Management must be certain that the company has enough cash and other current assets to be able to settle its current liabilities as they come due. While not being able to pay liabilities as they come due (occasionally paying late, for example) does not force a company into bankruptcy, it does place the company in a position of technical insolvency. If technical insolvency is not reme– died, a repeated pattern of not paying liabilities as they come due may lead to bankruptcy proceedings being started against the company. At the very least, a pattern of late paying will cause the company to lose its credit privileges with its vendors and it will then be forced to pay cash in advance for purchases. In meeting this first goal, the company must be certain that it has enough cash and other current assets.

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