

Bankruptcy Prediction Report

Predicted Status: Bankrupt

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Company: Acme Corporation

Date: 2023-10-26

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Analysis

Top Contributing Financial Ratios:

- **X42: Operating Expenses / Total Liabilities (6.56):** This ratio indicates that Acme Corporation is incurring a high level of operating expenses relative to its total liabilities. This suggests a potential strain on the company's financial resources, making it difficult to meet its obligations.
- **X39: (Gross Profit + Depreciation) / Sales (-3.36):** This ratio reveals that Acme Corporation is experiencing a negative relationship between its gross profit, depreciation, and sales. This could indicate a decline in profitability and a potential inability to generate sufficient cash flow.
- **X9: Gross Profit / Net Sales (2.66):** A high gross profit margin suggests that Acme Corporation is effectively managing its cost of goods sold. However, the

other ratios suggest that the company is struggling overall, indicating that this positive ratio may be insufficient to offset its other financial challenges.

- **X59: Total Income / Total Expense (-2.29):** This ratio indicates that Acme Corporation is experiencing a significant loss, highlighting a significant imbalance between its income and expenses. This highlights a serious financial distress and inability to generate profit.
- **X29: Operating Income / Total Assets (2.23):** A low operating income relative to total assets suggests that Acme Corporation is not efficiently utilizing its assets to generate profits. This indicates potential inefficiency and poor asset management, contributing to the overall financial distress.

Recommendations

- **Implement immediate cost-cutting measures:** Analyze operational expenses and identify areas where costs can be reduced. This may involve streamlining processes, negotiating better supplier terms, or reducing non-essential expenditures.
- **Explore alternative financing options:** Secure additional funding to address the current financial shortfall and improve liquidity. Consider options like bank loans, venture capital, or asset sales.
- **Re-evaluate business strategy:** Conduct a thorough review of the company's business model and identify areas that are contributing to the financial distress. Make necessary adjustments to improve profitability and efficiency.
- **Negotiate with creditors:** Engage with existing creditors to explore options for restructuring debt obligations, extending payment terms, or seeking temporary relief from payment obligations.
- **Consider bankruptcy proceedings:** If the company's financial situation is dire and other options are exhausted, it may be necessary to explore bankruptcy proceedings to protect its assets and potentially reorganize its operations.

Disclaimer

This report is based on model predictions and should be used as a tool for analysis and decision-making. It is not intended to provide financial advice and should not be used as a substitute for professional financial consultation.