Going Concern

Accounting & Finance

Assessing whether the business will survive the next year.

Indicators and the auditor's response.

Warning indicators

- Net current liabilities position
- Loan facilities near expiry
- Loss of a major customer or supplier
- Persistent operating losses
- Inability to pay creditors on time

Auditor's response

- Review management's cash flow forecast
- Test the assumptions behind it
- Confirm facility availability with lenders
- Consider events after the reporting date
- Assess whether disclosure is adequate

If going concern is doubtful but adequately disclosed, the opinion is unmodified with a material uncertainty paragraph.