LIQUIDATING: PRODUCING ENOUGH CASH TO PAY CREDITORS

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Business is one of the many ways to earn assets and to generate money although it is like a gamble without assurance if you would win or lose. Many businesses are progressing and have continuous development through the years but there are some that failed to keep their sales high. Due to the failure to maintain a good status, they are more likely to have huge amount of debts and have to face a complicated situation such as nearly closing the business because there are more assets to spend for the expenses need for the business to continue.

As defined by Mike Kappel (2012), "liquidation is the process of selling a business’s assets to produce enough cash to pay back creditors. It ends in the business closing. If a company is not able to make ends meet, liquidation is one option to pay creditors and close the business." It is one of the exist strategy in businesses and it requires planning on how to sell a business wherein a good liquidator must be knowledgeable enough on how to properly liquidate a business.

Some of the types of assets that a business could liquidate are equipment such as computer units, xerox machine, printer; furniture such as chairs, tables, cabinets; and inventory such as raw materials, works in progress, and finished goods. Selling these can actually generate income to at least pay the creditors. Aside from selling, donating outdated equipment, furniture, and inventory to charity will also earn you small business tax deductions which is one way to reduce your debts. This is one of the moves to at least ease the debts.

As what suggested by Kappel (2012), in order to liquidate a business smoothly, there are following steps to observe. The first one is talking to a lawyer and accountant. They can help on what strategic plan does a business have to do and can help to recommend how to sell their assets. Next is to assuring of accurate count of the assets, its appearance and condition and if those are presentable. Also, working with an appraiser could help to have an idea what would be the total end sale amount and the company, firm or institution has to choose if they would want to sale assets through internet, sealed bid, retail, consignment, or negotiated sales.

Liquidation actually saves court processes because t is one way of paying off debts. It can be avoided to be petitioned through the court and will not be considered as the creditor's action.
but rather a voluntary action of the business. If the business is only the one which has debts to creditors, then there is nothing to worry but if the owner is the one who has a debt, then the creditor can file a case against him or her. It requires a process so the right persons who will be involved with the liquidation should be chosen to avoid other conflicts in the business.

Choosing liquidation converts the business assets to cash, which is then used to make these payments, and this is usually the last resort of a business if it cannot really pay its debts. If falling down of sales is already uncontrollable, it is now time to decide to liquidate a business to avoid facing more serious financial debts. Although this can affect many employees aside from the owners, it can be considered as the best option in order to save everyone from more serious financial risks.

References: