

### ASIC Acts to Prevent Insolvent Trading >>

If a company fails, the directors may be sued for the debts incurred if the company traded insolvently or may be prosecuted under the Corporations Act.

Penalties include a fine of up to \$22,000.00 and imprisonment for up to 5 years or both.

ASIC has identified some key operational and financial practices which, in combination with other practices, indicate a company is at significant risk of insolvency, they include:

- Poor cash flow, or no cash flow forecasts;
- Disorganised internal accounting procedures;
- Incomplete financial records;
- Absence of budgets and corporate plans;
- Continuing loss-making activity;
- Accumulating debt and excess liabilities over assets;
- Default on loan or interest payments;
- Increased monitoring and/or involvement of financier;
- Outstanding creditors of more than 90 days;
- Instalment arrangements entered into to repay trade creditors;
- Judgment debts received;
- Significant unpaid tax and superannuation liabilities;
- Difficulties in obtaining finance;
- Difficulties in realising current assets (eg stock, debtors); and
- Loss of key management personnel.

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