230 West Street
Suite 700
Columbus, OH 43215
tel 614.221.1120
fax 614.227.6999
www.gbq.com

GBQ

Assessing a Company's Future Viability

In accounting, *"going concern"* refers to a company's ability to continue functioning as a business entity. Current economic conditions provide particular challenges to all involved with annual reports and accounting. Companies will need to ensure that they prepare thoroughly for their assessment of going concern and make appropriate disclosures. Auditors also will need to ensure that they fully consider going concern assessments and refer to going concern in their audit reports when appropriate.

Management is required to make an assessment of an entity's ability to continue as a going concern. When there is a history of profitable operations, management may make its assessment without detail analysis. However, when management's assessment involves making a judgment the going concern assumption should consider the following relevant events or conditions:

1. Net liability position
2. Borrowing availablity
3. Negative operating cash flows or substantial operating losses.
4. Adverse key financial ratios
5. Inability to pay creditors or comply with terms of loan agreements
6. Loss of major market, franchise, license or principal supplier
7. Labor difficulties

The above listing is not all inclusive, but should give management a starting point for their assessment. Supporting analysis such as forecasts or budgets, borrowing requirements, product and market analysis, to name a few, are helpful to auditors in our review of the going concern assessment.

Contact your GBQ representative at 614.221.1120 to find out more about the going concern assumption and your company's assessment.

Author:
Mary L. Stucke, CPA