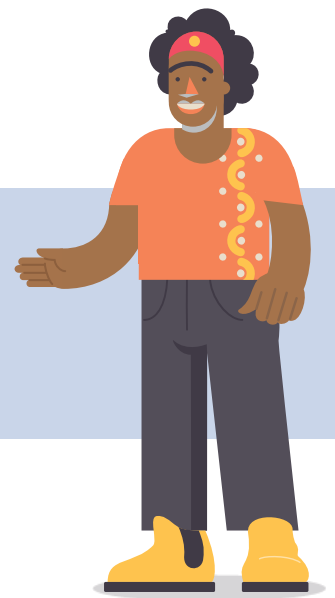




Questions directors should ask

Solvency

Can the corporation pay its bills and debts when they are due?

What payments are coming up in the next 3, 6 and 12 months?

- Are there any large or unusual payments coming up?

Does the corporation have enough cash to meet those payments when they fall due?

Has a cash flow forecast been prepared?

- What does the forecast indicate about the corporation's ability to meet future obligations?

Has the corporation's financial position changed since the financial statements were prepared?

- Have there been any significant events that could affect solvency, such as a loss of funding, an unexpected expense, legal action or a significant drop in income?

The financial report is prepared as at the end of the financial year. However, directors are required to assess the solvency of the corporation as at the date of signing the declaration, which can be many months later.

Are there any warning signs of financial difficulty?

Late payment of bills; Overdue loan repayments; Increasing debts; Cash shortages; Difficulty meeting payroll or tax obligations

Is the corporation relying on additional borrowing, asset sales or future funding to pay current debts?

- If so, are these sources of funds certain and available when needed?

If the corporation experiences unexpected financial pressure, what options are available?

Access to cash reserves; Approved bank facilities; Additional funding;
Assets that could be sold without affecting operations

Have the directors obtained all the information they need to form a view about the corporation's solvency?

