut-downs imposed by governments, or reduction in discretionary spending by customers;~~

11 However, ASA 570 *Going Concern* paragraph 13.2 requires auditors to request management to assess going concern for approximately 12 months from the expected date of the auditor's report to the expected date of the next auditor's report (refer to section 3.2).

- ~~expectations of future restrictions that might affect future demand;~~
- ~~uncertainty surrounding the length of current or future restrictions;~~
- ~~expected changes to the 'status quo' – for example, possibilities of increased working from home or financial conservatism;~~

- effects of a temporary shut-down or curtailment of the entity's activities;
- possible restrictions on activities that might be imposed by governments in the future;
- the effects of longer-term structural changes in the market (such as changes in customer behaviour);
- inability to repay borrowings, creditors, lease payments or other debts which become due;
- reliance on obtaining financing or credit from another ~~company~~ entity that is suffering financial difficulty;
- breaching loan covenants;
- likelihood of financial guarantees being called upon;
- failure of other companies with similar structures and comparable operations in the same industry;
- financial difficulty or failure of debtors;
- negative equity as a result of asset impairments or reduced trading volumes;
- fair value losses on assets, particularly where such assets were expected to be realised in the ~~short- term~~ short term and are relied on for short-term cash management purposes;
- reliance on intercompany funding or expected support from an overseas parent or subsidiary that may no longer be available; and
- additionally, for NFP entities:
  - termination of significant grants or other assets that were expected to be received ~~at~~ for consideration that is significantly less than fair value;
  - inability to access volunteer services;
  - inability to hold major fundraising events (charity balls, sporting events, etc.);
  - difficulties fundraising or attracting donations at expected levels due to a reduction in discretionary spending;
  - a government decision to wind up a public sector entity.

The above illustrates only some of the possible indicators that may affect an entity's ability to continue as a going concern. It should not be considered, or used as, a checklist.

Appendix B of this publication contains additional examples of circumstances that may lead to an entity considering its ability to continue as a going concern in more detail.

The degree of going concern considerations depends on the facts in each case. For example, if an entity concludes in making its assessment that it has a history of profitable operations and has ready access to financial resources, it may conclude that the going concern basis of accounting is appropriate without detailed analysis (see AASB 108 paragraph 6L [previously AASB -101 paragraph 26]). In that case, the entity should consider whether any disclosure ~~may~~ might be ~~necessary~~ appropriate (see section 4).

Entities that do identify indicators should consider their impact and related mitigating factors, as discussed in section 3.3.

3.2 What procedures does the auditor have to undertake when evaluating management's assessment?

When conducting risk assessment procedures as required by ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* paragraph 5, auditors consider if there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In doing so, the auditor discusses with management whether they have identified any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and if so, any mitigating factors and their plans to address these concerns. The auditor must evaluate management's assessment of the entity's ability to continue as a going concern. When doing so, the auditor is required to:

- evaluate whether management's assessment is for the relevant period (the period of approximately 12 months from the date of the auditor's current report to the expected date of the auditor's report for the next annual report period for an annual financial report, or the corresponding reporting period for the following year for an interim financial reporting period);
- consider whether management's assessment includes all relevant information of which the auditor is aware; and
- enquire of management as to its knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern.[12]

Auditors shall remain alert throughout the audit for events or conditions relevant to going concern and exercise significant professional scepticism and judgement when considering their impact on management's going concern assessments. When evaluating management's assessment, auditors consider if the examples of indicators in section 3.1 are relevant and if they are, whether management has included these in their going concern assessments.

12 ASA 570 paragraphs 12-–15.

Auditors should update their risk assessment procedures and continue this assessment up to the date of the auditor's report.

Auditors should remain alert throughout the audit as the environment is constantly changing and liaise regularly with management and those charged with governance.

3.3 If indicators of going concern issues have been identified, what does management have to do next?

When an entity identifies events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, it should consider all relevant information, including the feasibility and effectiveness of any planned mitigation. ~~Just because an~~ The mere existence of an indicator ~~exists~~ does not necessarily mean that there is a material uncertainty over the entity's ability to continue as a going concern.

The following are examples of mitigating factors that entities may consider in response to going concern pressures:

- ~~do~~ management might have started a turnaround strategy that shows sufficient evidence of success, including identifying feasible alternative sources of financing. For example:
  - management has a plan to sell liquid assets or liquidate surplus or non-essential assets~~, is there a current market for these assets and are enough liquid assets available~~ to meet debts and operational costs as they fall due;
  - the ~~entity's~~ entity has the ability to defer the settlement of some liabilities (such as repayment holidays on loans) or obtain new sources of financing, and ~~its~~ the realistic ability to repay such sources of financing in the future; and
  - ~~whether any~~ financing has been guaranteed and the guarantor can assist (taking into account the terms of the guarantee and any repayment obligations to the guarantor) or ~~whether~~ borrowers have at least indicated a willingness to renegotiate terms and conditions and waive any covenant breaches for a certain period;
- the capability of the entity to obtain additional equity contributions;
- the possibility of reducing overhead and administrative costs;
- ~~possibility of liquidating surplus assets or other assets that are no longer essential;~~
- the practical ability to alter strategies to access new revenue streams; and
- additionally, for NFP entities:
  - the possibility of debt forgiveness to help the entity achieve its objectives; and
  - in the public sector, the assumption that the government will support the repayment of debts of public sector entities (and as such, a public sector entity would generally only be expected not to be a going concern if the government decides to wind up the entity).

The mere existence or possibility of mitigating factors alone may not be sufficient to conclude whether the going concern assumption is appropriate. Judgement is required by management to assess the feasibility and effectiveness of mitigating factors ~~so that they can satisfy themselves that~~ and therefore whether there is a realistic alternative to ~~avoid~~ entering liquidation or ceasing trading (i.e. that the going concern assumption is appropriate).

Whilst not specified by the Accounting Standards, in practice, there can generally be three scenarios once events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been identified:

- having considered all relevant information, management concludes that there are no material uncertainties. However, reaching that conclusion involved significant judgement;
- having considered all relevant information, management concludes that there is a material uncertainty over the entity's ability to continue as a going concern. For example, there may be a material uncertainty as to management's ability to deliver on its strategies and successfully implement its plans to address the events or conditions that lead to the uncertainty, or on receiving support from third parties; and
- mitigating factors are insufficient and as such management chooses to liquidate or cease trading, or has no practical ability to avoid~~,~~ liquidation or the permanent cessation of trading.

3.4 What procedures does the auditor undertake when going concern indicators are identified?

If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor is required to perform additional procedures to obtain sufficient appropriate audit evidence to assess whether a material uncertainty exists (refer ASA 570 paragraph 16), or worse where the basis of preparation should be other than going concern. These procedures include:

- where management has not yet performed an assessment, requesting management to make its assessment;
- evaluating the feasibility of management's plans and whether the outcome is likely to improve the situation;
- where cash flow forecasts are a significant factor in considering the feasibility of management's plans, evaluating the reliability of the underlying data used in the forecast and determining whether the assumptions used are supportable;
- considering if any additional facts or information have become available since the date on which management made its assessment; and
- requesting written representations from management.

Refer to ASA 570 paragraphs A16 and ~~–~~A17 for audit procedures the auditor may perform when evaluating management’s plans. When assessing cash flow forecasts the auditor should ensure that the assumptions are reasonable given the current circumstances. Assessing the reasonableness of cash flow forecasts may be challenging due to a rapidly changing environment and uncertainties as to the future. Also, if sensitivity analysis has been performed or if different scenarios have been prepared to reflect the uncertainty in the environment, consider how this impacts management’s assessment.

Based on these procedures and audit evidence obtained, the auditor concludes whether a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor’s judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary for the fair presentation of the financial report.

4 Disclosure requirements in the financial statements

Scenario	Disclosure required by Accounting Standards or other guidance	Items to consider disclosing (Not specifically required by Standards but may be helpful for users. Not exhaustive examples.)	Auditor's responsibility
No issues	No disclosures are specifically required. Consider whether any material information related to going concern should be disclosed.[13] See: • AASB-AUASB FAQ on the impact of Coronavirus on the financial reporting and auditor's considerations. • AASB Practice Statement 2 *Making Materiality Judgements.*	• Management's judgements in concluding no indicators for going concern uncertainty were present.	• Evaluate management's assessment that there are no events or conditions and the adequacy of the relevant disclosures. • If the auditor does not agree with management's assessment or disclosures are inadequate, consider the impact on the auditor's report (refer to section 7 of this publication).
Events and conditions have been identified, but no material uncertainty	Disclose significant judgements made in the process of applying the entity's accounting policies – that is, in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. See: • AASB 108 paragraph 27G [previously AASB 101 paragraph 122], AASB 1060 paragraph 96 for Tier 2 entities[14] or AASB 1061 paragraph 7.7 for Tier 3 entities. • IASB educational material *Going concern – ~~a~~ A focus on disclosure* (republished ~~January~~May 202~~1~~5) • IFRS Interpretations Committee	• Nature of the events or conditions that may indicate a possible going concern uncertainty specific to the entity – e.g. reduced revenue, increase in expenses, ~~shut-downs~~ restrictions on activities that may be imposed by governments, other entities in the sector struggling, etc. • Management's assessments and judgements as to the nature of the mitigating factors and why they lead to no material uncertainty, e.g. existence of financing, loan guarantees, government grants, etc. • Other relevant information.	• Obtain sufficient appropriate audit evidence to conclude whether or not a material uncertainty exists through performing additional procedures, including consideration of the mitigating factors – refer to ASA 570 paragraph 16 for required procedures. If you do not agree with management's assessment that mitigating factors are sufficient, consider the effect on the auditor's report (refer to section 7 of this publication). ~~(refer to section 7 of this publication).~~ • Evaluate whether disclosures about the events or conditions are

13 For example, AASB 108 paragraph 6C(c) [previously AASB 101 paragraph 17(c)] or AASB 1061 paragraph 2.2 for Tier 3 entities requires financial statements to provide a fair presentation, which requires entities to include additional disclosures when compliance with specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

14 Entities applying AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* are referred to as Tier 2 entities.

Scenario	Disclosure required by Accounting Standards or other guidance	Items to consider disclosing (Not specifically required by Standards but may be helpful for users. Not exhaustive examples.)	Auditor's responsibility
	Agenda Decision[15] *Disclosure requirements relating to assessment of going concern* (IAS 1), July 2014 *IFRIC Update*.		adequate and in accordance with the applicable financial reporting framework. See ASA 570 paragraphs 20 and A24. If disclosures are inadequate, consider the effect on the auditor's report (refer to section 7 of this publication).
Material uncertainty	When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. See: • AASB 108 paragraph 6K [previously AASB 101 paragraph 25], AASB 1060 paragraph 15 for Tier 2 entities or AASB 1061 paragraph 2.7 for Tier 3 entities. • IASB educational material *Going concern – ~~a~~ A focus on disclosure* (republished ~~January~~May 202~~1~~5) • IFRS Interpretations Committee Agenda Decision~~16~~ *Going concern disclosure* (IAS 1), July 2010 *IFRIC Update* Auditors are further required to assess whether the disclosures explain not only the events and or conditions that cast doubt on the	• Nature of and indicative financial impacts of indicators – e.g. reduced revenue, increase in expenses, negative working capital, ~~shut-downs~~government-~~-~~imposed restrictions, breaching covenants. • Additional details of plans to deal with these events or conditions – e.g. negotiations with lenders and creditors, raising additional equity, implementing cost-saving measures, and obtaining government support. • Assumptions made by management – ~~i.e.~~ e.g. strategies relied upon, the longevity of cash reserves, expected period of hibernation. • Outline reasons why a material uncertainty remains. • Other relevant information.	• Based on the audit evidence obtained, the auditor concludes whether the management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists. • Evaluate whether disclosures about the events or conditions and management's plans are adequate and clearly state that there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. • See ASA 570 paragraph

15 Agenda Decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Accounting Standards. Instead, explanatory material explains how the ~~application~~ applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern. Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Standard~~(s)~~ reflecting the explanatory material in an agenda decision (IFRS Foundation Due Process Handbook (April~~August~~ 202~~0~~6) paragraphs 8.4 and 8.5).

~~16 Agenda Decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Standards. Instead, explanatory material explains how the application principles and requirements in IFRS Standards apply to the transaction or fact pattern. Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Standard(s) reflecting the explanatory material in an agenda decision (IFRS Foundation Due Process Handbook (August April 2020) paragraphs 8.4 and 8.5).~~

Scenario	Disclosure required by Accounting Standards or other guidance	Items to consider disclosing (Not specifically required by Standards but may be helpful for users. Not exhaustive examples.)	Auditor's responsibility
	going concern assumption, but also management's plans to deal with these events or conditions and whether the financial statements include a clear statement that there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. See: ASA 570 paragraph 19		19. If disclosures are inadequate, consider the effect on the auditor's report (refer to section 7 of this publication).
Going concern basis of preparation not appropriate	• Disclose that fact. • Disclose the reason why the entity is not regarded as a going concern. • Disclose the basis of preparation of the financial statements. See: • AASB 108 paragraph 6K [previously AASB 101 paragraph 25], AASB 1060 paragraph 15 for Tier 2 entities or AASB 1061 paragraph 2.7 for Tier 3 entities. IASB educational material *Going concern – ~~a~~ A focus on disclosure* (republished ~~January~~May 202~~1~~5)	• Description of events that give rise to management considering the going concern basis of preparation is no longer appropriate. • Further explanation of the changes in accounting policies and reasons why. • Other relevant information.	• Assess whether the basis of preparation is acceptable in the circumstances, including the appropriateness of accounting policies. • Evaluate whether there is adequate disclosure in the financial report regarding the ~~alternate~~ basis of preparation and the reasons for its use. Consider if it is necessary to include an Emphasis of Matter paragraph to draw the user's attention to the basis of preparation and the reasons for its use (refer to section 6 of this publication). • ~~alternate basis of preparation and the reasons for its use (refer to section 6 of this publication).~~

5 Does the going concern assessment also affect other areas of the financial statements?

An entity must consider how it's going concern assessment is reflected in the rest of its financial statements, and that any assumptions made in its going concern assessment are consistent with other recognition, measurement and disclosure in the financial statements.

For example, entities should ensure that assumptions, such as cash flow projections or other estimates, used in impairment testing, fair value measurement and other estimations are consistent with the going concern assessment.

Examples of accounting consequences that link to going concern assessments may include:

- impairments of assets, ~~either~~ whether financial or non-financial;
- fair value measurements;
- decreases in the net realisable value of inventory;
- recognition of provisions and onerous contracts; and
- write-off of deferred tax assets.

Further, entities should be mindful of the disclosure requirements in other ~~accounting standards~~ Accounting Standards, including, but not limited to:

- overarching disclosure requirements relating to
  - ~~disclosures relating to~~ assumptions about the future and sources of estimation uncertainty (see AASB 108 paragraph 31A [previously AASB 101 paragraph 125] AASB 1060 paragraph 97 for Tier 2 entities or AASB 1061 paragraph 7.8 for Tier 3 entities);
- disclosures related to financial instruments in accordance with AASB 7 *Financial Instruments: Disclosures*, including but not limited to:
  - maturity analyses;
  - nature and extent of risks arising from financial instruments; and
  - defaults and covenant breaches (refer to AASB 1061 paragraph 10.31 for Tier 3 entities).
- disclosing a maturity analysis of lease liabilities applying paragraphs 39 and B11 of AASB 7;
- assumptions used in impairment testing of non-financial assets (AASB 136 *Impairment of Assets* or AASB 1061 Section 22 for Tier 3 entities) and fair value measurements (AASB 13 *Fair Value Measurement* or AASB 1061 Section 11 for Tier 3 entities);

- undrawn borrowing facilities and any restrictions on the use of those facilities such as covenant requirements (AASB 107 *Statement of Cash Flows*);
- contingent liabilities and provisions (AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* or AASB 1061 Section 19 for Tier 3 entities)~~; and~~.
- ~~additional disclosures of material information if the requirements of other Australian Accounting Standards do not provide sufficient disclosure to give an understanding of the impact of particular events or conditions (AASB 101).~~

6 The entity is no longer a going concern. What now?

6.1 What are the financial reporting obligations?

Where the going concern basis is no longer appropriate because the directors ~~have no realistic alternative but~~ intend to liquidate the entity and ~~intend to~~ appoint a liquidator or external administrator or cease trading, or have no realistic alternative but to do so, the directors should consider whether and how this may affect the financial reporting obligations of the entity for the current reporting period. ASIC Regulatory Guide 174 *Relief for externally administered companies and registered schemes being wound up* explains when ASIC will grant relief from the financial reporting obligations of the Corporations Act.

If the entity has concluded that it is no longer a going concern but still needs to prepare and lodge financial statements for the current reporting period, it must:

- disclose that fact;
- adjust the basis of preparation of the financial statements, and describe the revised basis of preparation; and
- disclose the reason why the entity is not regarded as a going concern (see AASB 108 paragraph 6K [previously AASB 101 paragraph 25], AASB 1060 paragraph 15 for Tier 2 entities or AASB 1061 paragraph 2.7 for Tier 3 entities).

The Accounting Standards do not specify an ~~alternate~~ alternative basis of preparation where the going concern basis is not appropriate. There are different views on whether financial statements prepared on a non-going concern basis would still need to comply with the broad principles of the Conceptual Framework for Financial Reporting where an entity must still prepare financial statements that comply with Australian Accounting Standards (e.g. under Chapter 2M.3 of the Corporations Act).[17]

In many cases, entities may change the presentation of assets and liabilities in the ~~balance sheet~~ statement of financial position from a current/non-current classification to a liquidity basis, as this provides information about the order in which assets may be realised and liabilities settled.

As there is no defined or prescribed basis, it is important that entities clearly explain how this change has affected their accounting policies and the recognition, measurement and presentation of the amounts in the financial statements. It may also be necessary to highlight that some of the amounts disclosed for the prior period have been measured on a different basis and are therefore not necessarily comparable.

6.2 What is the impact for the auditor?

If the auditor agrees that the alternative basis of preparation is appropriate, including that the disclosures are adequate, the auditor issues an unmodified opinion and considers ~~if~~

17 Refer to section 4 of AASB Staff Paper *Going Concern Disclosures: A ~~case~~ Case for International Standard-Setting* (October 2021).

whether it is necessary to include an Emphasis ~~Of~~ of Matter (EOM) paragraph alerting users to the alternative basis of preparation and the reasons for its use.

7 Implications for the auditor's report

7.1 How does the auditor conclude on going concern?

The auditor evaluates whether sufficient appropriate audit evidence has been obtained and concludes on:

- the appropriateness of management's use of the going concern basis of accounting; and
- whether a material uncertainty exists related to events or conditions that individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.

The adequacy of disclosures is critically important when considering if a modification to the auditor's opinion is required. In times of uncertainty about the immediate future of entities, more financial reports will likely include expanded disclosures about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, the required level of disclosure will depend on the facts and circumstances of each entity. Refer to section 4 above for further details on the disclosures in the financial report. Also, consider if disclosures are required in addition to those specifically required by the financial reporting framework to achieve fair presentation of the financial report (if applicable).

A high level of professional scepticism and judgement is required when concluding on going concern and the adequacy of disclosures, considering the facts and circumstances of the entity and the audit evidence obtained. In times of uncertainty, there may be increased instances of modification of the auditor's opinion (qualified, adverse or disclaimers of opinion) and additional communications by the auditor (Material Uncertainty Related to Going Concern (MURGCs), EOMs) with ~~regards~~ regard to going concern matters.

7.2 When should the auditor modify their opinion?

If the auditor disagrees with management's use of the going concern basis of accounting, or there is insufficient disclosure in the financial report on going concern matters, a modified audit opinion is issued. A modified audit opinion may be a qualified opinion, an adverse opinion or a disclaimer of opinion, dependent on the pervasiveness of the issues to the financial report. In accordance with ASA 570, a modified audit opinion is issued when:

- a MURGC exists which is not adequately disclosed in the financial report (qualified or adverse).
- the financial report is prepared using the going concern basis of preparation, however, the auditor does not agree that the going concern basis of preparation is appropriate (adverse).
- the financial report is prepared using an alternative basis of preparation, however, there is inadequate disclosure related to this (qualified or adverse).
- the auditor is unable to obtain sufficient appropriate audit evidence to conclude on management's assessment that the financial report is prepared using a going concern

basis of preparation as management is unwilling to make, or extend, their going concern assessment (qualified or disclaimer).

In addition, if events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been identified, auditors are required under ASA 570 paragraph 20 to evaluate if the financial report provides adequate disclosure about these events or conditions. As detailed in section 4 of this publication, the financial report disclosures include the significant judgements made in the process of applying the entity's accounting policies – that is, in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. If in the auditor's view, this disclosure is inadequate, the auditor considers the impact of this misstatement on their opinion on the financial report as a whole in accordance with ASA 705.

7.3 How else may the auditor's report include additional communications in relation to going concern when issuing an unmodified opinion?

When issuing an unmodified opinion, the auditor's report may include additional communications about going concern, as follows:

- if a MURGC exists that the auditor agrees is adequately disclosed in the financial report, the auditor's report includes a section titled "Material Uncertainty Related to Going Concern" (refer to ASA 570 paragraph 22 for further details).
- if the auditor concludes a MURGC does not exist and they are reporting key audit matters in accordance with ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, the auditor considers if going concern is a key audit matter. In accordance with ASA 701 paragraph 15, a MURGC is by its nature a KAM however, it is communicated as a MURGC and the introductory wording in the KAM section includes a reference to the MURGC paragraph.
- where the financial report has been prepared using an ~~alternate~~ alternative basis of preparation, and the auditor agrees with both the ~~alternate~~ alternative basis of preparation and that there are appropriate disclosures in the financial report, the auditor considers ~~if~~ whether it is necessary to include an EOM to draw the user's attention to the ~~alternate~~ alternative basis of preparation and the reasons for its use.

Appendices

Appendix A: ~~list~~ List of relevant legislation

This is not an exhaustive list of relevant legislation. Entities should consider whether any other legislation applies to their specific circumstances.

For-profit private sector

Corporations Act 2001 (Cth)

~~Not-for-profit~~NFP private sector

Australian Charities and Not-for-profits Commission Act 2012 (Cth)

Corporations (Aboriginal and Torres Strait Islander) Act 2006 (Cth)

Associations Incorporation Act 1991 (ACT)

Associations Incorporation Act 2009 (NSW)

Associations Act 2003 (NT)

Associations Incorporation Act 1981 (Qld)

Associations Incorporation Act 1985 (SA)

Associations Incorporation Act 1964 (Tas)

Associations Incorporation Reform Act 2012 (Vic)

Associations Incorporation Act 2015 (WA)

Appendix B: ~~list~~ List of other possible going concern indicators

Originally published in ~~*Going concern issues in financial reporting: a guide for companies and directors*~~*Going concern issues in financial reporting: A guide for companies and directors*, 2009 (AUASB and AICD)

Below are some further examples of possible events and conditions that may be relevant to the assessment of going concern. However, this list is not exhaustive and should not be considered a checklist of all possible indicators.

Obtaining external finance:

- Company has experienced difficulties in the past in obtaining external finance facilities and/or in complying with the related terms and covenants
- Borrowing agreements or executory contracts include clauses relating to debt covenants at call terms or subjective clauses (for example, a "material adverse change clause" or share price declines below a certain dollar value) that triggers full or partial repayment of the amount borrowed
- Company has breached some of the terms or covenants of the borrowing agreements giving rise to the risk that the facilities may be withdrawn or not renewed
- Finance facility is secured on assets (for example, properties) that have decreased in value below the amount of the facility
- Finance facilities are due for renewal in the next year
- Management have no plans for alternative arrangements should current facilities not be extended
- Company is dependent upon funding from a related or third party that is experiencing financial difficulties
- Financing is provided by a syndicate of banks and other financial institutions and there are concerns about the viability of one or more of the members of the syndicate

Management plans to overcome financing difficulties include disposal of assets or possible rights issues:

- Plans developed prior to the onset of challenging or uncertain economic conditions have not been updated
- Lack of evidence that management can realise the assets to be disposed of at the expected values
- Shareholders' support uncertain in relation to a planned rights issue
- Possible "lukewarm" reception of prospective investors to share issuance due to the company's poor financial performance

Company provides significant loans or guarantees to related parties or third parties:

- Guarantees that may be called in
- Borrowers who/which may be unable to make payments

Company dependent upon guarantees or financial support provided by a third party:

- Guarantor no longer able/prepared to provide the guarantee
- Financial support withdrawn or in doubt

Future cash flows:

- Reduction in cash flows resulting from unfavourable economic conditions
- Major customers taking longer or unable to pay
- Market for product or services has contracted significantly
- Terms or covenants of renewed financing are changed and become more difficult to comply with (for example, increased interest rates or charges)
- Company is subject to margin calls as a result of a decrease in fair market value of financial instruments that it holds
- Company has issued loans (or received borrowings) having an introductory period during which favourable terms are in force which revert to normal market rates in the forthcoming year

Company heavily dependent upon particular counterparties:

- Suppliers facing financial difficulties provide essential goods/services
- Company unable to find alternative suppliers
- Major suppliers tightening their credit terms
- Key customers experiencing financial difficulties
- Substantial reduction of orders from key customers
- Financial instrument counterparties are in default or experiencing difficulty to comply with terms due to cash flow problems

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