

LIQUIDATING AND CONCLUDING GUIDELINES

All JA Companies will be liquidated and closed at the conclusion of the *JA Company Program*.

Liquidation is the process of converting what a company owns (its assets) into cash, settling all accounts and then distributing the remaining cash to the business owners (shareholders).

During the liquidation phase companies should sell off all remaining inventory and materials on hand converting all assets to cash.

The liquidation process should begin two to three weeks prior to the close of the program.

Liquidation must be completed in time for the Final Status meeting.

Step 1: Review inventory

- See how many finished products you have in stock and review your production materials.
- Make sure that the inventory counts you have in your records match up with your stock numbers. Collect inventory from any members who may have left the *Company Program*.

Step 2: Determine if sales goals are attainable

- Compare the number of finished goods in your inventory to your sales goals. Is it possible for you to sell all of the finished products you have on hand? Will you need to sell more than what you currently have manufactured in order to meet your sales goals?
- Take another look at your raw materials and figure out if you can sell all of the products that can be created from the materials.
- Remember, all materials that go unused and all products that go unsold need to be deducted from your profits. You may have to return some unused materials to ensure that your company does not lose revenue.

Step 3: Come up with a sales and marketing strategy to sell inventory

- Determine how many units each sales person will have to sell in order to have product inventory reach zero. Your sales strategy needs to be realistic and achievable.
- Remember, a sales event is an excellent opportunity to liquidate stock. You can offer special deals and/or set a reduced sale price as a way to sell your stock quickly.

Step 4: Wrap-up production

- Create the last units of your product that you believe your company can sell.
- Return any unused materials, if possible.
- Consider selling unused materials that cannot be returned.

Step 5: Review accounts payable and payroll

- Does your company have any outstanding fees it has to pay to things like suppliers?
- If it does, these need to be paid off before you can completely close your company.
- Pay outstanding wages, salaries, and commissions.

Asset Allocation at Liquidation will be as follows (in order):

1. Vendors (any outstanding bills for material purchases, etc.)
2. Outstanding JA Invoices (based on your Charter)
3. All wages, salaries, and commissions (or a percentage of these amounts if cash on hand does not cover the total)
4. Preferred Share Face Value and Dividends (if applicable)
5. JA Profit Tax (based on Charter Guidelines)
6. Any remaining profit divided equally amongst common shareholders.

Step 6: Review Shareholder Records

- Check your Shareholder Records for accuracy

Step 7: Begin preparing the Final Report

- Form a final report committee which will be chaired by either the VP HR or the VP Finance.
- Each VP will have components to provide for this report as outlined in the **Final Report and Presentation Outline**.
- Begin working on this report early using placeholders for any data that might not be ready.

Step 8: Wrap up sales and collect accounts receivable

- Make sure all Company Program members submit all cash to the VP of Finance.
- Reconcile your records with the amount of money you have in your account.

Step 9: Prepare an Income Statement

- The Income Statement is helpful for calculating the profit your company has made.
- You will need to calculate your final income first before profit in order to calculate how much your donation to charity (if applicable) and your tax payment to JA should be.
- Using the Record Template, prepare a final income statement to include in your Final Report.

Step 10: Prepare charitable donation and JA Tax (as directed by your Charter)

- Determine if your company will be donating any profits to Charity. Prepare the cheque and a letter to the charity. You may mail or drop off the cheque and donation letter.
- Follow your Charter's guidelines for JA Tax calculation.
- Maintain a record of the donation for your final company records.

Step 11: Prepare a final Balance Sheet

- Using the Records Template, prepare a final balance sheet to be included in your Final Report.

Step 12: Arrange External Audit of Company Records (if required by your Charter)

- An audit is the process where a person from outside of a company (usually an accountant) reviews all records to ensure that all funds have been accounted for and that the company has run its operations properly.
- You may choose your own external auditor.
- The auditor must review the Company's financial tracking sheet, final income statement and balance sheet.
- Your auditor must sign-off (initial) on your company records and their verification must be included in your Final Report.

Step 13: Issue Dividend (Cheques or cash)

- Distribute dividends (cheques or cash) to Shareholders either in person or by mail. If you are paying Shareholders by cash, ensure that you have accurate records.
- Be sure to let all Shareholders know when the JA bank account will be closed (if applicable). Cheques need to be distributed and deposited at least two weeks in advance of this date to allow time for processing.
- Any cheques deposited after the bank account deadline will not be honoured.

Step 14: Complete Final Report

- Go through the **Final Report and Presentation Guidelines** as a company and revise your report where necessary.

Step 15: Arrange Final Status Meeting

- Issue invites to everyone who purchased shares in your company.
- The Final Status Meeting ensures that all *Company Program* shareholders are happy with the Final Report.

Step 16: Submit Final Report and Presentation to your JA Charter

- Email report and presentation to the Program Manager.