**Going Concern Assessment**

**ClubCOLLECTIVE July**

For many clubs, July brings with it the start of a new financial year.

This also means an assessment of going concern will be required when preparing year-end financial statements. The Australian Accounting authorities have flagged that as COVID-19 is having a profound impact, entities should be conscious of indicators that could cast significant doubt on their ability to continue as a going concern.

An entity prepares its financial statements on a going concern basis unless it intends to either liquidate the entity or to cease trading, or it has no realistic alternative. When assessing whether the going concern assumption is appropriate, all available information about the future should be considered that is at least 12 months from the end of the reporting period.

When an entity identifies events or conditions that may cast significant doubt upon it’s ability to continue as a going concern, it should consider all relevant information, including the feasibility and effectiveness of any planned mitigation.

If a club is not able to continue as a going concern, the Accounting Standards would ordinarily require its financial report be prepared on an alternative basis, such as liquidity basis, and relevant disclosures made. However in reality, the inability to continue as a going concern is linked to a questionable solvency position, and directors would typically move to appoint an administrator or liquidator before having to deal with what accounting basis to choose in year-end financial statements.

The auditor will also need to evaluate and conclude on the appropriateness of the entity’s going concern assessment; and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

For more information about going concern and solvency assessments, contact:

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