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ABSTRACT

The PT. XYZ was founded and is owned by an Indonesian family with strong political power that affects its business operations. The company is experiencing the unavailability of working capital to run business operations and unpaid debts that have created a high potential risk. Therefore, it submitted a liquidation proposal memorandum to PT. ABC as a shareholder. This study was motivated by PT. XYZ's declined financial and operational performance and stalled business 2021. Primary data were collected from financial statements and through interviews with the management. This study also used secondary data from previous literature and information from the administrative court. The results showed recommendations to PT. XYZ and PT. ABC in making decisions regarding the ongoing issues. PT. ABC should make a strategic decision regarding the information on the liquidation proposal memorandum submitted by PT. XYZ. It could approve or reject the proposal and negotiate with creditors to settle the company's debts. Until the completion of this research there has been no decision given by PT. ABC whether to approve or reject the proposed liquidation of PT. XYZ.

Keywords: financial ratio, liquidation, risk.

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1. INTRODUCTION

PT. XYZ was founded and is owned by an Indonesian family with strong political influence, a phenomenon interesting to study. This political influence has prevailed for five consecutive years, despite heavy losses and problems with third parties, including suppliers, taxes, banks, and employees. However, legal processes have not impacted the company in the last five years.

The financial statements audited by the Public Accounting Firm and the Tax Auditor, 2016 – 2021 showed that PT. XYZ has suffered commercial and fiscal losses. The company has obligations comprising tax debts and debts to suppliers and employees. These obligations have led to criminal and civil lawsuits that burden the company's operations. The production and sales processes have decreased yearly, making fixed and variable costs disproportionate to the declining output. Therefore, PT. XYZ has sold six of its seven production machines to cover the operational costs. The remaining production machine cannot operate efficiently. The company has also conducted cost efficiency strategies, including reducing employees as well as stopping and selling production machines, but the losses are still prevalent. As a result, the PT. XYZ management submitted a liquidation proposal as a memorandum of information to PT. ABC as a shareholder.

Liquidation is the cessation of a company's business operations by selling part or all the assets, paying the taxes owed, and liabilities to third parties. The rest is distributed to partners according to the profit-loss ratio. Terminating a business partnership includes ending the liquidation entity of the partnership. The liquidation entails converting non-cash assets into cash, recognizing gains and losses, paying liabilities, and distributing cash to partners after the business. In this process, the company's obligations to suppliers, the state, and other parties result in civil and criminal prosecutions that require follow-up and settlement from the company. The PT. XYZ's Board of Commissioners and Board of Directors submitted the memorandum of information to PT. ABC as a shareholder. PT. ABC was asked to determine PT. XYZ's final decision, with liquidation scenario options.

The business continuity principle is closely related to bankruptcy and the settlement of obligations to internal and external. The difficulties faced by the company cause delayed payment of these obligations through several mechanisms. A moratorium is a postponement of payment of due obligations, while a haircut is a company's effort to negotiate debt payments. This involves cutting the loan principal and interest, converting debt to equity participation, and requesting an extended debt repayment period. Debt forgiveness is asking for relief because the company lacks assets and cannot pay its debts. A write-off is a debt elimination mechanism, while a bailout is the takeover of debt by another party.

PT. XYZ's declining and worsening financial conditions causes the company to stop operating. This results in bankruptcy and problems with employees, suppliers, and customers. The terminated employees must have their rights resolved, such as severance pay. The company must also settle debts to other parties, and its financial inability may cause potential risks and conflicts. The company's management and shareholders are involved in the dissolution process. Other parties such as supervisory judges and curators also determine business continuity, bankruptcy, and settling company obligations.

This study aimed to conduct financial performance and risk analyses to provide recommendations to PT. XYZ and PT. ABC. The recommendations regard decisions on the issues in PT. XYZ's liquidation proposal. The study also examined the internal and external impacts and risks that may result from the liquidation process.

The analysis and evaluation results could be useful for PT. XYZ, PT. ABC, the government, specifically the tax and state administrative court, and science. In continuing the liquidation process and mitigating existing risks, readers could learn about the losses and problems that make companies take liquidation steps.

Table 1: Financial Highlight PT XYZ

PT.XYZ	**2016**	**2017**	**2018**	**2019**	**2020**
Sales revenue	499,318.9	372,989.4	153,506.6	114,911.1	114,741.9
COGS	488,523.7	365,831.6	146,923.3	114,055.6	105,128.6
Gross Profit	10,795.2	7,157.8	6,581.2	855.5	9,613.3
% Gross Profit	2.2 %	1.9 %	4.3 %	0.7 %	8.4 %
Operating Expense	98,427.5	65,881.4	32,076.5	21,075.5	20,864.8

Operating Profit (Loss)	-87,632.3	-58,723.6	-25,495.3	-20,220.0	-11,251.5
% Operating Profit (Loss)	-17.6 %	- 15.7 %	- 16.6 %	- 17.6 %	- 9,8 %
Other Expense	66,374.5	31,978.7	18,079.9	71,340.8	139,097.7
Net Profit (Loss)	-154,006.7	-90,702.3	-43,575.2	-91,560.9	-150,349.2
% Net Profit (Loss)	-30.8 %	-24.3 %	-28.4 %	-70.7 %	-131.0 %

2. LITERATURE REVIEW

2.1. RISK, ISSUE, AND CRISIS MANAGEMENT THEORY

Archie B. Carroll, Jill A. Brown, Ann K. Buychholtz. (2016) Business & SocietyEthics, Sustainability, and Stakeholder Management. (Tenth Edition) explained the Risk, Issue, and Crisis Management theory. In this theory, the company plans and controls the stakeholders' volatile environmental conditions, such as the situation at PT. XYZ. Risk Management takes a preventing action by identifying and preparing for potential problems. Issue Management involves an organization identifying issues in a stakeholder environment. These issues are analyzed and prioritized based on their relevance to the organization. Additionally, the organization plans responses to the issues and evaluates and monitors the results. Crisis Management entails the management minimizing the negative impacts of a crisis in the short, medium, and long term. This theory is in line with the crisis at PT. XYZ and PT. ABC. The crisis is caused by the declining financial and operational performance of PT. XYZ. The worsening performance has resulted in losses for five years, creating a high potential risk.

2.2. FINANCIAL RATIO

The company's financial ratio analysis is the basis for assessing the PT. XYZ's operational ability. The ratio comprises the liquidity ratio, constituting current, quick, and cash ratios. Other types are profitability ratios, divided into gross and net profit margins, return on asset ratio, return on equity ratio, and solvency ratio, consisting of debt to asset and debt to equity ratios. Analysis of the company's financial ratios indicates PT. XYZ’s ability to run the company's operations. It is a consideration regarding the feasibility of the memorandum information submitted to PT. ABC as a shareholder. The analysis is also the basis for PT. ABC to consider its decision to accept or reject the proposal.

This study analyzed PT. XYZ’s financial performance using the Altman Z-Score and the Springate methods. The results would show PT. XYZ’s financial and operational health. The two companies would use the potential for bankruptcy in determining the next steps regarding PT. XYZ’s business continuity.

2.3. LIQUIDATION ANALYSIS

The analysis of liquidation is a literature review defining liquidation from Indonesia’s legal perspective. Liquidation is dissolving a company due to declined financial and operational conditions that hamper business activities and cause difficulties paying obligations. This condition necessitates efforts to convert non-cash assets into cash to settle obligations, including taxes and debts to third parties and employees. The three types of liquidation are mandatory, voluntary, and temporary, each with distinct basis and process. The legal basis for this liquidation is the Indonesian Commercial Code (*KUHD*), Indonesian Civil Code (*KUHPerdata*), and Company Law (*UU PT*). The company is declared for liquidation based on the decision of the General Meeting of Shareholders, when the period of establishment stipulated in the articles of association has expired, and through a court decision.

This literature is necessary when PT. ABC decided to approve the liquidation proposal of PT. XYZ. It is also important when PT. XYZ was declared bankrupt by the court on the creditors’ demands. The company could determine the legal steps in liquidating and settling obligations.

3. RESEARCH METHODS

This section discusses the methods used in data collection. Primary data were collected from company financial reports through interviews, observations, and using questionnaires. Secondary data were obtained from print, electronic, and social media. The data were analyzed and evaluated using the Gantt chart to support the case study.

This study was conducted using analytical methods to obtain objective and accurate analysis results regarding the company's conditions. The methods used were:

1. Quantitative method, a descriptive analysis describing the study subject from the data obtained.
2. Qualitative method, a narrative analysis that evaluates and interprets the company’s conditions, culture, and operations.

Descriptive analysis used primary and secondary data on internal and external PT. XYZ conditions. The primary data comprised information on the liquidation option memorandum, the company's financial statements, as well as internal and external audit reports. The data also included management meeting minutes relevant to the study and analysis conducted. The primary data used as a reference for the evaluation process are:

Data from interviews with PT. XYZ leaders to obtain input on information regarding the memorandum of the liquidation proposal. The interview results showed that the PT. XYZ management believed the liquidation proposal was appropriate to be submitted to PT.ABC as a shareholder. The best strategic decision should be taken to solve the problems faced by PT. XYZ. This could mean continuing or halting operations with liquidation or other schemes decided by the shareholders.

The Altman Z-Score and the Springate methods were used to strengthen the analysis of PT. XYZ’s financial and operational conditions.

- **Altman Z-Score Method**

Altman (1983) conducted a survey of bankruptcy prediction methods. This method was used to test PT XYZ’s financially health using the following formula:
Z-Score = 0.717 X1 + 0.847 X2 + 3.107 X3 + 0.420 X4 + 0.998 X5
Note: X1 = Working capital to total assets, X2 = retained earnings to total assets, X3 = Income before taxes and interest on total assets, X4 = market value of equity to book value of total debt, X5 = sales to total assets.

In this model, companies with a Z score > 2.99 are considered healthy. Z score < 1.81 is a potential bankrupt company, while 1.81-2.99 is in the gray area or critical category.

Table 2: Altman Z-Score Method

Altman Z-Score Method (Amount in Millions of Rupiah)

	2016	2017	2018	2019	2020
a. Working Capital	(99,015)	(213,809)	572,669	593,050	(164,316)
b. Retained Earning	96,770	11,371	(29,537)	(135,307)	(293,593)
c. Total Asset	1,444,396	1,372,168	1,166,023	1,062,503	859,965
d. Earning Before Interest and Tax (EBIT)	(137,246)	(77,347)	(40,399)	(87,927)	(149,931)
e. Equity market value	988,347	897,273	859,029	749,779	606,099
f. Book value of current liabilities	455,958	474,895	306,994	312,724	253,865
g. Total Revenue	499,318	372,989	153,506	114,911	114,741
X1 = Working Capital /Total Asset	(0.069)	(0.156)	0.491	0.558	(0.191)
X2 = Retained Earning/Total Asset	0.067	0.008	(0.025)	(0.127)	(0.341)
X3 = EBIT/Total Asset	(0.095)	(0.056)	(0.035)	(0.083)	(0.174)
X4 = Equity market value/Book value of current liabilities	2.168	1.889	2.798	2.398	2.387
X5 = Total Revenue/Total Asset	0.346	0.272	0.132	0.108	0.133
Z-Score = 0,717 X1 + 0,847 X2 + 3,107 X3 + 0,420 X4 + 0,998 X5	**0.97**	**0.78**	**1.53**	**1.15**	**0.17**
Result:					
Z score > 2.99 is classified as a healthy company					
Z score < 1.81 is classified as a potential bankrupt company	**Bankrupt**	**Bankrupt**	**Bankrupt**	**Bankrupt**	**Bankrupt**
a score between 1.81 to 2.99 is classified as a company in the gray area or critical category					

The calculations using the Altman Z-score method showed that PT. XYZ has been unhealthy, with the potential to go bankrupt between 2016 and 2020.

- **Springate Method**

Sprigate (1978) conducted a survey of bankruptcy prediction methods. This method was used to test PT XYZ's financial health using the following formula:
S-Score = 1.03A + 3.07B + 0.66C +0.4D

Note: A =Working capital/Total assets, B=Net profit before interest and taxes/total assets, C =Net profit before Taxes/Current Liabilities, D =Sales/Total assets

In this model, companies with an S score > 0.862 are considered healthy, while an S score of < 0.862 are potentially bankrupt.

Table 3: Springate Method

Springate Method (Amount in Millions of Rupiah)

	2016	2017	2018	2019	2020
a. Working Capital	(99,015)	(213,809)	572,669	593,050	(164,316)
b. Retained Earning	96,770	11,371	(29,537)	(135,307)	(293,593)
c. Total Asset	1,444,396	1,372,168	1,166,023	1,062,503	859,965
d. Earning Before Interest and Tax (EBIT)	(137,246)	(77,347)	(40,399)	(87,927)	(149,931)
e. Equity market value	988,347	897,273	859,029	749,779	606,099
f. Book value of current liabilities	351,047	294,633	245,135	245,427	197,416
g. Total Revenue	499,318	372,989	153,506	114,911	114,741
A = Working Capital/Total Asset	(0.069)	(0.156)	0.491	0.558	(0.191)
B = NIBT/Total Asset	(0.095)	(0.056)	(0.035)	(0.083)	(0.174)
C = NIBT/Current Liabilities	(0.391)	(0.263)	(0.165)	(0.358)	(0.759)
D = Total Revenue/Total Asset	0.346	0.272	0.132	0.108	0.133
S -Score = 1.03 A + 3.07 B + 0.66 C + 0.4 D	**(0.48)**	**(0.40)**	**0.34**	**0.13**	**(1.18)**
Result:					
S score > 0.82 is classified as a healthy company and not potentially bankrupt					
S score < 0.82 is classified as an unhealthy company and has the potential to go bankrupt	**Bankrupt**	**Bankrupt**	**Bankrupt**	**Bankrupt**	**Bankrupt**

The calculations using the Springate method showed that PT. XYZ has been unhealthy, with the potential to go bankrupt between 2016 and 2020.

4. Result and Discussion

This study analyzed PT. XYZ’s financial performance to obtain objective and complete information regarding the company's operations. It presents the financial performance from 2016 to 2020 audited by YS public accounting firm. The independent auditor's report showed a statement of financial position, profit, loss, and other income, changes in equity, cash flows, accounting policies, and other explanations.

The analysis was conducted with a quantitative descriptive method using PT. XYZ financial reports for 2016-2020 audited by a Public Accounting Firm. The financial statements used complied with auditing and accounting standards applicable in Indonesia.

The auditor emphasized that PT. XYZ has experienced recurring business losses that resulted in a deficit. The company depends on financial support from PT. ABC as the main shareholder. These conditions indicate a material uncertainty that could cast significant doubt on the company's continuity ability. Furthermore, the financial statements showed the management's plan to overcome the challenges. However, the statements did not indicate the adjustments made from these uncertain conditions. PT. XYZ's financial performance could be seen from the historical commercial financial statements.

The analytical method successfully showed PT. XYZ’s financial performance and operational effectiveness. Table 1 presents a descriptive analysis of the quantitative variables used in this study. PT. XYZ’s financial performance was poor from 2016 to 2020, as the company suffered operational and net losses, affecting its continuity. The continuous loss in the income statement shows the company cannot operate effectively. This loss consumes the working capital, forcing the company to rely on debts for its operations and increasing potential significant risks.

Tables 2 and 3 show the results of calculations using Altman Z-score and Springate methods, respectively. PT. XYZ has been financially and operationally unhealthy from 2016 to 2020, with the potential to go bankrupt. This strengthens the feasibility of the liquidation proposal submitted to PT. ABC as a shareholder. The analysis became the basis for PT. ABC to decide to approve or reject the liquidation proposal.

Tables 4, 5, and 6 show a descriptive analysis of the quantitative variables used in this study. They indicate PT. XYZ’s Liquidity, Profitability, and Solvability ratios).

Table 4: PT. XYZ Liquidity Ratio

PT.XYZ	**2016**	**2017**	**2018**	**2019**	**2020**
Current Ratio	0.718	0.450	3.336	3.416	0.168
Quick Ratio	0.432	0.231	2.997	2.994	0.060
Cash Ratio	0.037	0.010	0.005	0.004	0.004

The current ratio analysis shows the PT. XYZ’s ability to settle its liabilities or debts using the current assets. From Table 4, the company's liquidity ratio in 2020 is low at 0.168, implying a low ability to pay current liabilities with its assets. This means the possibility of debt default is very high. The lower current ratio value indicates the company's declining ability to utilize its assets to pay debts.

The quick ratio analysis shows the company's ability to utilize the most liquid current assets or those converted into cash outside of inventory. This is because inventory takes a long time to be converted into cash since it must undergo the sales process first. PT. XYZ’s quick ratio value in 2020 is 0.060, implying the company’s low ability to utilize the most liquid current assets to pay debts. The small value also shows that the company's liquidity ability is worsening. Credit risk and potential default by PT. XYZ to its suppliers is large, almost equal to the current ratio. The depleting working capital implies the company's business operations are financed by debt. Moreover, the decreasing cash and cash equivalents and receivables make the company's increasing liabilities disproportionate to the low quick ratio. The increasing debt default potential is reasonable because PT. XYZ is not operating and is facing bankruptcy claims from its suppliers.

Cash ratio analysis shows the company's ability to utilize the most liquid current assets easiest to convert into cash, excluding inventories. PT. XYZ’s lower cash ratio of 0.004 in 2020 implies the company's worsening ability to utilize cash and cash equivalents to pay its debts. This signifies the liquidity or cash ability is deteriorating. Losses experienced by PT. XYZ from 2016 to 2020 indicates the potential for the company's working capital and cash equivalents to be depleted. The debt to other parties is increasing because the company's operations are funded by debt, decreasing cash. This increases the company's potential to default on its obligations.

Table 5: PT. XYZ's Profitability Ratio

PT.XYZ	**2016**	**2017**	**2018**	**2019**	**2020**
Gross Profit Margin Ratio	2.16 %	1.92 %	4.29 %	0.74 %	8.38 %
Net Profit Margin Ratio	-30.84 %	-24.32 %	-28.39 %	-79.68 %	-131.03 %
Return on Asset Ratio	-10.66 %	-6.61 %	-3.74 %	-8.62 %	-17.48 %
Return on Equity Ratio	-15.58 %	-10.11 %	-5.07 %	-12.21 %	-24.81 %

Gross Profit Margin shows the costs' efficiency and effectiveness in generating revenue. PT. XYZ's small Gross Profit Margin means the company's performance is less efficient. Gross Profit below 10% is very low, indicating inefficient production and distribution processes. In contrast, high COGS indicates an inefficient production process. Limited working capital forces machines to produce at low capacity, increasing production costs per unit product. The company cannot immediately increase a product's selling price because of the market mechanisms, where competitors sell at lower prices. When PT. XYZ raises the selling price, the product may not sell well in the market. This causes sales not maximally to cover production costs.

Net Profit Margin shows the company's operational efficiency and effectiveness in generating revenue and profit. PT. XYZ's negative Net Profit Margin means the company's performance is less efficient, and it experiences income losses. It cannot cover production, distribution, operating, and other costs. The significant yearly losses imply the company's deteriorating financial and operational performance until business operations stop.

The return on asset ratio (ROA) indicates the company's ability to generate income by maximizing assets. PT. XYZ’s negative ROA shows that the company cannot generate profits with its assets and is experiencing losses, implying declining performance. The company’s assets cannot be used efficiently to generate revenue and profits. This may cause the assets to decrease and be sold out to fund the company's operations.

The return on equity (ROE) ratio shows the rate of return on investment included in the company's business. PT. XYZ’s negative return on equity indicates increased investment risk. This is an important consideration for shareholders to continue or withdraw their investment. Existing investments cannot alleviate the company from losses, and the negative return on equity shows a high risk of investing in PT. XYZ.

Table 6: Solvability Ratio PT XYZ

PT.XYZ	**2016**	**2017**	**2018**	**2019**	**2020**
Debt to Asset Ratio	31.57 %	34.61 %	26.33 %	29.43 %	29.52 %
Debt to Equity Ratio	46.13 %	52.93 %	35.74 %	41.71 %	41.89 %

Debt to Asset Ratio (DAR) shows whether the company's assets are financed by debt. This shows that the operations are financed by debt, as indicated by the conditions PT. XYZ. The DAR shows the company's reduced ability to pay debts and increased potential for default. The conditions leading to the termination of business operations also indicate how the company would settle debts to suppliers, taxes, banks, and employees in the future. The potential for default causes a conflict with other parties with claims at PT.XYZ. This debt-to-equity ratio shows how capital or company equity is affected by debts. It also indicates how the company's equity influences debt. Furthermore, DER also shows how the company’s business operations are funded by debt and the ability to pay these debts. For investors, the ratio shows that more debts imply the company's reduced ability to pay dividends. The funding problem faced by PT. XYZ causes unresolved trade payable to third and related parties, as well as debts to employees, hampering business operations. Details of PT. XYZ's debts as of December 31, 2020, are as follows:

Table 7: Payable of PT XYZ

Payable	**Amount (IDR)**
Account payable to supplier	101,053,559,228
Tax payable	59,803,904,246
Account payable to related party	42,432,108,305
Payable to employee	26,787,862,374
Other payable	17,170,538,715
Costumer deposit	4,689,494,218
Bank payable	1,928,149,703
Total Payable	**253,865,616,789**

These debts are PT. XYZ’s unsettled obligations that cause problems in its business operations. The obligations of IDR 101 billion prompt suppliers to stop their transactions with PT XYZ. This has resulted in collection actions that have caused legal steps, such as filing for bankruptcy claims. Furthermore, the company has not settled the tax debt for a long time. The consequences are forced letters and asset confiscation, freezing of business accounts, and the potential for execution of hostages against those in charge of corporate taxes. Unsettled tax payable also causes an increase in fines and interest on the principal debt, increasing the burden on the company. Moreover, unresolved payable to employees cause turmoil, demonstrations, and employee demands against company leaders, disrupting the company's operations. Other payable to related parties have not been resolved. For instance, unresolved bank payable has led to collection actions and confiscation of company assets. Unpaid bank debt worsens the company’s collectability. This destroys the trust and assessment of banks to PT, XYZ. The due corporate obligation is a problem for the company. The liquidity and solvency ratios show the company's inability to settle obligations, increasing the potential for default and bankruptcy claims by third parties. As the main shareholder, PT. ABC is also affected, necessitating a quick and appropriate decision to resolve this issue.

This study also conducted analyses using a quantitative descriptive method and interviews with company management. The interview results showed that the respondents are aware of the company’s declining financial and operational performance. The company's operational risk is also high, especially in settling debts to internal and external parties. The respondents expect PT XYZ to solve this problem condition. Submitting the liquidation proposal to PT ABC as a shareholder would help resolve the problems.

Secondary data were obtained from information and publications in print and electronic media and related articles. Other data were obtained from regulations relevant to the study, including publication from the Central Jakarta District Court. The publication showed that PT. XYZ has received bankruptcy claims from third parties. This became the basis for evaluating the feasibility of the information on PT. XYZ’s memorandum of liquidation proposal. The study also used the annual financial report of PT. ABC, a public company whose financial information is general. PT.XYZ’s financial statements are consolidated in the annual financial statements of PT. ABC, making the information useful in evaluation. Information published in print and electronic media shows that PT. XYZ is facing problems with its business partners regarding outstanding obligations.

The risks faced by PT. XYZ were analyzed using business impact analysis (BIA). This tool analyzed the risks affecting the company's financial performance and business operations. Data were sourced from risk identification results and interviews with the company’s management. The parameters analyzed include the company's financial performance, production and distribution operations, and human resources regarding settling obligations to employees, suppliers, taxes, and banking. This analysis with BIA aimed to show the impact of the business risks on the company's survival.

Table 8: Business Impact Analysis (BIA) of PT XYZ

	IMPACTS			
	Financial	**Operation**	**Reputation**	**Going Concern**
Strategic risk	**High**	**High**	**Very High**	**Very High**
Commercial risk	**Very High**	**Very High**	**High**	**High**
Financial risk	**Very High**	**Very High**	**Very High**	**Very High**
Legal risk	**High**	**High**	**Very High**	**Very High**
Operation risk	**Very High**	**Very High**	**High**	**High**

(Source: primary and secondary data processed by the author)

Table 8 shows that all risks significantly impact the company. The impact of financial risks is higher than the other risks. The company's losses make PT. XYZ to experience various problems, such as increased financial burden and depleted working capital. Consequently, operational activities are funded by debt to other parties, while business operations are stopped. This implies that the company's going concern is in trouble, destroying the good business reputation. Financial risk makes the company’s business performance decline, causing strategic, commercial, legal, and operational risks.

The interview with PT. XYZ’s management showed that a liquidation proposal deserved to be submitted to PT. ABC as a shareholder. The proposal aims to trigger strategic decisions to overcome the challenges faced by PT. XYZ. These challenges regard the company's debts, which may be paid by selling the remaining assets.

5. Conclusion and Recommendation

PT. XYZ is engaged in the cement building material industry and is one of the subsidiaries of PT ABC. The company is experiencing problems in its business operations, as seen from the continuous financial losses over the last five years. The losses caused problems in the production and distribution activities due to a lack of working capital. The activities are funded by the company's debts to raw materials suppliers and other parties supporting the production and distribution process. This forced the management and shareholders to terminate the company's operations. PT. XYZ cannot finance business operations and pay its obligations to third parties. The consequences are the cessation of production due to the unavailability of funds to purchase raw materials. The distribution process was also terminated because the company could not run the production process. There is no inventory of finished goods for sale. Additionally, the company terminated employment and sold production machines and company trademarks.

The cessation of the company's operational activities has caused external and internal problems that need resolving. These include obligations to local and foreign suppliers, banks, the government, and employees due to employment termination. Employees have conducted several demonstrations, demanding the company to act upon its obligations by paying their rights. Furthermore, the unresolved tax debt is quite large, and the fines and interest continue to be calculated. Collecting actions have been carried out to the company, including issuing tax invoices, as well as forced and confiscation letters. Other actions are blocking company accounts and impacting the company and the corporate tax responsibilities, including the board of directors and board of commissioners.

Suppliers have filed claims for postponed debt payment obligations (PKPU) or bankruptcy through the commercial court within the Central Jakarta district court. Overseas suppliers have also made collection efforts through a third party. In international arbitration, employees follow up on problems encountered through the industrial relations court. PT. XYZ realizes that this condition must be resolved with strategic decisions taken by the management with shareholders' approval. Therefore, the company submitted the liquidation proposal memorandum to PT. ABC as a shareholder. The proposal was submitted to seek a decision by PT. ABC concerning PT. XYZ’s future and settlement of obligations. There is a need for a quick shareholders’ decision because suppliers have also submitted bankruptcy claims to the commercial court in the Central Jakarta District Court. It denotes that the only choice for PT. XYZ is to liquidate itself or be liquidated by the court. Liquidation processes by the court are conducted by the state through a curator appointed by the court, from selling the company's assets to settle obligations. When the company liquidates itself, it sells the assets and settles liabilities by itself. The management stated that PT. ABC may decide the inactive status. In this case, the company is deactivated, but some administrative processes continue, especially related to taxation. However, a liquidated or dormant company must still resolve its problems regarding obligations to other internal and external parties.

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