

INDICATORS YOUR CLIENT'S BUSINESS MAY BE FACING FINANCIAL DISTRESS

GUIDANCE

Instructions

This guidance is intended to assist CPA Australia members in determining if a client may need to be referred to an insolvency practitioner.

This information is based on legislation current as at 15 August 2022.

The following version control information has been included to assist you to monitor changes to the following guidance to ensure you are using the latest version.

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About the author:

This guidance was prepared by Maddocks on behalf of CPA Australia

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Common indicators of financial distress are numbered 1-11. If your client is showing any of the indicators, it may be prudent to engage with a licenced insolvency practitioner.

An **insolvency practitioner** is either licenced with ASIC or AFSA and holds relevant professional indemnity insurance requirements.

If your client's business is insolvent, options include:

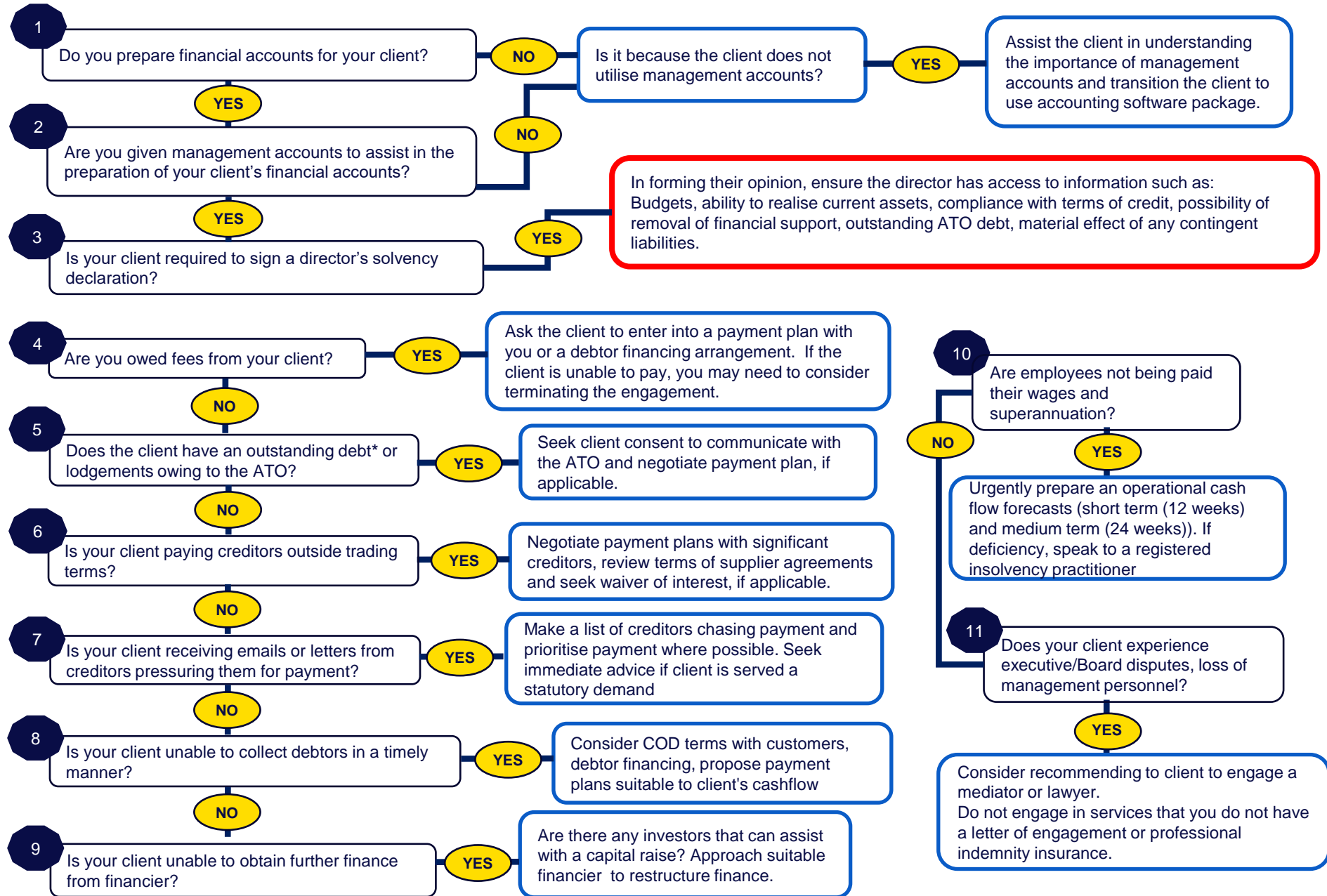
- Voluntary administration. (company)
- Liquidation (company).
- Bankruptcy (sole trader).

If insolvent consider an **Small Business Restructure** for companies that:

- have less than \$1m in liabilities (excluding employee liability)
- All outstanding employee entitlements, including super are paid; &
- All tax lodgements are up to date
- (see a **registered insolvency practitioner** for advice)

Important to warn your client:

- Consider professional licences/registrations that may be impacted or material contracts that may be breached
- Director's fiduciary and statutory duties owed to their company.
- Duty to keep books and records.
- Duty not to trade while insolvent.
- It is critical that directors understand all duties and obligations imposed on them, as a breach can result in personal liability.



*Includes PAYGW, GST, SGC and/or income tax