



Department of Business and Management

Teaching of Financial Reports and Performance Measurement

The impact of the Legislative Decree 14/2019 on the Risk Management Models of the Italian “SMEs” and how the B.I. systems adapt to the new compliance requirements of the law.

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Introduction

The reformist pressures of Europeanism inherent in the business activity have been transposed into the Italian legal system with the publication in the Official Journal of d.lgs. 14/2019, better known as Codice della Crisi d'Impresa e dell'Insolvenza (CCII).

The CCII introduces the notion of appropriate organisational structure for the purpose of early crisis detection, which requires in practice, the introduction or strengthening of effective enterprise risk management (ERM) systems within the company, have become mandatory for all entrepreneurs operating in collective or corporate form, while individual entrepreneurs can limit themselves to the adoption of appropriate measures.

In other words, the national and international best practice in the field of risk management, also referred to by art. 13 paragraph 2 of the CCII, becomes a legal obligation for all entrepreneurs, even minor ones: a revolution.

The aim of this work is to provide the Small and Medium Enterprises (SMEs) with the necessary tools to implement a risk management model that is, at the same time, compliant with the Code of the business crisis (D. Lgs 14/2019), for the provisions already in force,¹ but also able to contain the recessive effects from COVID-19 or, in the presence of the just conditions, to convey the enterprise towards the antifragility.

This requires the acquisition of multidisciplinary knowledge and skills, both economic-business and legal, from analytical accounting to operational marketing, through regulatory compliance and without forgetting the aspects related to the digitization of the company.

Aspects on which professionals and businesses, especially SMEs, will have to work to ensure the adequacy of organisational arrangements, Administrative and accounting aimed at the early detection and diagnosis of the business crisis which is undoubtedly the most important part of company cutting already in force since March 2019 of the entire reform; according, in fact, to the press statements of the President of the Interministerial Commission, Ilaria Pagni, in charge of the rewriting of D.Lgs. 14/2019, the "adequate arrangements" will remain the starting point for establishing and verifying the civil and criminal responsibilities of the subsequent judicial procedure.

¹ The Corporate Crisis and Insolvency Code will not enter into force even on 1 September 2021, after the one-year extension that had already been ordered, in the acute phase of the Coronavirus crisis and is the subject of a profound review both because of the changed economic scenario due to the recession by COVID-19 for the need to adapt the internal regulatory framework to the Restructuring and Insolvency Directive (Directive (EU) 2019/1023).

In order to facilitate the acquisition of often distant knowledge and skills, the disciplines referred to above have been summarized and amalgamated in a single document, dealt with in a transversal manner, summarised in the detailed procedures in this paper and acquired from the prevailing literature on the subject, and from the best practice, summarised in the checklists of checks to be carried out, the procedures to be implemented and the calculations to be carried out to bring under control all dependent and independent variables that may affect the economic and financial balance and assets of the company.

To this end, in the course of this work, for the definition of the processes and procedures necessary for the implementation of a risk management model that would meet the expectations analysed above, I used the computer application "MPHIM+".

It is a DSS (Decision Support System) that allows to adjust the organizational set-up, monitor business continuity, and develop the predictive analysis of the profitability and prognostic cash flow, developing the information needed for strategic and tactical decision-making.

The computer application is respectful of the CCII (D.Lgs. 14/2019), which will also be discussed in this work, because of the profound implications that has had and will have more and more on the management of the company.

MPHIM+ also contains Business Intelligence tools and Expert Systems technologies, (it uses a knowledge base to solve complex problems by adopting the logical rules used for such purposes) as models of decision support as:

- It facilitates the analysis of what-if type (sensitivity analysis) and stress test activities
- It is model-oriented, that is set on logical models and algorithms of the relations cause effect between variable dependent and independent that they represent the business quantitative phenomena
- It uses internal data and information from operating systems (balance sheet) and external information (prices and other market conditions).

The software, supporting the adoption of the appropriate organizational arrangements of the company, helps the user to create a risk management model facilitating compliance with the requirements of the Code of Corporate Crisis and Insolvency.

Through the use of MPHIM+ as a business model and management model, it is also possible to optimize the way the company develops its business by realizing value for stakeholders through conscious choices in line with the stated objectives, as required by

the administrative and accounting arrangements that will be examined in the following chapters.

The research work concludes with the testing of the device on a real case, a commercial micro enterprise on which the detailed processes and procedures have been applied throughout this document, necessary for the implementation of a risk management model compliant with the Code of Crisis, able to measure, in perspective terms, the economic effects-financial and financial assets of business decisions and events that may affect business continuity.

In conclusion, the innovative features contained in this work are based on a tripod of aspects:

- 1) the reconstruction of the current legislation on business crisis, in the light of the rewriting of D.Lgs. 14/2019 published in the Official Journal on 25 August 2021 (D.L. 118/2021)
- 2) the definition of a risk management model applicable to micro and small enterprises borrowed from national and international best practice and compliant with the Crisis Code
- 3) the testing of the risk management model to a complete case by using the DSS MPHIM+ in order to verify the benefits of a complete digitalization of companies in the areas of marketing and PFC (programming, finance, and control).

CHAPTER 1

An overview of the Italian and European economic and regulatory situation

1. The Italian and European SMEs critical issues and the causes of the company crisis.

1.1 The economic scenery

In 2019, the Italian SMEs were the 92% of the totality of the country's enterprises and employed the 82% of the workers, with a concentration of 72% into the sectors of services, housebuilding, and agriculture.²

In 2018, these enterprises used to generate a business value of 886 billion euros, with an added value of 212 billion euros, that represent the 12,6% of Italy's GDP.³

It's important to point out that family businesses numerically represent around the 60% of the Italian stock market (which is composed of about 290 enterprises), they weight more than the 25% of its capitalisation, consolidating an overall turnover of 730 million euros, as reported by the AUB Observatory, promoted by AIDAF, UniCredit, from the "AIDAF chair – EY of Family Business strategy" of the Bocconi University and from Milan's Chamber of Commerce.⁴

Even though being so relevant in the national economic scenario, these enterprises are characterised by a great vulnerability and need a great care in the resources' strategical management, whether they are assets directly employed in the production or financial resources.

1.2 Structural weaknesses in the Italian SMEs and the company crisis

Since before the COVID-19 economic recession, and with the participation of the 2008 financial crisis⁵, the enterprise crisis had become a permanent component of the actual economical system, and it is destined to persist also for the next years, thanks also to the pandemic effects on the different economic sectors of both Italy and the whole world.

In order to examine the defensive tools that are useful to prevent (and face) the enterprise crisis and to limit the recessive effects that characterize the international economic

² Infodata, Il Sole 24 Ore, 10th of July 2019.

³ Cerved report on SMEs, 2019.

⁴ G. Corbetta, F. Quarato, A. Minichilli, Dieci anni di capitalismo familiare. For the AUB Observatory, 27th of November 2018.

⁵ Also defined as "Great Recession", it was a global economic crisis that happened between 2007 and 2013. It was caused from the explosion of a real estate finance bubble in the American stock market, producing a series of chain effects, and was pushed by financial mechanisms of contagion and from crisis of the European countries' sovereign debt.

system, we need to study the critical elements that have always characterized the Italian SMEs, and that make them particularly fragile. These elements are represented by:

- the small dimension.
- the limited resources they have access to.
- the cultural aspects.
- the difficulties about positioning themselves on the market, more than others.

The latter have been particularly hard to overcome, making it very difficult to develop entrepreneurial initiatives, and now putting the basis of a perfect storm that may oppress the system.

According to the Italian Accountants Foundation,⁶ the typical criticisms of the Family Business are represented by a low managerialism, the structural limits, the tendency to undercapitalize, the difficulty on finding financial resources from banks and specialised investors, the low formalisation of the hierarchical organisation and the inadequate control tools.

The small dimensions are a preeminent problem in the system. The vast majority of the family business enterprises finds difficulties on taking off because of their fragility: the market is big and competitive, so that the small entrepreneurs result often inadequate under his organizational profile (Kotler, 2012). Inside the hierarchy there are, in fact, few specialised bodies that have to fulfil different tasks.

In Italy, an adequate organisation of the sell department cannot exclude the indirect sales force (which is composed by agents and brokers)⁷, because the size of the market in which the small enterprises would be limited into the field of action of the entrepreneur, restricting him into a local context. Moreover, the marketing department needs the assistance of a department that keeps track of the results of the company.⁸

Other important causes of the birth of the business crisis lie in the lack of resources that exposes the entrepreneur to environmental pressures.

Small and medium-sized enterprises, because of their small size, have limited resources or manifest difficulties in finding the necessary resources, this condition of fragility is most evident in the financial report.

⁶ Fondazione Nazionale Commercialisti, Come cambia la professione. *Primi risultati dell'indagine statistica 2015*, 30th of September 2015, p. 3.

⁷ Sales agents intermediate the 70% of the Italian GDP, equalling around 1.725 billion euros.

⁸ F. Antonioli, *Agenti di commercio affari in crescita, ma è crisi di vocazioni*, Repubblica Ed. Piemonte 10/02/2020, p. 9.

According to an analysis carried out in November 2019 from Milan's ODCEC's Finance and Management Control Committee that took a sample of 538.830 Italian enterprises between which 214.000 of them (around the 40% of the sample of analysis) have at least one indicator of positive economic and financial imbalances, 65,000 (12.20%) at least 3 positive indicators and 43,664 (8.73% of the sample, excluding the simple limited liability company) present an equity that is less than 10.000 €. These companies employ more than 285.000 people and have a sales volume of 33 billion euros.

The "distinctive skills"⁹ are one of the resources we are talking about. They are specific resources that an enterprise possesses, skills and competences acquired on the basis of experience, which are transferred to the products and services that it produces, helping to distinguish the company from the competitors.

However, most small businesses find difficult to find the necessary resources or, even worse, in implementing those "distinctive skills" that are transferred to products and services in order to create added value. This situation translates into an obstacle to growth that is difficult to overcome. Distinctive skills are an essential element for companies to compete. In fact, they enable the companies to differentiate themselves from competitors and to gain a competitive advantage, whether it be in terms of cost or differentiation (when the product or service has unique characteristics that customers appreciate).

So, the competitive advantage of small and medium-sized enterprises arises from the material and intangible resources at their disposal and from their ability to manage and combine them intelligently.

Another limit that is typical for the Italian SMEs is given by an inadequate entrepreneurial culture: the small entrepreneur almost always fails to have a significant strategic orientation.

Planning is often absent or marginal, strategies emerge from the company's experience, and it is precisely because of these merely adaptive behaviour that SMEs tends to be unable to predict the changes and moves of their main competitors.¹⁰

The inadequate business culture in small businesses is also reflected in the relationship between entrepreneurship and managerialism.

⁹ R. Simons, Performance Measurement and Control Systems, Pearson Education

¹⁰ G. Ferrero, Marketing e creazione del valore, G. Giappichelli - Torino 2013.

Entrepreneurship refers, within a company, to the ability to implement new business formulas and success (business idea); managerialism instead, refers to the ability to improve the levels of effectiveness and efficiency (Depperu and Capello, 1990).¹¹

The small companies' entrepreneur, on the other hand, has a strong emotional attachment to his business (Gianfelici, 2009), therefore he has great difficulty in sharing management with others, that eventually may act as a hindrance to the business development process. The inadequate corporate culture, especially in Italian SMEs, also manifests in the shyness with which digital transformation programs are launched.¹²

Digital transformation is a term that indicates *“un insieme di cambiamenti inizialmente tecnologici, ma successivamente organizzativi e culturali, che partendo dall'adozione di nuove tecnologie conduce a offrire servizi, beni ed esperienze radicalmente nuovi”*¹³ (a set of changes initially technological, but later organizational and cultural, which starting from the adoption of new technologies leads to offer services, goods, and experiences radically new).

It is reductive and extremely wrong to consider the process of digitization only as a mere conversion of paper documents into digital files. The concept of digitization of the company is, in fact, much more complex, understood as an organizational model that allows the enterprise to manage in an integrated, effective, and collaborative way all of its activities, thus eliminating any slowdown and reducing error margins.

The digitization of the business activities allows the design and management of internal (involving more functions in the same organization) and external processes (towards customers or indirect sales force).¹⁴

The combination of organization and digitalization of the company is considered fundamental as *“consente di limitare la discrezionalità e mantenere la coerenza dei comportamenti al fine di conferire ordine all'operatività aziendale e accrescere la capacità di coordinamento e quindi l'efficienza delle diverse strutture funzionali”*¹⁵ (it allows to limit the discretion and to maintain the coherence of the behaviours in order to

¹¹ D. Depperu & P. Capello, I gruppi di imprese di dimensioni minori, Franco Angeli – Milano 1990

¹² According to the Desi index published by the European Commission, in the ranking on the digitalization of the economy and society, Italy occupies the 25th position out of 28 EU Member States

¹³ P. Kotler p., K. Keller, F. Ancarani & M. Costabile, Marketing Management, Pearson – Milano 2017, p. 935.

¹⁴ <https://www.jforma.it/la-digitalizzazione-per-uscire-dalla-crisi/>

¹⁵ CNDCEC, Norme di comportamento del collegio sindacale di società non quotate, paragrafo norma 3.5. Vigilanza sull'adeguatezza e sul funzionamento dell'assetto organizzativo, 18 dicembre 2020, p. 56.

confer order to the business operativity and to increase the ability to coordination and therefore the efficiency of the various functional structures).

We are in the current phase of "digital transformation" of companies (De Luca, 2017), a period in which entrepreneurs, management, and marketing and sales managers use the information obtained as a result of business intelligence activities.

Digitalisation fosters business growth (De Luca, 2017); technology provides business intelligence tools, that is, management tools, capable of collecting, manipulating, and analysing large amounts of data instantaneously.

An appropriate use of technology allows to obtain competitive advantages that do not derive exclusively from the type of product or service that is offered; the digitization process, especially of small enterprises, can lead to a completely positive change in the business model.

In addition, the use of technologically advanced tools, allows effective management of sales, customers and consequently, an increase in corporate profit; digital, is a valuable support for the development of small and medium-sized enterprises.

Marketing is certainly another of the problems involving these types of companies. It has been observed in Italy (Marchini, 1995), how complex is the relationship that exists between marketing and small business.¹⁶

Marketing is an important source of value in the company, however it is often perceived simply as a mere operational activity and confused with advertising, a poor marketing, little responsive and intuitive (Mattiacci & Ceccotti, 2005).¹⁷

This misperception is one of the causes of the difficulties encountered by SMEs in managing operational marketing. This approach includes a set of distribution, sales and communication-oriented strategies that represent the most interesting aspect of the marketing process.

Operational marketing is a classic approach focused on marketing mix management, the 4Ps theorized in 1960 by Jerome McCarthy: product, price, place, and promotion.

The vast majority of small companies experience difficulties in managing marketing-mix elements (Fortezza, 2006):¹⁸

¹⁶ I. Marchini, *Il governo della piccola impresa*. ASPI/INS-EDIT - Genova 1995

¹⁷ A. Mattiacci & F. Ceccotti, *Non c'è più il marketing di una volta*. Scritti in ricordo di Gennaro Cuomo, Cedam – Padova 2017

¹⁸ Of great interest, for the purposes of this work, is the empirical study conducted by Fortezza (2006) on 40 SMEs operating in the business-to-business (B2B) sector of the provinces of Modena, Reggio Emilia, and Bologna. The aim of the analysis was to understand the logic of business management, their attitude towards the market and their propensity to marketing. Most of these companies, has shown to be aware of

- **Product:** small and medium-sized enterprises have great difficulty in developing combinations of attributes and in managing the company portfolio.¹⁹
- **Place:** The distribution channel is understood as “*il percorso (non solo fisico) che un prodotto deve realizzare per superare il divario (temporale e spaziale) dalla fase di produzione alla fase di consumo o a quella di utilizzo*”²⁰ (the (not just physical) path a product must take to overcome the gap (time and space) from the production phase to the consumption phase or to the use phase). SMEs have difficulty in choosing among different distribution channels; in managing incentive policies (commercial conditions in favour of retailers such as the mark-up intended for them, minimum order, delivery time, payment time); and especially in channel penetration strategies.
- **Promotion:** the small size of the company and the lack of marketing operators, does not allow small businesses to plan promotional initiatives, limits that affect, among other things, recruitment activities and management of the indirect sales force (agents, brokers, brokers, brokers). They are essential to improve the penetration of the targeted distribution channel; the sales promotion (gifts, 3x2 offers for example, etc.); and do not allow an effective and profitable control of b2b trade fairs.
- **Price:** SMEs report serious shortcomings in the definition of price discrimination policies due to the lack of capacity to act as a price maker even with a highly differentiated production, dissipating distinctive value and expertise. Few Italian companies apply a professional pricing strategy that includes a real economic study, yet the price is among the major drivers able to drive the company towards success or bankruptcy.

European SMEs also report serious shortcomings in operational marketing, such as in the organisation of commercial channels, and in the planning of promotional actions. We add

the importance of marketing activities, in fact, 57.5% of the sample recognizes that its activity needs tools, both analytical and decision-making, which allow them to acquire greater strategic awareness in order to better control the new critical success factors and to integrate in a more orderly and proactive way within the markets served. It is, however, an awareness "subject to constraint", the aforementioned analytical and decision-making tools must also be consistent with the small size of the company and the limited resources available.

¹⁹ Among the attributes of the product can be mentioned the raw materials used, the design, packaging, delivery time, guarantees, spare parts, etc...

²⁰ G Ferrero, Marketing e creazione del valore, G. Giappichelli – Torino 2013, p. 321

to these difficulties also the lack of ability to act as a price maker due to the limits of knowledge of the competitive environment and demand.

This is what emerges from a survey involving ten European countries (Austria, Belgium, France, Greece, Italy, Norway, the Czech Republic, Spain, Turkey, and Hungary) and concerned 468 companies, focused on the production of traditional food products.²¹

The most problematic phases of this process, regardless of size of the company, are those that require a higher organizational effort. We are talking about the planning and implementation of operational marketing activities, and on the other hand, the monitoring and evaluation of the results achieved. This proved how the organisational and marketing aspects are strongly connected and interdependent.

1.3 The company crisis in the Italian literature

As already mentioned, the Italian Foundation of Accountants has identified the basis of the fragility of Italian family-run SMEs: low managerial capacity, structural limitations, tendency to undercapitalisation, difficulties in obtaining financial resources from banks and specialised investors, poor formalisation of internal roles and inadequate control instruments.²²

These limits can evolve during the course of the life cycle of the enterprise until to generate of the business dysfunctions that, if not intercepted in time, lead the enterprise in a state of crisis. This is now defined by Art. 2 of the new *Codice della crisi d'Impresa e dell'Inolvenza (CCII)*, that is the new Italian code for the company and insolvency crisis introduced with the *D.lgs 14/2019*, as “*lo stato di squilibrio economico-finanziario che rende probabile l'insolvenza del debitore, e che per le imprese si manifesta come inadeguatezza dei flussi di cassa prospettici a far fronte regolarmente alle obbligazioni pianificate*”²³ (the state of economic and financial imbalance that makes insolvency of the debtor probable, and that for the enterprises is manifested as inadequacy of the prospective cash flows to meet regularly the planned obligations).

²¹ Le attività di marketing nelle piccole e medie imprese: un'indagine nell'industria alimentare in alcuni paesi europei di Alessandro Banterle, Università di Milano, Dipartimento di Economia e Politica Agraria, Agroalimentare e Ambientale – 2010
<https://agriregionieuropa.univpm.it/en/content/article/31/23/le-attivita-di-marketing-nelle-piccole-e-medie-imprese-unindagine>

²² *Ibidem*, note 5

²³ Codice della Crisi di Impresa e dell'Insolvenza, D. lgs.14/2019.

In the literature this is also defined by Guatri (1995) on the basis of a sequence of four interdependent stages, “*per ognuno dei quali si possono osservare specifiche manifestazioni*”²⁴

The four stages described by Guatri are divided into two sections, namely: the phase of "Decline", which includes the first two stages of Incubation and Maturation that occur respectively in the form of Decadence/ Imbalances and Economic Losses; and the phase of "Crisis" which includes the last two stages of Repercussion on cash flows and trust, which are manifested as cash shortages, credit losses and trust and survival risk, and Consequences on stakeholders, manifested as insolvency.²⁵

It is precisely during the phase of decline that the first signs of imbalances and inefficiencies appear. At this moment, the company's image begins to weaken in front of stakeholders, in the face of an erosion of the company's profitability.

This process may lead to a deterioration in the quality and adequacy of the products and/or services offered by the enterprise.

At this moment it is not said that the economic flows assume negative sign, and therefore explicitly manifest a situation of financial difficulty of the company. In the short term, therefore, one might think that the decline in cash flows is the result of a temporary situation, without realising that, without proper control of the state of health of society, these can start to become negative, by virtue of a condition which has become systematic and irreversible.

The difficulty lies in identifying the problem of decline, and therefore in the understanding of the company's actual financial health, as the decline can be misunderstood as a common physiological passage of the enterprise's life. The difference is that if a physiological passage is lived through time neutrally by the company, the passage of time turns the phase of decline into the reality of the company crisis.

1.4 The causes of the crisis in the European Literature

To fully understand the substantial difference between the causes and symptoms of the crisis, the analogy with the process of patient care is helpful: fever and headaches are the symptoms of a disease, the cause of which is the infection.²⁶

²⁴ Each one of those has specific manifestations (Translator's note). A. Falini, La crisi d'impresa e le sue cause: un modello interpretativo, paper numero 125, dicembre 2011

²⁵ 25 L. Guatri Turnaround. Declino, crisi e ritorno al valore, Milano, Egea, 1995

²⁶ S. Slatter, D. Lovett, Corporate turnaround, managing companies in distress, Penguin, 1999

In order to bring the issue back to the financial level, a fragile structure and a negative profitability are no more than symptoms of a crisis, the causes must be sought elsewhere, making sure that the factors actually causing the state of instability are addressed. The risk would otherwise be of producing positive effects only in the short term, however inevitably leading to a crisis in the long term.²⁷

Several investigations have been carried out over the years, trying to determine the most frequent causes of corporate crisis situations.

The role of business leaders in determining the crisis has been investigated, generating two different currents of thought. The first is based on a deterministic approach of corporate action, emphasizing the contribution of any exogenous and environmental factors to the business crisis, in respect of which management has no influence.²⁸ The second current of thought focuses on the effect that a rough around the edges management of the company can have on the latter, identifying in the actions and perceptions of management the only causes of crisis situations.²⁹

The deterministic perspective is that of industrial economists who recognize themselves in the structural paradigm - conduct - performance, identifying in the environment a system of constraints and opportunities capable of conditioning the strategic orientation and, therefore, the performance of companies.³⁰

The environmental elements are rapidly mutable with respect to the speed with which business organizations evolve. From this point of view, business crises see their origin in the unpredictability of changes in environmental factors: in particular technological discontinuities; the unfavourable evolution of macroeconomic variables; socio-demographic changes; and regulatory changes.³¹

This approach, however, gives the external variables a weight that does not consider those substantial differences that lead companies belonging to the same sector to record performance very different from each other, while suffering the effects of the same environmental variables.

²⁷ V. Coda, L'analisi economico-finanziaria di un dissesto, in *Rivista dei dottori commercialisti*, n.5, 1975

²⁸ The studies of Burns and Stalker, 1961; Scott, 1992; Nelson, 1995; Mc Gahan and Porter, 1997 belong to this current.

²⁹ The studies of Starbuck and Al. 1978; Bibeault 1982; Hambrick & Manson 1984; Hambrick and Al. 1996 belong to the other current.

³⁰ Falini writes in his paper "*La crisi d'Impresa e le sue Cause: un modello interpretativo*".

³¹ W.R. Scott, 1992, *Organizations: Rational, Natural and Open Systems*, Englewood Cliffs, Prentice Hall J.P. Sheppard, "A Resource Dependence Approach to Organizational Failure" in *Social Science Research*, vol. 24, 1995, pp 28-62

In order to find a solution to the problems encountered by making the deterministic vision described above, we try to investigate, following the current of thought of a "voluntaristic" nature, the method by which the management body of the undertaking approaches changes in environmental variables. The analysis then moves to the subjective aspects of the business activity, strongly linked to the top management team.

The key measure being considered is the timeliness of the management body in adapting the company's structure to the change in the specific environmental factor.³²

From the research emerge empirical results apparently discordant: it seems in fact that top management team with a particularly heterogeneous cultural background are more suitable for turbulent and complex contexts; On the other hand, more homogeneous management is more efficient in the decision-making process, which is particularly important in times of crisis. Other relevant factors are the duration of the management's mandate and the substitution scenarios.

The above-mentioned vision, however, has as its great limit its simplicity, due to the dichotomous nature of the approach.³³ In the vast majority of cases, business crises are the result of the strength impressed by very different and distinct factors in fact, if you do not consider extraordinary events or obvious situations of mismanagement of the company.

As reported by Slatter in his research of 40 British companies in 1984, the factors most frequently encountered in times of crisis are:

- Inadequate management and weak financial control (more than 70% of cases).
- The operational inefficiency.
- The poor competitiveness.
- The rough variations in the demand.
- The risky projects.
- The environmental problems
- The misguided acquisitions.
- The "overtrating" (when the turnover growth of the enterprise is faster than the growth of the enterprise itself).

³² Research made from Smith et al. 1994; and Amason & Sapienza, 1997.

³³ Wilkinson, 2004

Sheppard J.P., Chowdury S.D. (2005), "Riding the Wrong Wave: Organizational Failure as a Failed Turnaround", in Long Range Planning, vol. 38, pp.239-260

In 1996, Della Corte contributes to Slatter's study through a comprehensive analysis of the main factors that may cause the company's decline. In 1999, Slatter and Lovett carried out a study on turnaround processes, highlighting 13 different causes divided into endogenous (10) and exogenous (3).

In 1996 the University of Parma developed a first Italian study; this is carried out on the totality of the failures opened in the period 1971-1991 at the court of Parma. In this study the causes of the crisis are divided into two categories: environmental and market factors; and activities and policies assumed by companies. However, in this research the authors argue that these factors contribute to determining crisis situations when chained.

A crisis state rarely arises from a single exogenous factor, as well as for endogenous factors, for the crisis to occur. The authors support the hypothesis that a contemporaneity and a concatenation of the different problems is necessary to determine a state of crisis.

In 1995, in an attempt to carry out an analysis more suited to such a complex phenomenon, Guatri proposes an objective classification of company imbalances, which can determine five main types of crisis:

- The crisis of *inefficiency*, where the firm's costs and returns are not in line with the industry average or its main competitors.
- The crisis of *rigidity* where, in situations of overcapacity, a firm with a high rigidity cost structure is unable to adapt to the new conditions.
- The product decay crisis, where the company's supply is inadequate to renew its product mix in a timely manner, in its marketing activities, or in relation to the innovative capacity of its competitors.
- The crisis of an *inability to plan*, in the sense of failing to interpret and anticipate environmental changes, thus slowing down the innovative aspect of the company.
- The crisis of *financial imbalances*, which is generated by institutional factors (such as, in particular, the weakness of financial markets), the limited availability of own resources by the economic entity and its high (excessive) risk appetite.³⁴

As can be deduced from the research of Danovi and Indizio of 2008, in more recent times the phenomenon has been analysed with greater emphasis on its complexity, so that the latter attribute to crisis situations a specific character and entity-based, and therefore these require a case-by-case analysis.

1.5 The Proposal for a Business Crisis Interpretative Model

³⁴ Richards M.D. (1973), "An exploratory study of Strategic Failure", Academy of Management

As already seen before, many authors have tried to study the causes of the crisis, but never try to create a general model, useful to adequately analyse a complex phenomenon such as the business crisis.

Falini in his paper attempts to synthesize previous research in a model that can analyse different situations in relation to different causes. In this model we try to use approaches previously placed in antithesis and opposition between them, integrating the different schools of thought that generated them.

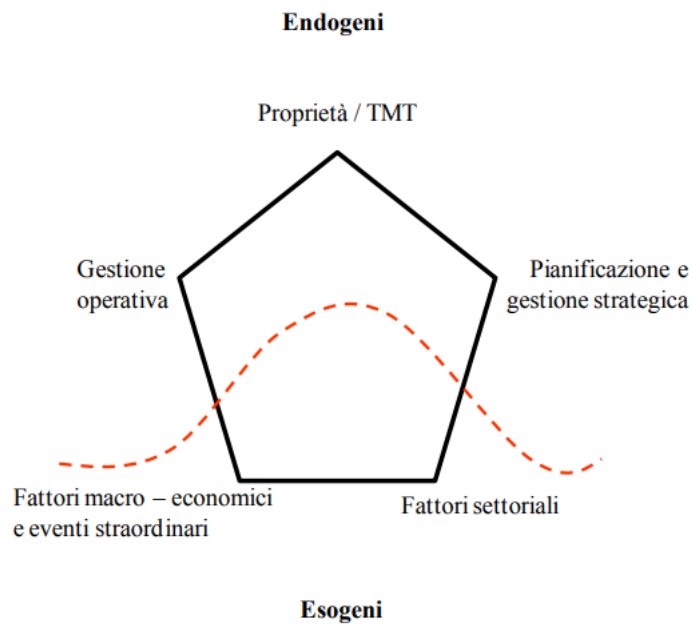
Starting from the awareness that the phenomenon of the business crisis is complex and articulated, it has already been agreed that to generate it cannot be a single factor but requires that several factors concur at the same time to bring the company into crisis.

Starting from the distinction made in 1999 by Slatter and Lovett between endogenous and exogenous causes to the company, as well as by Moliterni in the same year; a further element arises, summarising the two visions based on the two previously dichotomous analyses of the origin of the potentially triggering problems of the crisis.

The 13 factors identified by Slatter, and Lovett are integrated and modified by Falini in 5 macro-variables, which can be traced back to the following:

1. Ownership/top management team.
2. Planning and strategic management.
3. Operational management.
4. Macroeconomic factors and extraordinary events.
5. Sectorial factors.

To arrive at the identification of these macro-variables, Falini has synthesized all the causes already analysed in the literature according to the criterion of relevance, arriving, through its elaboration to an explanatory model that he defined as "diamond model", in which these variables are ideally placed at the top of a pentagon, so as to "be able to graphically represent the area of the causes of the crisis and thus investigate its origin".



Source: Alberto Falini

Falini then continues with the analysis of each of the five macro-variables that make up the model:

1) Ownership/Top Management Team

It concerns the responsibility of the corporate governing bodies. When the management of the enterprise is unadapt to its complexity, that is when the objectives pursued from the organs of governance, it is in this macro-variable that the crisis is generated.

Through the parameters that define this macro-variable, human responsibilities in the business crisis are placed under the spotlight. The adequacy of the management of the company, in fact, is closely linked to the skills and professionalism of the people who make up the management body of the company, as well as to the consistency of the organizational structure with respect to the environment of reference of the company.

The anti-ethical actions and in contrast with the financial survival of the company put in place by the governance are part of this macro-variable, together with all those that highlight a decision of the management body to the detriment of the gains for the company, for the stakeholders, and also for the entire community, in favour of their own personal interests.

That is precisely why we are talking about human responsibility. When organisational arrangements are particularly complex, the internal control bodies become even more important. Finally, even the transition situations in the management of the company, as well as the phases of asset demobilization, symptomatic of a lack of interest on the part of the property, are part of this macro-variable.

2) Planning and Strategic Management

All of the strategic decisions that are made are part of this macro-variable. In particular, the strategic choices related to economic and financial planning are of particular importance, it "is the strategy of maintaining the solvency of the company, within the tracks traced from sure objectives and parameters of profit, liquidity, solidity, development that it same concurs to determine".³⁵

In this sense, all the decisions related to the organisation to the planning of cash flows, and in general to the maintenance of a healthy liquidity index, are part of this macro-variable, along with development policies and any extraordinary transactions.

A careful cost-benefit analysis is therefore essential in the company's investment decision-making approach, together with accurate payment planning in relation to revenues, in order not to impact excessively on the income and financial dynamics of the enterprise. This macro-variable also includes the inadequacy of the company's marketing sector, in all its aspects, from the knowledge of the reference market to the promotion of the product, together with all the levers of the marketing-mix.

3) Operational Management

For an enterprise that operates in a competitive market and that wants to grow and expand in the long term it is fundamental to have a structure of costs and revenues that allows to have wide margins, fundamental element in order to maintain competitive advantage in the field. In this sense, the exploitation of any economies of scale or scope, of internal synergies, of the members of the organization's experience on the field is crucial.

"The inefficiency of the operating processes, moreover, finds manifestation in the inadequate time to market, to be understood like an excessive period of time between the planning and the commercialization of the product, and in the productive processes, if there are high production waste and returns" says Falini.

4) Macroeconomic factors and extraordinary events.

The first of the two macro-variables of exogenous character refer to all those factors symptomatic of a generic problem of the economic system, along with extraordinary events, such as natural disasters, terrorist attacks and pandemic emergencies. This macro-variable also includes, for example, the recent health emergency related to the spread of COVID-19. Within this macro-variable we also find changes of a normative or social nature. In the appraisal of the crisis of enterprise it is necessary to weigh the impact of

³⁵ Coda V. (1989), *L'orientamento strategico dell'impresa*, Torino, Utet

these factors on the activity carried out from the company, in fact it is not said that an event of extraordinary nature has the same impact on all the various fields, some companies may be in crisis not only as a result of the extraordinary event, but also as a result of previous strategic mismanagement. Falini writes in fact: "except exceptional events, in fact, the factors included in this macro-variable often appear as the cause of the crisis with relatively low weight".

5) Sectorial Factors

The factors belonging to this macro-variable are specific to the sector belonging to the company, even if external to it. These include all the sudden changes that can affect the sector, such as: technological innovations, with which to keep up with the research and development sector; general drops in demand, also on the basis of reaching the stage of maturity and/or decline of the market; changes in consumer preferences, of which the marketing function of the companies must be keep track; and finally, the entry of new competitors in the market.

CAUSE ENDOGENE	
<i>Macro-varabile</i>	<i>Fattore specifico</i>
Proprietà/ <i>Top Management Team</i>	Eccessivo accentramento/conduzione padronale Debolezza dei controlli interni Comportamenti anomali/pregiudizievoli Disimpegno proprietà e/o <i>Top management</i>
Pianificazione e gestione strategica	Politiche di espansione errate Errori di marketing Strategia economico finanziaria errata Operazioni di finanza straordinaria Inadeguatezza dell'attività di pianificazione e programmazione
Gestione operativa	Struttura dei costi inadeguata Inefficienza dei processi produttivi e organizzativi
CAUSE ESOGENE	
<i>Macro-varabile</i>	<i>Fattore specifico</i>
Fattori macro-economici e eventi straordinari	Sfavorevole evoluzione delle macro-variabili Cambiamenti normativi Avvenimenti traumatici ed eventi straordinari
Fattori settoriali	Sfavorevole evoluzione della domanda globale Fase di maturità/declino del ciclo di vita del settore Discontinuità tecnologica Contesto competitivo

Source: Alberto Falini

In the next phase the criteria of score to assign to each macro-variable are defined on the basis of the weight that it has had in generating the state of crisis, so as to understand what

may be the causes that have really determined. The score awarded is defined in a scale between 0 and 5, where:

0 = entirely absent factor.

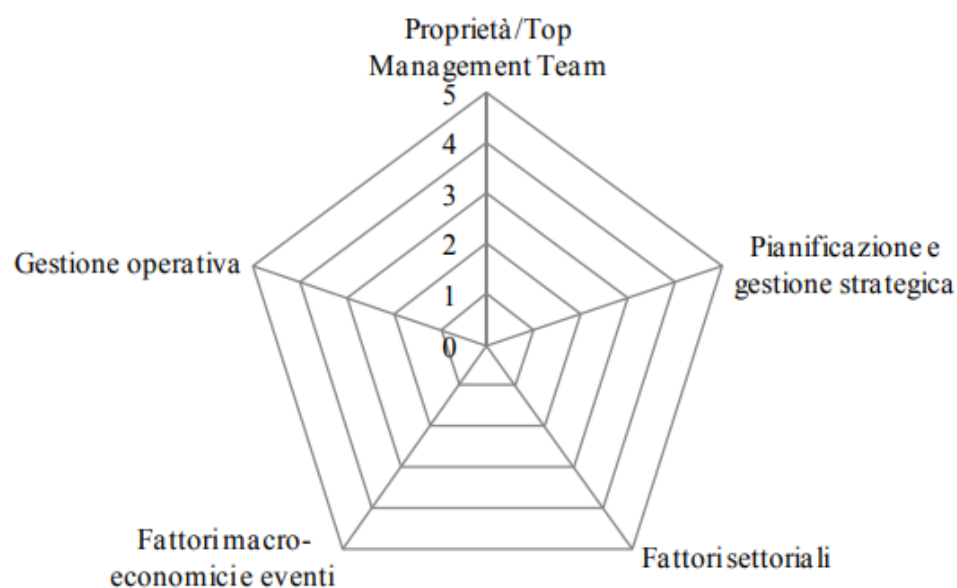
1 = the factor is present, but in a negligible measure.

2 = the factor has a background role.

3 = co-factor that, without other major causes, would have caused an alteration of the equilibriums per se.

4 = determining factor.

5 = principal factor in the development of the state of crisis.



Source: Alberto Falini

The score assigned to each macro-variable corresponds to the score awarded, on the basis of the criteria described above, to the factor with the highest score.

Following the assignment to each macro-variable of a score and connecting the points corresponding to the score of each of it you get a representation of the area of the crisis, this makes it intuitive which macro-variable may have generated it, making it even clearer from which area one must take action to try to rehabilitate the company.

1.6 What to do?

In view of what has been said so far, it can be said that the complexity of the business crisis makes it difficult to interpret, and therefore can put the company in serious difficulty in an attempt to solve it. Apparently, in fact, the best way to avoid the effects of the business crisis is to try to prevent it, thus avoiding that it is realized, through an adequate

strategic planning and adapted to an increasingly dynamic and exposed economic system, directly or indirectly, to international risks even when acting at the level of small enterprises.

In the light of the awareness of the direction in which the economic system is directed, the legislator has decided, with the introduction of the *Codice della Crisi d'Impresa e dell'Insolvenza (CCII)* to also require SMEs to implement strategies to plan the financial evolution of the company. With the *D.Lgs 14/2019* in fact is also required the implementation of adequate *organizational arrangements*, in order also to prevent situations of crisis, insolvency and over-indebtedness that may involve and damage other companies and, more generally, the social welfare.

2. Risk management: from best practice to regulatory compliance

2.1 Risk management and the Code for the Company Crisis and Insolvency

Companies and organisations are called upon to manage their activities in a particularly dynamic market and environmental context, increasingly characterised by new risk factors and new variables.

Under such conditions, one of the main sources of risk can be identified in the discrepancy and in the non-alignment between the market and environmental context in which today's companies operates and their organizational system which present a tendency to resist the changes.

This also relates to the risk of loss given by the inadequacy of procedures, processes and human resources which were dealt with in the previous paragraph on malfunctions due to a break in correlation-coordination between the components of the company system, or between them and the external environment as also from exogenous events.

Interest in the issue of risk management has accelerated since the beginning of the new millennium, following numerous financial scandals, such as the failures of Enron in the United States and Cirio and Parmalat in Italy, but also following exogenous events such as the events of the "9/11", the earthquake in Japan, also including the crisis of the Eurozone and sovereign debt, until the recent pandemic from COVID-19.

As a result, rating agencies began to consider the process of enterprise risk management as a critical factor in the assessment of companies. As a result, a considerable number of companies have implemented risk management programmes and universities have launched degree courses and research centres on the subject. The increasing interest in the subject was initially focused only on large companies.

In the academic field the first studies related to risk management have conceived the risk in the only negative sense - *downside risk* - an approach aimed at intercepting threats as well as the occurrence of damages or losses, in such a way that minimises its impact or probability.

Only later was conceived the adhesion to a more advanced concept of risk - *upside risk* - integrated in management control and performance analysis, which investigates the risks with a view to maximise the underlying opportunities when it comes to value creation.³⁶

The importance of risk in business activity has increased its value over time and many regulatory interventions have entailed the obligation for companies, especially the large ones, operating in the financial sector and in those that impact on the public interest, to have risk-containment procedures and consequently to allocate adequate resources to the management of uncertainty.

Risk Management is therefore a relatively recent managerial innovation, whose role is expressed in ensuring the protection of the "company system" from adverse events and their effects.

The improvement of the relationship between the company and its external environment is obtained with an effective policy for the management of the entire system of the risks of enterprise.

The problems about the internal management of adverse events (but also of possible opportunities) are therefore assigned to a function created ad hoc.

³⁶ The theory of the creation of the value sees in the increase of the value (economic or market) of the capital the fundamental objective to reach, objective that is connected to the profitability in the medium-long-term and risk control acceptable to all stakeholders, as it is the only way to ensure the company's survival. The theory of value creation is therefore linked to the factor I, income (R, meaning *Reddito*, in Italian), necessary condition to increase the economic and market value of the enterprise, the main driver of cash flows and the first condition to be met to ensure the survival of the company and avoid the hypothesis of business crises.

According to Aldo Amaduzzi's theory, the companies "pursues a tendential perspective balance in a dynamic way". This balance is reached when two fundamental conditions are met:

- Economical balance, meant as an attitude of the company to produce continuously a satisfactory positive cash flow in a long-term perspective
- Financial-capital balance, that turns into the pursuit of the company solvency:
 - a) Structural solvency (long-term): has a correlation between investments and company fundings (which is the financial balance in the strict sense)
 - b) Immediate solvency: the breakeven point between positive and negative cash flows.

Therefore, even the decline and crisis of the enterprise are often analysed through a quantitative approach, based on the "theory of creation of value", to the extent that there is the possibility of being able to reverse this negative trend with a regeneration of value, measurable by the "theory of value", which identifies in the increase of economic capital the fundamental business objective. The change in the size of the economic capital may be measured using appropriate valuation formulae; where - as a result of such measurement - no or almost no increase in the magnitude in question is apparent, this means that the enterprise does not adequately achieve its goal of self-generation over time (Giampiero Sirleo, 2008).

With the reform of 2003³⁷ the business techniques come out of the sphere of best practice referable to the mere rules of the company organization and become a general rule of common law.³⁸

In fact, with artt. 2381 and 2403 of the Italian Civil Code, organisational, administrative, and accounting arrangements become mandatory in public limited companies and the Board of Statutory Auditors is also required to supervise their adequacy.

Art. 2381 c.c. <u>Sources</u> → <u>Codice Civile</u> → <u>LIBRO QUINTO - Del lavoro</u> → <u>Titolo V - Delle società</u> → <u>Capo V - Società per azioni</u> → <u>Sezione VI bis - Dell'amministrazione e del controllo</u>	Art. 2403 c.c.
<p>Comma 3: “Il consiglio di amministrazione (...) sulla base delle informazioni ricevute valuta l'adeguatezza dell'assetto organizzativo, amministrativo e contabile della società; quando elaborati, esamina i piani strategici, industriali e finanziari della società; valuta, sulla base della relazione degli organi delegati, il generale andamento della gestione.”</p> <p>Comma 5: “Gli organi delegati curano che l'assetto organizzativo, amministrativo e contabile sia adeguato alla natura e alle dimensioni dell'impresa e riferiscono al consiglio di amministrazione e al collegio sindacale, con la periodicità fissata dallo statuto e in ogni caso almeno ogni sei mesi, sul generale andamento della gestione e sulla sua prevedibile evoluzione nonché sulle operazioni di maggior rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società e dalle sue controllate.”</p> <p>Comma 6: “Gli amministratori sono tenuti ad agire in modo informato; ciascun amministratore può chiedere agli organi delegati che in consiglio siano fornite informazioni relative alla gestione della società.”</p>	<p>Comma 1: “Il collegio sindacale vigila sull'osservanza della legge e dello statuto, sul rispetto dei principi di corretta amministrazione ed in particolare sull'adeguatezza dell'assetto organizzativo, amministrativo e contabile adottato dalla società e sul suo concreto funzionamento.”</p>

In fact, even before, the reference to the adequacy of organisational arrangements had already been used by Article 149 of the TUF (the Italian United Finance Act) for listed companies and Legislative Decree 231/2001 on the prevention of criminal actions by corporate entities.³⁹

³⁷ Decreto Legislativo 6 del 17/01/2003 – the so-called “Riforma del Diritto Societario”

³⁸ P. Montalenti, *I controlli societari: recenti riforme, antichi problemi*, in *Banca Borsa Titoli di credito*, Fascicolo 5/2011. The concept has been taken up in P. Montalenti, *Impresa Società di capitali Mercati finanziari*, Giappichelli, Torino, 2017, pp. 24 e 190.

³⁹ S. Locorotolo, Gli adeguati assetti organizzativi «pesano» sulle scelte gestionali, *Il sole 24 ore*, 12-10-2020, p. 23

Dispositivo dell'art. 149 TUF

Sources → Testo unico delle disposizioni in materia di intermediazione finanziaria → PARTE IV - Disciplina degli emittenti → Titolo III - Emittenti → Capo II - Disciplina delle società con azioni quotate → Sezione V - Organi di controllo

1. Il collegio sindacale vigila:

- a) sull'osservanza della legge e dell'atto costitutivo;
 - b) sul rispetto dei principi di corretta amministrazione;
 - c) sull'adeguatezza della struttura organizzativa della società per gli aspetti di competenza, del sistema di controllo interno e del sistema amministrativo-contabile nonché sull'affidabilità di quest'ultimo nel rappresentare correttamente i fatti di gestione;
 - c-bis) sulle modalità di concreta attuazione delle regole di governo societario previste da codici di comportamento redatti da società di gestione di mercati regolamentati o da associazioni di categoria, cui la società, mediante informativa al pubblico, dichiara di attenersi;
 - d) sull'adeguatezza delle disposizioni impartite dalla società alle società controllate ai sensi dell'articolo 114, comma 2.
2. I membri del collegio sindacale assistono alle assemblee ed alle riunioni del consiglio di amministrazione e del comitato esecutivo. I sindaci, che non assistono senza giustificato motivo alle assemblee o, durante un esercizio sociale, a due adunanze del consiglio d'amministrazione o del comitato esecutivo, decadono dall'ufficio.

With the Code of Corporate Crisis and Insolvency (D.lgs. 14/2019), the best practice risk management assumes a mandatory relevance for all entrepreneurs operating in corporate or collective form and not only for spa, even for the individual entrepreneur who must take appropriate measures with the aim of intercepting in advance the economic and financial imbalances.⁴⁰

Therefore, even smaller companies must ensure the compliance of business activities with the procedures, the regulations, and the legal provisions contained in the Code of Crisis.

Compliance programs can take various «forms», such as, by way of example:

- Organization, management, and control models as in D.Lgs. 231/2001,
- The provisions of the art. 30 D.Lgs. 81/2008 about wealth and safety on the workspace,
- Hygiene and food safety as in the D.Lgs. 193/07
- The environmental protection (L. 68/2015)
- Cybersecurity and Privacy: EU Regulation 679/2016 and D.Lgs. 101/2018 (GDPR).

⁴⁰ Art. 3, paragraph 1, D.lgs. 14/2019

There are numerous elements of contact between the organizational models of D.lgs 231/2001 and the organizational structures of D.lgs 14/2019, which will be treated more widely in the continuation of this work. These are united by the same objective, constituted from the prevention, that is to avoid that inside a company manifests an adverse event with negative consequences but on various scopes: the objective of Model 231 is to prevent the pathological moment and the risk of commission of the alleged crimes listed in catalogue 231, the organizational model's objective is to prevent the risk of late assessment and aggravation of the crisis and the loss of the business continuity.

The point of arrival of this binary analysis is the integrated compliance where the main protagonists are the 231 Model and the organizational, administrative, and accounting structures. These instruments appear formally separate but also complementary and are able to provide concrete help to companies to cope with the risk of crime, intercept the crisis and ensure the continuity of entrepreneurial activity.

The set of rules that the Italian Civil Code introduced, the consequent "parameterization of the business crisis" and the prediction of paths traced lead us to believe that it is advisable to define immediately for each subject a program that, in view of the size and nature of each individual entity, each undertaking must endeavour to comply with the provisions of the Code in question.

To make sure to fully address the risk management process, companies must have multidisciplinary knowledge and skills.

Management, in particular, must completely change the perspective with which it looks to the future.

Multiannual plans and budgets, for example, cannot be regarded as prospectuses with representative numbers of business expectations and objectives. These documents become more complex in that they must represent random variables, that is sets of scenarios each of which is characterized by certain results and probabilities.⁴¹

2.2 The new Crisis Code: to a new model of company management

The reformist pressures inherent in the business activity⁴² have been transposed into our legal system with the publication in the Official Gazette of Legislative Decree number 14 of 12 January 2019, better known as "*Codice della Crisi d'Impresa e dell'Insolvenza*".

⁴¹ A. Floreani, Enterprise Risk Management, I.S.U. Università Cattolica 2004, p. 9.

⁴² Among all of them we signal: the Regulation (EC) n. 1346/2000 of the European Council, Recommendation 135/2014 UE, and Law of 19th of October 2017, n. 155, *Delega al Governo per la riforma delle discipline della crisi di impresa e dell'insolvenza*. (17G00170)

The considerations about the Code that are included into this document have been disarticulated according to 2 different guidelines:

- the initiatives to be taken by the entrepreneur with a view to the early detection of the crisis,
- the initiatives to be taken by the entrepreneur in the event of a company crisis.

The main focus in this research work will, however, be on the first aspect.

In fact, the new Crisis Code places the entrepreneur at the centre of the crisis prevention activity, through the adoption of appropriate measures and organizational arrangements, in order to intercept the first signs of economic and financial imbalance.

In this regard, Art. 13 paragraph 1 of the Code reads as follows: “*Costituiscono indicatori di crisi gli squilibri di carattere reddituale, patrimoniale o finanziario, rapportati alle specifiche caratteristiche dell’impresa e dell’attività imprenditoriale svolta dal debitore, tenuto conto della data di costituzione e di inizio dell’attività, rilevabili attraverso appositi indici che diano evidenza della non sostenibilità dei debiti per almeno i sei mesi successivi e dell’assenza di prospettive di continuità aziendale per l’esercizio in corso o, quando la durata residua dell’esercizio al momento della valutazione è inferiore a sei mesi, nei sei mesi successivi. A questi fini, sono indici significativi quelli che misurano la non sostenibilità degli oneri dell’indebitamento con i flussi di cassa che l’impresa è in grado di generare e l’inadeguatezza dei mezzi propri rispetto a quelli di terzi. Costituiscono altresì indicatori di crisi ritardi nei pagamenti reiterati e significativi, anche sulla base di quanto previsto nell’articolo 24.*”⁴³

Art. 13, paragraph 2, assigns to the National Accountants Council (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, CNDCEC) the task of processing the ratios that are necessary to complete the alert system, which is introduced in the legal order with the delegative law of 19th of October 2017, n.155.

Specifically, the rule imposes that “*Il Consiglio nazionale dei dottori commercialisti ed esperti contabili, tenuto conto delle migliori prassi nazionali ed internazionali, elabora con cadenza almeno triennale, in riferimento ad ogni tipologia di attività economica*

⁴³ Income, capital or financial imbalances related to the specific characteristics of the undertaking and the business activity carried out by the debtor shall constitute crisis indicators, taking into account the date of establishment and commencement of business, detectable by means of appropriate indices showing that debts are not sustainable for at least the following six months and that there are no business continuity prospects for the current year, or where the period remaining to run at the time of valuation is less than six months, in the following six months. For these purposes, significant indices are those that measure the sustainability of debt charges with the cash flows that the company is able to generate, and the inadequacy of own funds compared to those of third parties. Delays in recurring and significant payments are also crisis indicators, including on the basis of Article 24.

secondo le classificazioni I.S.T.A.T., gli indici di cui al comma 1 che, valutati unitariamente, fanno ragionevolmente presumere la sussistenza di uno stato di crisi dell'impresa.”⁴⁴

Moreover, the CNDCEC has been instructed to draw specific ratios referring to:

- the innovative start-ups (*decreto-legge 18 ottobre 2012, n.179, convertito dalla legge 17 dicembre 2012, n. 221*) and the innovative SMEs (*decreto-legge 24 gennaio 2015, n. 3, convertito, con modificazioni, dalla legge 24 marzo 2015, n. 33*),
- the companies in liquidation,
- the companies constituted from less than two years.

Everything above mentioned finds its organic treatment in the document produced by the CNDCEC (Alert ratios imposed by the CCII, art. 13, D.Lgs. 14/2019) that in its paragraph 3.1, about the system of the ratios, collects altogether some ratios that need to be valued hierarchically and systemically at the same time.



Source: CNDCEC

⁴⁴ The National Council of Accountants, considering national and international best practices, shall draw up at least every three years the ratios referred to in paragraph 1 which, assessed as a unit, reasonably suggest the existence of a state of crisis of the company, with reference to each type of economic activity according to the classifications ISTAT.

From a logic point of view, the system is hierarchical, and the application of the ratios must take place in the indicated sequence. Exceeding the threshold value of the first one (negative equity or below the legal minimum) makes it possible to assume the presence of a crisis.

In the absence of an excess in the first ratio, that is when the equity is positive, it passes to the verification of the second one (DSCR⁴⁵ to six months), if the relative threshold is exceeded (DSCR to six months <1), a state of crisis is hypothesised.

If the DSCR is not available or if it proves unreliable, the reasonable presumption of the crisis state can be found in the joint exceedance of all the "thresholds" described below, which are the five sectoral indices set out in the table below:

<i>Settore</i>	<i>Oneri finanziari/Ricavi</i>	<i>PN/Debiti totali</i>	<i>Attività a breve/Passività a breve</i>	<i>Cash flow/Attivo</i>	<i>Debiti tributari e previdenziali/Attivo</i>
<i>A. Agricoltura, silvicoltura e pesca</i>	2,80%	9,40%	92,10%	0,30%	5,60%
<i>B. Estrazione C. Manifattura D. Produzione energia/gas</i>	3,00%	7,60%	93,70%	0,50%	4,90%
<i>E. Fornitura acqua reti fognarie rifiuti D. Trasmissione energia/gas</i>	2,60%	6,70%	84,20%	1,90%	6,50%
<i>F41. Costruzione di edifici</i>	3,80%	4,90%	108,00%	0,40%	3,80%
<i>F42. Ingegneria civile F43. Costruzioni specializzate</i>	2,80%	5,30%	101,10%	1,40%	5,30%
<i>G45. Commercio autoveicoli G46. Comm. Ingrosso D. Distribuzione energia/gas</i>	2,10%	6,30%	101,40%	0,60%	2,90%
<i>G47. Commercio dettaglio I56. Bar e ristoranti</i>	1,50%	4,20%	89,80%	1,00%	7,80%
<i>H. Trasporto e magazzinaggio I55. Hotel</i>	1,50%	4,10%	86,00%	1,40%	10,20%
<i>JMN. Servizi alle imprese</i>	1,80%	5,20%	95,40%	1,70%	11,90%
<i>PQRS. Servizi alle persone</i>	2,70%	2,30%	69,80%	0,50%	14,60%

Warning threshold for the sectorial ratios - Source: CNDCEC

⁴⁵ The Debt Service Coverage Ratio is a financial ratio, used into the banking system, that allows to evaluate the ability of the company to sustain the debt through its positive cash flows. It has been selected from the CNDCEC as the most indicated for the prognostic activity, after the previsions made in art.13, paragraph 1.

In the next table the CNDCEC shows the budget items that has to be considered into the calculation of the five sectorial ratios of the final balance.

<i>Area gestionale</i>	<i>Numeratore</i>	<i>Denominatore</i>
1. Indice di sostenibilità degli oneri finanziari.	<i>interessi e altri oneri finanziari di cui alla voce C.17.</i>	<i>ricavi netti, ovvero la voce A.1) Ricavi delle vendite e prestazioni</i>
2. Indice di adeguatezza patrimoniale.	<i>patrimonio netto costituito dalla voce A stato patrimoniale passivo</i> - <i>crediti verso soci per versamenti ancora dovuti (voce A, SP attivo)</i> - <i>dividendi deliberati;</i>	<i>debiti (voce D, SP passivo)</i> + <i>ratei e risconti passivi (voce E, SP passivo)</i>
3. Indice di ritorno liquido dell'attivo.	<i>risultato dell'esercizio</i> + <i>costi non monetari</i> <i>(ad.es, ammortamenti, svalutazioni crediti, accantonamenti per rischi),</i> - <i>ricavi non monetari</i> <i>(ad.es, rivalutazioni partecipazioni, imposte anticipate);</i>	<i>totale dell'attivo dello Stato Patrimoniale</i>
4. Indice di liquidità.	<i>attivo circolante (voce C, SP attivo) esigibili entro l'esercizio successivo</i> + <i>ratei e risconti attivi (voce D, SP attivo)</i>	<i>passivo a breve termine</i> <i>costituito da tutti i debiti (voce D, SP passivo) esigibili entro l'esercizio successivo + dai ratei e risconti passivi (voce E).</i>
5. Indice di indebitamento previdenziale o tributario.	<i>debiti tributari (voce D.12, SP passivo) esigibili entro e oltre l'esercizio successivo, + debiti previdenziali costituito dai debiti verso istituti di previdenza e assistenza sociale (voce D.13 passivo) esigibili entro e oltre l'esercizio successivo</i>	<i>totale dell'attivo dello stato patrimoniale</i>

Calculation methods for the five sectorial ratios - Source: CNDCEC

Moreover, the content of art. 13, par. 1 has to be considered. In particular, in its final part, where the legislator of the CCII imposes that “*costituiscono altresì indicatori di crisi i ritardi nei pagamenti reiterati e significativi, anche sulla base di quanto previsto nell'articolo 24*”⁴⁶ that is:

- the existence of debts for salaries which have been due for at least 60 days for an amount equal to more than half of the total monthly salary,
- the existence of debts to suppliers which have been due for at least 120 days and are in excess of the unexpired debts.

⁴⁶ Are also crisis indicators, delays in recurring and significant payments, as imposed on the provisions of article 24

Completing the argument, also the lack of perspectives of company continuity for causes other than delays in payments as in art. 24 represent a hypothesis of reasonable presumption of a state of crisis.

Some of them are predictable with a reliable and efficient risk management system. For example: significant losses due to environmental damage, legal disputes involving the company's top management, deep property disputes, sudden loss of key customers or suppliers. These threats are not detectable by the ratios previously referred to, as they are removed from the system of budgetary values to which these ratios are reconnected but must be carefully monitored by the administrative body.⁴⁷

It is quite clear that "equity" and "DSCR" are considered by the legislator and in the document produced by the CNDCEC, the main indices.

The five sectoral indices, on the other hand, can only be used, if the DSCR is unreliable or unavailable, as residual indices.⁴⁸

Moreover, in the same document, the already mentioned CNDCEC reiterates that the administrative body, through its organisational structure, must be able to develop the prognostic activity of the crisis, which finds in the DSCR its highest leading index of the crisis, together with equity; and the only one to have a real prognostic value and a forward-looking approach, as required by the legislator of the Code.

The system created by the Code of the business crisis focuses on the responsibility of the entrepreneur, which, basically, should turn-in himself whenever he detects the first symptoms of the crisis identified through the abovementioned ratios and indicators.

In fact, the procedures oblige the entrepreneur to report the first symptoms of the crisis to the OCRI (*Organismo di Composizione della Crisi e dell'Insolvenza*), which is an institution assessing the reporting in a protected climate where no sanction is provided for the reporting entity.

According to art. 14 of the CCII, the supervisory body, the auditor, and the audit company, each one of them in the subject of their functions, must signal to the management, and, if inactive, to the OCRI that there may be significant clues of a crisis situation.

⁴⁷ See also paragraph "6.1. Le prospettive di continuità aziendale e l'interpretazione del primo comma dell'art. 13" of the document "*Indici di allerta previsti dal Codice della crisi e dell'insolvenza (articolo 13 del decreto legislativo 14/2019) elaborati dal CNDCEC*" – draft of 20th of October 2019.

⁴⁸ The indices elaborated from the CNDCEC have not still been approved with a decree of the Ministry of the economic development.

The entrepreneur that does not signal the crisis situation can be intercepted also by the certified public creditors: the *Agenzia delle Entrate*, the *INPS*, and the debt-collection agent can “warn” the competent bodies (the OCRI) whenever the threshold indicated in art. 15, par. 2, are exceeded.

2.3 *The changes in the Code: the point of the situation*

According to the original wording of Article 389, the Corporate Crisis Code should have entered into force on 15th of August 2020 (eighteen months from its publication in the official gazette), exception made for some dispositions already in force since March 16th 2019⁴⁹ as in par. 2 of art. 389.

Decree-Law 8 April 2020⁵⁰, n. 23 “*Misure urgenti in materia di accesso al credito e di adempimenti fiscali per le imprese, di poteri speciali nei settori strategici, nonché interventi in materia di salute e lavoro, di proroga di termini amministrativi e processuali*”, states that the CCII will be in force in September 2021, exception made for what stated in par. 2⁵¹. These provisions have been confirmed with a conversion in law.⁵² Just over a year after its publication in the Official Gazette, the Crisis Code is undergoing a restyling operation.

For the sole purpose of correcting certain errors, clarifying the content of the provisions at issue and introducing amendments to coordinate the rules of the different institutions, the definitive text of the corrective decree of the crisis and insolvency code has been approved (*d.lgs. 26 ottobre 2020, n. 147*, published on the Official Gazette of November the 5th).

First of all, it should be noted that the Corrective acts, inter alia, on two of the definitions, the first of which is of a general nature, contained in the Code:

- in art. 2 on the definition of “Crisis”: the original text used to define it as “*lo stato di difficoltà economico-finanziaria che rende probabile l’insolvenza del debitore, e che per le imprese si manifesta come inadeguatezza dei flussi di cassa prospettici a far fronte regolarmente alle obbligazioni pianificate*”. The new txt substitutes the term “*difficoltà*

⁴⁹ In order: First paragraph of Article 27, Article 350, Article 356, Article 357, Article 363, Article 364, Article 366, Article 375, Article 377, Article 378, Article 379, Article 385, Article 386, Article 387 and Article 388.

⁵⁰ The so-called “*Decreto Liquidità*”

⁵¹ Art. 5 (*Differimento dell’entrata in vigore del Codice della crisi d’impresa e dell’insolvenza di cui al decreto legislativo 12 gennaio 2019, n. 14*)

⁵² In the official gazette n. 143 6th June 2020, has been published the Law 5th of July 2020, n. 40, containing the “*Conversione in legge, con modificazioni, del decreto-legge 8 aprile 2020, n. 23, recante misure urgenti in materia di accesso al credito e di adempimenti fiscali per le imprese, di poteri speciali nei settori strategici, nonché interventi in materia di salute e lavoro, di proroga di termini amministrativi e processuali*”.

economico-finanziarie” with the expression “*squilibrio economico-finanziario*”, putting the notion of “crisis” closer to that of “insolvency”.

- in art. 13, the notion of crisis indicators and ratios contained in the original draft is redefined, which must measure the income, capital or financial imbalances of the enterprise, with the addition of the reference, for crisis indices, to «non sustainability of debts», «non sustainability of debt charges with cash flows», «absence of business continuity prospects», and «inadequacy of own resources compared to those of third parties» (in the first formulation the reference was instead to the «sustainability» and the «adequacy» of the abovementioned parameters).

The Corrective also amends art. 15 of the Code with regard to the thresholds beyond which there is an obligation to report on the external alert with regard to the *Agenzia delle Entrate*. The thresholds about the unpaid IVA are set at 100.000 euros for a declared business volume lower than 1 million euros in the previous year, at 500.000 euros for a declared business volume between 1 million and 10 million euros, and at 1 million euros when the business volume is higher. Moreover, is better established the term within the *Agenzia* has to communicate the exceedings of the thresholds.

Therefore, those who thought about substantial changes of course were disappointed both because the Ministry of Justice was bound by the principles expressed by the delegated law (law 155/2017) and because of the need to coordinate the crisis code with the EU Directive 1023/2019 on "Preventive Restructuring Framework" by July 2022.

By Decree-Law No 118, published in the Official Gazette on 24 August 2021 and entered into force on 25 August 2021:

- the implementation of the Corporate Crisis Code (D.Lgs. 14/2019) is postponed until 16th of May 2022, while Title II of Part One will be implemented on 31 December 2023,
- the validity of articles 27, paragraph 1, 350, 356, 357, 359, 363, 364, 366, 375, 377, 378, 379, 385, 386, 387 and 388 is confirmed again, which entered into force on the thirtieth day following the publication in the Official Gazette of Legislative Decree 14/2019 (*procedure di allerta e di composizione assistita della crisi*)⁵³, i.e., 16th of March 2019.
- from 15 November 2021, the institution of the negotiated composition for the solution of the business crisis is introduced, with which the commercial and agricultural entrepreneur that finds himself in a situation of financial or economic imbalance, which is likely to be in crisis or insolvent, may ask the *Segretario Generale* of the *Camera di*

⁵³ Artt. 12-25 D.Lgs. 14/2019

Commercio, Industria, Artigianato, e Agricoltura (CCIAA), in which the company has its registered office, (where recovery of the undertaking can reasonably be pursued) the appointment of an independent expert to facilitate negotiations between the contractor, creditors and any other interested parties.

The adoption of such measures is dictated by the difficulties created to the enterprises from the recession from COVID-19 that it imposes the postponement of the effectiveness of the innovative mechanisms of warning previewed in the Code of the crisis (that could generate uncertainties and controversial application points at a time when the entire economic system is not able to absorb profound changes in the regulatory system that may have an impact on business management).

The same alert procedures, as already mentioned, also require an intervention to adapt the Crisis Code to Directive EU 2019/1023, the so-called Insolvency Directive. In par. 22, the Directive just indicates to member states mere guidelines for the prediction of alert mechanisms and procedures for restructuring.

«The earlier the debtor can detect its financial difficulties and can take appropriate action, the higher the probability of avoiding an impending insolvency or, in case of a business whose viability is permanently impaired, the more orderly and efficient the winding-up process. Clear information on the available preventive restructuring procedures as well as early warning tools should therefore be put in place to incentivise debtors who start to experience financial problems to take early action. Possible early warning mechanisms should include accounting and monitoring duties for the debtor or the debtor's management as well as reporting duties under loan agreements. In addition, third parties with relevant information such as accountants, tax and social security authorities could be incentivised or obliged under national law to flag a negative development.»⁵⁴

Moreover,

1. «Member States shall ensure that debtors and entrepreneurs have access to early warning tools which can detect a deteriorating business development and signal to the debtor or the entrepreneur the need to act as a matter of urgency.»
2. «Member States shall ensure that debtors and entrepreneurs have access to relevant up-to-date, clear, concise, and user-friendly information about the availability of early

⁵⁴ Proposal for a Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending. Directive 2012/30/EU. Premise 16.

warning tools and any means available to them to restructure at an early stage or to obtain a discharge of personal debt.»

3. «Member States may limit the access provided for in paragraphs 1 and 2 to small and medium sized enterprises or to entrepreneurs.»⁵⁵

It should be noted that the EU Directive 2019/1023 on preventive restructuring frameworks, was designed before the economic backlash generated by the Covid-19, so it is fair to ask whether the legislative coordination to this directive still makes sense today.

The D.L. 118/2021 has not only delayed the entry into force of the alert systems but has also introduced a new procedure that aims to be more effective and less expensive than the one provided by the Code of Crisis, that is supposed to be functional to the reorganization of the activities that risk leaving the market and confirmed in full the articles of the CCII that have modified the Civil Code (among all, the art. 375, which introduced organizational, administrative and accounting arrangements, revolutionizing Art. 2086 of the Italian Civil Code).

The postponement of the CCII does not therefore imply nor the postponement of the introduction of the new organizational arrangements nor the postponement of corporate responsibilities.

Thus, as early as the 16th of March 2019, every entrepreneur organized in a collective form (that is, not only in corporate form but in any form that provides for the exercise of organized enterprise between multiple entities) shall implement a system capable of monitoring and perceiving the first signs of the crisis.

This means, practically, putting the attention of the entrepreneurs at the ratios and the indicators that the CNDCEC selected in the October of 2019 by implementing art. 13, par. 2 of the CCII. Still, these ratios and indicators have still not been approved from the Ministry of Economics. Therefore, the elements identified by the CNDCEC can be took as reference even now in order to proceed with the necessary periodical checks.⁵⁶

⁵⁵ Proposal for a Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending. Directive 2012/30/EU. Title I, Art. 3.

⁵⁶ M. Pollio, Battuta d'arresto alla responsabilità limitata: le conseguenze della mancata istituzione di assetti organizzativi, amministrativi e contabili, in Crisi, Gestione Economico Finanziaria e Rilancio dell'Impresa. 1st November 2020.

2.4 The new procedure of negotiated composition for the resolution of the company crisis.

The *D.L. 118/2021* has introduced a new procedure that the entrepreneur can implement in case of reversible business crisis.

Starting from November 15th, 2021, all of the entrepreneurs registered in the Trade Registry (meaning both the commercial and the agricultural entrepreneurs with no dimensional access requirements) that are in a condition of capital and economical-financial unbalance such as to make probable the crisis or the insolvency, may ask to the General Secretary of its referential CCIAA the nomination of an independent expert in charge of easing the negotiations that it takes to heal the company economics.⁵⁷

This is an instrument that is accessed exclusively on voluntary basis and does not present the risk of being reported to the prosecutor or to overflow in bankruptcy proceedings if it does not succeed. At the same time, voluntary success is favoured by reward measures. These include the reduction to the legal rate of interest on tax debts, the reduction of tax penalties and the instalment of taxes.

The attempt to compose the crisis resolution is guarded by the principle of confidentiality: not only the expert is bound to this obligation but also all the parties involved in the transactions.

The request for access to the negotiated settlement shall be submitted via a single national platform which will be available from 24th of September 2021 and will be accessible from the website of the CCIAA where the entrepreneur is registered. The request contains a practical test, useful for the self-diagnosis, but also preventively to the deposition of the instance, allowing the entrepreneur to verify the situation of his company and the operational indication to draw up the recovery plan.⁵⁸

At the time of filing the application for the nomination, the entrepreneur will have to insert into the telematic platform a series of documents that provide an overview of the accounting situation and debt of the company. These documents include: an extract of the information present in the *Centrale dei Rischi*, managed by the Italian Central Bank, not earlier than three months from the submission of the application; as well as a clear and concise report on the actual work carried out with a financial plan for the next six months; and the industrial initiatives it intends to take, allowing the expert to assess the overall situation and to start negotiations.⁵⁹

⁵⁷ Art. 2, D.L. 118/2021

⁵⁸ Art. 3 D.L. 118/2021

⁵⁹ Art. 5, D.L. 118/2021

The request for appointment of the expert shall not result in any dispossession of the assets of the entrepreneur (he retains the ordinary and extraordinary management of the undertaking) while being obliged to ensure a non-injurious management for its creditors and consistent with the obligations under art. 2086 of the Civil Code.⁶⁰

The appointment of the expert shall be carried out by a committee composed of three members who shall hold office for two years and who shall be appointed by the judicial authority, the President of the Regional Chamber of Commerce, and the Prefect.⁶¹

Negotiation is, and remains, for the duration of the journey, a prerogative of the entrepreneur, who carries out the negotiations personally, with the help of their consultants.

Where there is a need to protect the assets of the entrepreneur from actions which may jeopardise the negotiations and the recovery of the undertaking, the entrepreneur may request a protection for his assets, requesting the application of protective measures subsequently submitted for confirmation by the court.

From the day of publication of the application referred to in paragraph 1, and until the conclusion of negotiations or the filing of the request for settlement negotiated, the decision declaring bankruptcy or the state of insolvency cannot be pronounced.⁶²

The negotiated settlement procedure may be concluded by the conclusion of a contract with one or more creditors in order to ensure business continuity for a period of not less than two years, with a standstill agreement, a recovery plan (with or without certification), a debt restructuring agreement, submission of an application for a simplified arrangement for the settlement of assets (a new type of simplified compulsory arrangement) or, in the alternative, access to one of the procedures governed by the current bankruptcy law.⁶³

<i>Codice della crisi</i>	Entry into force
The validity of Articles 27, paragraph 1, 350, 356, 357, 359, 363, 364, 366, 375, 377, 378, 379, 385, 386, 387 and 388 is	16 th of March 2019

⁶⁰ Art. 9, D.L. 118/2021

⁶¹ Art. 3, par. 6, D.L. 118/2021

⁶² Art. 6, par. 4, D.L. 118/2021

⁶³ Art. 11, D.L. 118/2021

confirmed again. They entered into force on the thirtieth day following the publication in the Official Journal of Legislative Decree 14/2019, the 16 th of March 2019 (<i>GU Serie Generale n.38 del 14-02-2019 - Suppl. Ordinario n. 6</i>);	
The negotiated settlement procedure	25 th of August 2021
With decree of the Ministry of Justice is defined the content of the national telematic platform accessible from the website of the Chamber of Commerce and necessary for the use of the new negotiated settlement procedure,	24 th of September 2021
<i>Codice della crisi d'Impresa e dell'Insolvenza</i> (D. Lgs 14/2019), exception made for the Title II of the Part One (Alert and Crisis Management Procedures)	16 th of May 2022
Title II of Part One of the Code: articles 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24 and 25.	31 st of December 2023.

Once the evolution of the reference legislative framework has been outlined, this research work will focus on the already applicable rules that will have to identify the risk management model applicable to Italian SMEs together with the expected and described legislative evolution and best practice.

The starting point, indeed, is going to relate to the rules already in force since the 16th of March 2019.

3. The Prospective Cash Flows and the Early Diagnosis of the Company Crisis

3.1 *The DSCR, the prognostic ratio of the Company Crisis*

The renaming of the section of art. 2086 of the Italian Civil Code, by art. 375 of the *CCII*, from "*Direzione e Gerarchia dell'Impresa*" to "*Gestione dell'Impresa*"⁶⁴, highlights the intention of the legislator to address the issue of the appropriate arrangements (also) for the early interception of the crisis with the adoption of an economic-type approach and the explicit reference to national and international best-practice in the field of risk management (art. 13, paragraph 2).

The same definition of crisis (as a state of economic and financial imbalance that manifests itself with the inadequacy of prospective cash flows to regularly meet the planned obligations) introduced by the legislator with art. 2 of the *CCII*, gives even more evidence to the need to apply a forward-looking approach to management.

⁶⁴ From "Direction and Hierarchy of the Enterprise" to "Management of the Enterprise".

Prospective cash flows therefore play a central role in the early detection of the business crisis, while at the same time becoming, together with the monitoring of equity, the main indices to be collected through the appropriate organisational, administrative, and accounting arrangements (art. 13, par. 1 *CCII*).

It is the primacy of an internal forecasting approach in the assessment of the well-founded indicators of the crisis, so that the other budget indices are considered by the CNDCEC to be residual compared to the treasury budget.

In particular, the index deriving from the treasury budget, which highlights the adequacy or inadequacy of the prospective cash flows to meet the financial commitments undertaken by the company is the DSCR (Debt Service Coverage ratio). It is an index originated by the banking system which is given by the ratio of future cash holdings to the numerator and the expected repayments in principal and interest of financial debts to the denominator.

The DSCR shall be less than 1 if the expenditure exceeds the revenue in case of a reasonable presumption of a state of crisis, or more than 1 if the revenue exceeds the expenditure in case of no reasonable presumption of a state of crisis.

As already widely explained, the estimation of the prognostic data, that is the DSCR, is the task of the delegated administrative body, through the use of the appropriate arrangements.

In this regard, both art. 2381 paragraph 5 and art. 2086 of the Civil Code provide for the principle of proportionality to the size of the enterprise to which the CNDCEC complies by identifying three alternative construction techniques of the DSCR⁶⁵:

- In par. 5.3 it introduces for smaller enterprises, "the possibility of estimating the prognostic flows necessary for the determination of the active values, in a simplified manner", which will be defined in this section, simplified DSCR.
- In par. 3.3.2, for the calculation of the DSCR, notes that two approaches may alternatively be followed (1st approach and 2nd approach) based on the treasury budget.

The following sub-paragraphs will deal with the areas of application, the accounting policies and calculations on the basis of the three methods of estimation of the DSCR, the choice of which is left to the directors following the assessments of the appropriate structures with the consent of the control body (where present), which in providing a

⁶⁵ CNDCEC, *Indici di Allerta*, 20th October 2019

judgment of (in)reliability of the calculation of the DSCR, expresses a detailed opinion that must also be based on the data derived from the method of calculation and its database.⁶⁶

3.2 The simplified DSCR: application contexts, accounting principles, calculation methods.

The simplified approach, provided by the CNDCEC for smaller companies, recalls the accounting principle OIC 9⁶⁷ that sees the possibility of estimating the prognostic flows needed to determine the value of assets, in a simplified manner, using only economic quantities.

The assumption underlying this method is that income flows approximate cash flows if the dynamics of the working world remain stable.

This method is based on the determination of depreciation capacity through the use of economic flows, such as sales revenues, production costs (with the exception of depreciation), and financial charges and operating taxes.

Therefore, if we use the assumption introduced by OIC 9, for the determination of the DSCR of smaller companies, we can use the calculation based on economic flows, and therefore, in this case the cash flow is given by the operating result +/- non-monetary components net of dividend distribution.

Therefore, if the simplified approach is adopted, the calculation of the DSCR will be as follows:

In the Numerator:

⁶⁶ Antonio Quagli & Paolo Rinaldi, *Indici allerta, doppio binario per il calcolo del DSCR*, published the 30th of November 2019 ntplusfisco.ilsole24ore.com

⁶⁷ In paragraph 30 of CIU 9, the same foundation provides that "the simplified approach can also be adopted by micro-enterprises pursuant to art. 2435-ter of the Civil Code" as well as by "companies which for two consecutive years do not exceed in their financial statements two of the following three limits:

- average number 50 of employees during the year,
- total balance sheet assets of 4,4 million euros,
- revenues from sales and services of 8,8 million euros."

result of the period + non-monetary costs - non-monetary revenues = Resources available to service financial debts

In the Denominator:

the flow of redemption of capital shares (if the reimbursement of borrowing costs is already included in cash flow)

Simplified DSCR

The recessive effects of COVID-19 tend to lurk especially on customer payment times and inventories with particularly negative cash flow effects as well as on profitability.

The assumption that this method is based on (that income flows approximate cash flows) may therefore not be really due to an increase in working capital which, in fact, invalidates this assumption.

In this case, it is necessary to move towards a prognostic method of calculating cash flows that takes account of changes in credits and inventories, effectively contracting the asset flows of the denominator.

3.3 DSCR 1st approach: fields of application, accounting principle, calculation method.

The first approach is better suited for SMEs that are not obliged to draw up financial statements and therefore may be less accustomed to calculating certain quantities required by the DSCR in the second approach, that is the free cash flow from operation (FCFO).

Even in the case of the first approach, the calculation of the DSCR numerator can be based on the cash flows derived from the economic budget (period result + non-monetary costs - non-monetary income) that has to be added to (or subtracted from) the variations in the working capital, in the permanent capital and the variation of the fixed assets.

The first method includes in the numerator all cash flows (and therefore also the shareholder loans) provided that they derive from an executable written commitment, including initial cash deposits.

Therefore, if the 1st approach is adopted, the calculation of the DSCR will be as follows:

In the NUMERATOR:

period result + non-monetary costs - non-monetary income

+/- variations in working capital

+/- variations in permanent capital

+/- variations in fixed assets

In the DENOMINATOR:

the flow of redemption of capital shares (if the reimbursement of borrowing costs is already included in cash flow).

DSCR 1st approach

If the 1st approach corrects the assumption that underlies the simplified method (which is given by the fact that income flows do not in fact approximate cash flows in the event of an increase in working capital) the same is not exempt from limits and contraindications.

The 1st approach, in fact, does not consider payments for arrears, inserting them in the numerator, with the negative sign, along with other payments.

Therefore, an increase in debt beyond the physiological threshold, in the 1st approach has a positive effect on the DSCR, limiting the prognostic capacity of the index to intercept the crisis.

In addition, the first approach includes all cash flows to the numerator, therefore also the shareholder loans provided that arises from express executable written commitment, distorting the assessment of the company's actual ability to generate sufficient cash flows to bear the burden of debt.

3.4 DSCR 2nd approach: fields of application, accounting principle, calculation methods.

The 2nd approach is better suited for SMEs that are obliged to draw up financial statements and, in any case, to enterprises which are already in financial difficulty, where it is necessary to distinguish between overdue and/or rescheduled debts, typically present in enterprises characterised by a state of economic-financial imbalance.

This approach (requiring free cash flow) requires the preparation of a prospective financial statement according to the OIC10 scheme This approach (requiring the free cash flow) requires the preparation of a prospective financial statement according to the OIC10 scheme (cash flow statement, both with direct and indirect method), paragraphs from 26 to 31 (cash flows from operating activity) and from 32 to 37 (cash flows from the investments cycle).

In particular:

The second approach (OIC10, indirect method) includes:

In the NUMERATOR:

- The Financial Cash Flows before the Working Capital

Profit (Loss) of the year

+ Taxes on profit

+ Interest Expenses / Interest Income

- Dividends

- Capital Gains / Capital Losses

- Other non-monetary revenues / Other non-monetary costs

- Financial Cash Flow deriving from the acquisition of Fixed Assets

+/- Variations in Inventories

+/- Variations in Clients

+/- Variations in Suppliers

+/- Other Variations in Credits/Debts

- cash flows from the purchase of fixed assets are separately presented in the investment activity, for the expenditure actually incurred during the period while the cash flows from the sale of fixed assets are separately presented in the investment activity, for the revenue actually received.
- The Initial Liquidity
- The Available Credit Lines

In the DENOMINATOR:

- Foreseen Payments for Capital and Financial Debt interests
- Non-current tax or contribution debt with related sanctions and interests. Reference is made expressly to contributory or tax debts, the balance of which has not been made in accordance with the statutory deadlines (or is subject to payment in instalments) the instalments of which expire within the following six months.
- Debt to suppliers and other creditors, the delay of which exceeded the physiological standard.

DSCR 2nd approach

In the event that this debt is the subject of repayment plans agreed with creditors, it naturally covers the part that expires within the next six months. With regard to the latter category of debt, the document drawn up by the National Council of Chartered

Accountants makes a further specification, providing guidance on the physiological standard.

The document in question underlines the fact that in Italy it is difficult to pay suppliers within the terms of the contract, in fact in our system it is very frequent the use of deferred payments. For these reasons, we specify what are the elements that allow us to identify the threshold limit of physiological delay. Late payment of suppliers is considered physiological if:

1. Does not involve any reaction by creditors through actions aimed at the collection or claim of default interest,
2. The supplier shall not interrupt his supply process without making spot payments to the undertaking,
3. The supply chain is managed with no interruption. With regard to credit lines, they shall be included in the denominator where renewal or retention is deemed reasonable.⁶⁸

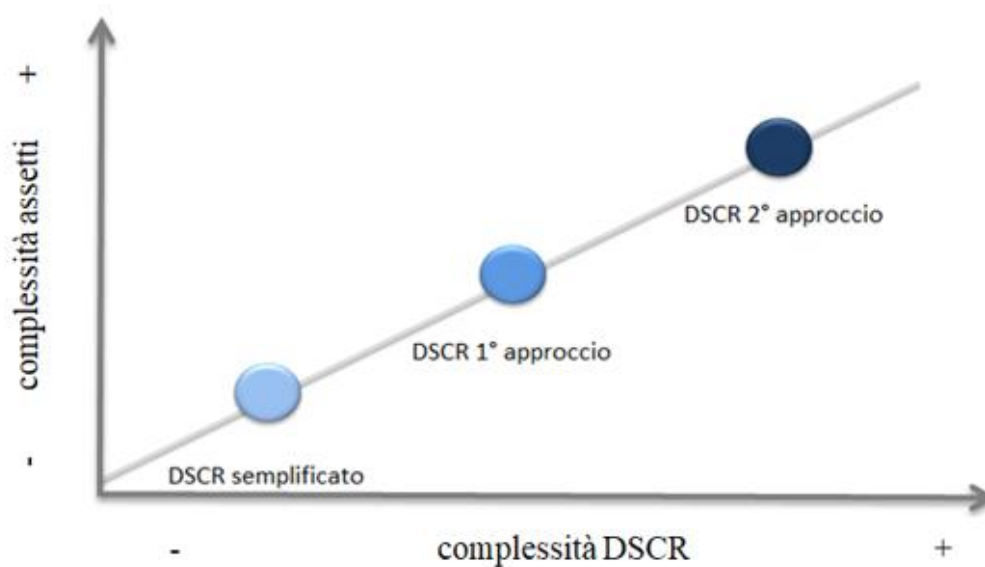
The 2nd approach of the DSCR allows to eliminate the typical limits of the other calculation methods, that may limit or distort the estimation of the true ability of the company to produce positive cash flow that can cover the debt expenses, since:

- This method considers the payments for outstanding or accrued debts as financial debts,
- It does not include the positive cash flows from financing activities or stakeholders financing.

This approach becomes a total control instrument, since it is based on the predictive analysis of the income, on the forecasted balance sheet, and the prognostic cash flows.

The DSCR presents as an index able to fully represent the purpose of the rule, to intercept in advance the economic and financial imbalances (manifested with the inadequacy of the prospective cash flows to meet the obligations assumed by the enterprise).

⁶⁸ Note 7 of the document “*Indici dell’Allerta*” of the CNDCEC of the 20th of October 2019



Variable geometry prognostic indices to adapt to the nature and size of the enterprise

At the same stress that for the structures, it is fair to ask how it is possible to think of "slotting" the DSCR because "not available" because the organizational arrangements, The company's administrative and accounting departments are unable to manage the cash flow and consequently decline to the five sector indices, without a reasonable doubt that the company's directors may incur some liability.⁶⁹

⁶⁹ This thesis was submitted by the writer to the table of the Ministry of Economic Development, December 5, 2019, which deals with the analysis of the major issues related to the indices provided by the CNDCEC for cooperatives.

DSCR	1st approach	2nd approach	Simplified DSCR
Application	It is suitable for small and medium-sized enterprises, which are not obliged to draw up financial statements in the budget.	It is suitable for undertakings which are obliged to draw up financial statements or for undertakings in financial difficulty.	It can also be adopted by micro-enterprises pursuant to art. 2435-ter of the Civil Code" (paragraph 30 of accounting standard OIC9)
Accounting Principles	The first method allows the net cash flows from operating operations to be derived from the economic budget (result of the period + non-monetary costs - non-monetary income) as foreseen by OIC9 concerning the simplified method for estimating future cash flows in impairment test situations.	OIC10 (direct and indirect method statement of cash flows) paragraphs 26 to 31 (flows from operating activities) and 32 to 37 (flows from the investment cycle). The second method, needing the free cash flow, requires the preparation of a prospective financial statement according to schedule OIC9 (V, par. 24)	Paragraph 5.3. refers to OIC9, to be applied to smaller enterprises which can estimate the prognostic flows necessary for the determination of the value of assets through the mere use of economic quantities, "in compliance with the principle of proportionality of the size of the undertaking provided for in art. 2086 of the Civil Code".
Numerator	The first method includes in the numerator all cash flows, and therefore also the shareholders' loans provided that they are derived from an executable written commitment, including initial cash deposits. On the other hand, the numerator does not include all the planned cash outflows for the same period, to be indicated instead in the denominator, that is, the expenses contractually provided for the repayment of financial debts (to banks or other lenders).	The second method includes in the numerator: - all cash flows from operating activities - cash flows from the purchase of fixed assets are separately presented in the investment activity, for the expenditure actually incurred during the period while the cash flows from the sale of fixed assets are separately presented in the investment activity, for the revenue actually received - the initial liquid assets - available credit lines It does not include cash inflows from members' financing or financing activities (OIC 9, par. 24).	result of the period + non-monetary costs – non-monetary revenues
Denominator	The expenses foreseen contractually for repayment of financial debts (to banks or other lenders) are added. Interest expense, if considered as a reduction in the result of the period, should not be indicated in the denominator, where only the capital share should be considered.	a. cash outflows from financing activities, b. tax payments or refunds, (a & b, V. OIC9, par. 24) c) debt to suppliers and other creditors whose late payment exceeds the physiological limits.	Repayment of capital shares. Interest expense shall not be reported as denominator, if taken as a reduction in the result of the period.
Other Differences	The first method does not consider payments for arrears or instalments, but inserts them in the numerator, with the negative sign, together with other payments.	The second method considers payments for arrears or instalments as financial debts.	The simplified DSCR does not consider cash flows generated, for example, by changes in receivables, payables, inventories or share capital.

DSCR confrontation – Source: MPHIM+

3.5 *The first weaknesses signs: the production of a low income*

The three calculation systems of the DSCR are united by the need to implement predictive analysis, income as part of the planning activity that is the common and essential prerequisite.

Such predictive activity is at least appropriate. If the first signs of a state of crisis are certainly the continuous delays in the payments of suppliers, employees and taxes, it cannot be hidden that upstream, in general, there is a state of weakness that manifests itself with a poor production of income.⁷⁰

It is not by chance that the legislator of the crisis code also and systematically speaks of economic imbalances or income:

- Art. 2, par. 1, letter a, defines the crisis as “the state of economical-financial unbalance that makes probable the debtor’s insolvency”
- Art. 12, par. 1, states that “imbalances of a revenue, balance sheet or financial nature, (...), are crisis indicators, which can be identified by means of appropriate indices showing that debts are not sustainable for at least the next six months and that there is no prospect of going on business”
- Art. 12, Par 1, states that “the audit bodies, the auditor and the audit firm, each within the scope of its duties, are required to verify that the administrative body constantly assesses and takes appropriate action, whether the organisational structure of the undertaking is adequate, whether the economic and financial balance exists and what the expected trend in management is, and whether it should immediately inform the administrative body of the existence of clear indications of the crisis”.

The legislator of the Code has the right to deal with economic and income imbalances as well as financial and capital, given that the ROS of Italian companies is around 4% and almost one in four companies is loss-making.⁷¹

On the basis of the above, it is at least desirable that companies adopt a management control model, integrated with a sensitivity analysis (or what-if analysis)⁷² that allows to

⁷⁰ N. Cavalluzzo, V. Martignoni, *Responsabili gli amministratori che non adeguano l'organizzazione*, I FOCUS del SOLE 24 ORE, wednesday 23th october 2019 – N. 35, pag. 15.

⁷¹ Processing by Infocamere 4th of October 2016 on a sample of 388.629 financial statements.

⁷² The What-If approach allows to identify the critical variables (competitive and managerial) that are able to exert an influence on the creation of value and to verify the effects associated with the different scenarios. What-if analysis models consist of simulating the effect on economic performance and cash flow of certain variables. Thus, for example, it may be useful to simulate sales prices or sales volumes (average or analysed by type of services) that ensure economic equilibrium or how much you can reduce prices if you lower a

monitor the business profitability by customer, market, contract, product, and other relevant variables, during the year, in order to verify, in the short term, the economic balance.⁷³

The management control described above would also allow small firms to estimate prognostic financial flows by using only economic quantities "in compliance with the principle of proportionality of the size of the undertaking provided for in art. 2086 of the Italian Civil Code", especially in the absence of expected changes in credits, debts, and inventories.

3.6 The periodic calculation of the DSCR

The periodicity of the calculation of the indices/indicators selected to intercept economic and financial imbalances, can be deduced from art. 24 of the CCII., which, with regard to the crisis indicators referred to in art. 13, paragraphs 2 and 3, refers to their recognition at least quarterly.

This assessment must be carried out voluntarily on the basis of an infra-annual situation drawn up by the undertaking for the assessment of its economic and financial performance, in the absence of approved financial statements.

In accordance with the principle of proportionality, this assessment may also be made solely by the balance sheet and profit and loss account, drawn up in accordance with the provisions of the OIC30 or in any case paying attention to the actual relevance of the entries with respect to the indices, without prejudice to the need for an adequate preliminary valuation of equity.

The reference to the last approved financial statements is technically possible only for the equity indicator and for the sector indices, while the calculation of the DSCR is necessarily based on forecasting data.

certain discretionary expense (representation expenses). Actually, the What-If analysis, in the personal opinion of the writer, can go well beyond the above, being able to contain the analysis of the effects of variations also particularly contained on certain variables (minimum order, transport, agent commissions, price discrimination, etc.) which can have a major impact on business profitability and cash flow. Otherwise, the reliability of the plan will be much lower for those companies that must justify forecasts of revenue based exclusively on the assumption of acquisition of new customers, entry into new markets, or launch of new products or services. See the document entitled *The Chartered Accountant and planning and control in the SME*. Milan's ODCEC, *I Quaderni*, n.20, pagg. 64, 65, 66.

⁷³ P. Rinaldi, *I FOCUS del SOLE 24 ORE*, op. cit. e Cndcec e Fnc, Verso il nuovo codice della crisi del 14.06.2019, pag. 76.

In the event that budgets not approved by the general meeting or interim budgets are used, they need to be approved by the administrative body or, failing that, by the person responsible for the accounting records.

In particular, the monitoring of crisis indicators should be more frequent where the economic, financial, or capital conditions of the undertaking are such as to make it necessary.

3.7 DSCR and Banks

The banking world has already anticipated the issues introduced by D.Lgs 14/2019 on the timely emergence of the crisis of companies. It is no coincidence that the Debt Service Coverage Ratio is an index of a banking nature, albeit with a substantial difference: whereas before the DSCR was required in the most relevant financial transactions, following the publication by the EBA of its final report on the Guidelines on Lending and Monitoring (EBA/GL/2020/06)⁷⁴ the importance of prospective cash flows is much more general in scope, also affecting small businesses.

The measure comes at the end of a long period of consultation with the main European banking associations and other institutional interlocutors, the proposal, in fact, dates back to 19 June 2019.

These guidelines, which are implemented by the competent authorities (in Italy by the *Banca d' Italia* in note No. 13 of 20 July 2021), are to be applied by banks to credit granting processes and throughout the life cycle of credit lines.

From a mere analysis of the aforementioned EBA document, both in paragraph 5.2.5. (Dedicated to loans to micro and small enterprises) whereas in paragraph 5.2.6 (on loans to medium-sized and large companies) it appears that the credit assessment must focus on a realistic and sustainable estimate of the client's future income and cash flow, and not on the collateral available, having regard to the institution's second exit route in the event of default or significant deterioration of the risk profile.

To this end, institutions should ensure that the financial projections used in the analysis are realistic and reasonable, and based at least on the future projection of past financial data.

Institutions should also assess whether these projections are in line with their economic and market forecasts.

⁷⁴ <https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring#pane-291>

In assessing the financial position of clients, institutions should also consider the sustainability and feasibility of future repayment capacity in relation to the occurrence of potentially adverse conditions, relevant to the type and purpose of the loan and likely to occur during the life of the loan contract.

Therefore, in more detail, institutions should take into account the following events when carrying out a sensitivity analysis of the client's ability to repay under unfavourable future conditions, which are particularly relevant to the specific circumstances and business model of the customers.

Idiosyncratic events:

- a. a serious but plausible drop in a customer's revenues or profit margins,
- b. a serious but plausible operational loss event,
- c. the occurrence of serious but plausible management problems,
- d. the bankruptcy of an important trading partner, customer, or supplier,
- e. serious but plausible damage to reputation,
- f. a severe but plausible outflow of liquidity, changes in funding or an increase in a client's leverage,
- g. adverse changes in the prices of goods to which the customer is predominantly exposed (such as raw materials or final products) and exchange rates.

Market events:

- h. a serious but plausible macroeconomic slowdown,
- i. a severe but plausible contraction of the economic sectors in which the customer and its customers operate,
- j. a significant change in political, regulatory, and geographical risk,
- k. a significant but plausible increase in the cost of financing, for example an increase in the interest rate of 200 basis points on all customer credit lines.

For the purposes of analysing the financial position in the context of the credit assessment, as specified above, institutions should also consider the following:

- net operating surplus and profitability, especially in relation to interest-bearing debt,
- the level of leverage, the distribution of dividends and the expected and actual capital expenditure of the customer, as well as its cash conversion cycle in relation to the credit line under consideration,

- the exposure profile to maturity, in relation to potential market movements (such as exposures denominated in foreign currency and exposures secured by redemption vehicles).

Also, as part of the ongoing monitoring of credit risk as provided for in paragraph 8.5, institutions should consider the following signs of deterioration in credit quality:

a. adverse macroeconomic events (including, but not limited to, economic development, legislative changes, and technological threats to a sector) affecting the future profitability of a sector, a geographical segment, group of clients or individual corporate clients, as well as the increased risk of unemployment for groups of individuals,

b. known unfavourable changes in the financial position of borrowers, such as a significant increase in the level of indebtedness or debt service ratios,

c. a significant drop in turnover or, in general, in recurring cash flow (including the loss of a major contract/customer/tenant),

d. a significant reduction in operating margins or operating profit,

e. a significant deviation of actual profits from forecasts or a significant delay in the business plan of a project or investment,

f. changes in the credit risk of a transaction that would result in significantly different terms and conditions if the transaction were concluded or executed again at the balance sheet redaction date (such as, for example, requiring collateral or guarantees of a larger amount, or greater coverage of the recurring income of the customer),

g. a significant actual or expected decrease in the external credit rating of the main transaction or other external market indicators of credit risk for a particular transaction or similar transaction with the same expected life,

h. changes in market access conditions, a deterioration in the financing conditions or known reductions in the financial support provided by third parties to the customer,

i. a slowdown in the activity or adverse trends in the client's operations that could cause a significant change in the client's ability to meet its debt obligations.

j. a substantial increase in economic or market volatility which could have a negative impact on the customer,

k. for collateralised transactions, a significant deterioration in the ratio of their amount to the value of the collateral due to an unfavourable development in the value

of the collateral, or no change or increase in outstanding amount due to established payment periods (such as long grace periods in relation to repayment of principal, flexible or increasing instalments, extension of periods),

l. a significant increase in credit risk on other transactions of the same client or material changes in the expected payment behaviour of the client, where known,

m. a significant increase in credit risk due to an aggravation of the difficulties of the group to which the client belongs (such as residents of a specific geographical area) or to significant adverse developments in the performance of the customer's business or to increased difficulties of the group of connected customers to which the customer belongs,

n. known legal actions that could significantly affect the financial position of the client,

o. late delivery of a certificate of accession, a request for derogation or a breach of the restrictive clauses, at least as regards the financial clauses, where appropriate,

p. adverse migration of the aggregate credit portfolio or specific portfolios/segments between the institution's internal credit rating/risk classes,

q. an actual or expected internal downgrading of the credit rating/credit risk classification for the transaction or the client or a decrease in the behavioural score used for the internal credit risk assessment,

r. issues raised in the external auditor reports of the institution or the client,

s. a 30-day arrears on one or more customer-related credit lines.

The assessment of such events requires the development of an adequate sensitivity analysis⁷⁵ which, as already provided by the CNDCEC, can be implemented within the plan through the construction of an economic model-financial and patrimonial in a position to representing the quantitative formalization of the economic, financial, and patrimonial perspectives.⁷⁶

It is quite clear that EBA is familiar with OIC11 accounting standard (which requires management to identify any risk factors and, if so, to prepare future business plans to address those risks and uncertainties) and International Auditing Principle (ISA Italia) No. 570, entitled "*Continuità Aziendale*" (which requires the auditor to discuss with management whether the latter "has identified events or circumstances which,

⁷⁵ EBA, Final Report: Guidelines on loan origination and monitoring (EBA/GL/2020/06), 29 May 2020, paragraph 5.2.6, paragraph 150

⁷⁶ CNDCEC, *Verso il nuovo codice della crisi*, 14 June 2019, par. 3.3.

considered individually or as a whole, may give rise to significant doubts as to the firm's ability to continue operating as a functioning entity and, if so, consider management's plans to address such events and circumstances").⁷⁷

Another important aspect to report for the purpose of this work is that the EBA requires banks to also use information found from third parties (such as tax advisors, auditors, and other experts) where it is likely that the customer will encounter financial difficulties in meeting the obligations arising from the loan agreement.

What emerges from the EBA document is the particular emphasis placed on the forward-looking approach (business plans and prospective cash flows) that becomes the first driver in the bank's choices regarding lending and monitoring activities, compared to the assessments made on the basis of historical data (balance sheets, tax returns) and current data (treasury trends and cash flows).

In this sense, it is not at all difficult to detect a substantial convergence between the guidelines on the granting and monitoring of EBA loans and the alert systems provided for in the CCII, with particular reference to:

- Articles 2, 13 and 375 of the CCII, according to which the entrepreneur who works in corporate form, including agricultural enterprises and smaller enterprises (art. 12, paragraph 7 of the Italian Civil Code), must adopt organizational, administrative and accounting arrangements (art. 375 of the CCII) able to intercept the economic and financial imbalances that are manifested with the inadequacy of the prospective cash flows to regularly meet the planned obligations (definition of crisis, art. 2 paragraph 1, letter a). Even in order to intercept the crisis in advance, the entrepreneur must schedule cash flows with a planning at least to 6 months, in order to verify the sustainability of the debt burden with the cash flows that the company is able to generate as well as constantly monitor the business continuity (art. 13, paragraphs 1 and 2 of the UCITS) as well as the events that may compromise it (OIC11 and ISA 570)
- the credit assessment shall focus on a realistic and sustainable estimate of the client's future income and cash flow (paragraph 5.2.5. Loans to micro and small enterprises and paragraph 5.2.6 Loans to medium and large enterprises). In addition, banks should consider the idiosyncratic and market events listed above

⁷⁷ Among the events or circumstances mentioned in International Auditing Principle 570, which may give rise to significant doubts as to the firm's ability to continue operating as a functioning entity, mention should be made of: Financial Indicators; Managerial Indicators; and Other Indicators

when carrying out a sensitivity analysis of the client's ability to repay under unfavourable future conditions.

Another point of convergence between the EBA document, with particular reference to points 91 and 274 letter r of paragraph 8.5 entitled " Use of early warning indicators/watch lists in credit monitoring" and art. 14 of the CCII:

- where the client is likely to encounter financial difficulties in meeting the obligations arising from the loan agreement, institutions and creditors may use both information found from third parties, such as tax advisors, auditors, and other experts (point 91). In addition, as part of their monitoring framework, banks will need to identify any issues raised in the reports of the external auditors of the institution or client,
- the audit bodies, the auditor, and the audit firm (each acting within the scope of their duties) are required to verify that the administrative body constantly assesses whether the organisational set-up of the firm is adequate, whether there is a financial economic balance and what is the foreseeable trend in management, and to report immediately to the same administrative body the existence of well-founded signs of the crisis (Art. 14 CCII).

Among the other indicators most closely monitored by the credit system and also provided for in the Code of Crisis, there are the net worth and the analysis of trends in business relations (for example, days due for invoices and current account overshoots). The correlation points between the credit risk assessment programmes dictated by the EBA and the CCII alert systems referred to above lead to substantial convergence also on methodological and procedural aspects, who find their moment of encounter in the prognostic cash flow, and therefore in the DSCR as it was declined by the CNDCEC, pursuant to art. 13, paragraph 2 of the CCII, as a signal indicator of liquidity risk, summary of the predictive analysis of income and prospective financial position of the company, assessed according to a forward-looking perspective, on a stochastic (probabilistic) basis and multi-scenario through sensitivity or sensitivity analysis. On the basis of the above, a new form of dialogue between the bank and the firm is to be expected, assuming that the latter uses analytical tools capable of measuring the economic and financial effects of business decisions and strategies, condensed into a single value (the DSCR in fact) that represents the final result of an overall analysis that is unravelled by aspects of a commercial nature, and then end in its declinations of an economic and financial nature.

These analysis tools, moreover, facilitate the estimation of the effects due to periods of instability or negative effects, facilitating the implementation of the sensitivity analysis required by the EBA to the banking system, as part of the lending and monitoring activities, and by the legislator of the Crisis Code to entrepreneurs operating in corporate or collective form, in order to detect in advance the first signs of business discontinuity, as well as national and international best practice on risk management. Having a prognostic treasury and opening up the business plan data is essential, at the time of the Crisis Code, to achieve a new and more profitable relationship with the bank, which can be monetized by both sides: the bank could more confidently address the financial support actions towards the entrepreneur and the latter could benefit from a cost reduction on the financial debt to the credit institution.

4. The organizational arrangements, the prognosis of the crisis and the business continuity

4.1 The Code of Crisis and the organizational arrangements

As several times anticipated, following the entry into force of art. 375 of the CCII which amended art. 2086 of the Italian Civil Code, organisational arrangements have become mandatory for all companies, triggering the obligation to adapt from 16 March 2019. There is, however, both a legal definition of "organisational, administrative and accounting arrangements" and a precise indication of when they can be considered "adequate".

Nevertheless, for their operational verification, it is necessary to refer to business science and professional practice.

In particular, in the document "*Norme di comportamento del collegio sindacale*" of the CNDCEC, there are the following organizational arrangements and on the functioning of the administrative-accounting arrangements.

The organizational arrangements⁷⁸ are defined as the function and organization chart system⁷⁹ and in particular, the set of directives and procedures established to ensure that decision-making is assigned and effectively exercised at an appropriate level of competence and responsibility, the procedural set of controls.

⁷⁸ Art. 2086 Civil Code, Art. 2403, par. 1 Civil Code, Art. 2381, par. 3 and 5, Civil Code

⁷⁹ The so-called "*Funzionigramma*" To be understood as configuration (horizontal) of tasks, functions and competences, and the organization chart, to be understood as configuration (vertical) of relationships of supra and subordination, powers, and responsibility.

An organisational set-up shall be appropriate if it has a structure compatible with the size of the company and with the nature and manner of pursuing the objects of the company, as well as the timely detection of signs of crisis and loss of business continuity and can therefore allow the directors in charge of the decision to take the most appropriate measures for its detection and resolution.⁸⁰

Directors shall ensure that the organisational set-up is appropriate to the nature, size, complexity, and other specific characteristics of the company, verifying that it is capable of detecting early signs of crisis and loss of business continuity so as to make it possible to take appropriate measures to overcome the crisis or to recover the business continuity.

As a general rule, an organisational set-up can be defined as appropriate when it has the following requirements (in relation to the size and complexity of the company, the nature and manner in which the corporate object is pursued):

- establishment of a company organisation chart with clear identification of functions, tasks, and lines of responsibility.

The organizational arrangements, although defined according to the nature and size and complexity of the enterprise, must identify in a sufficiently clear attribution of responsibilities, lines of hierarchical dependence, the description of the tasks and the representation of the business process of training and implementation of decisions.

Particular attention should therefore be paid to the completeness of existing business functions, the separation, and the juxtaposition of responsibilities in tasks and functions.

- exercise of the decision-making and management activities of the company by the managing director and by the entities to which the relevant powers are conferred.

The authorization and signature powers must therefore be assigned in coherence with the organisational and management responsibilities in place.

In order to assess the adequacy of the organisational structure, it is of great importance to verify the correspondence between the company's decision-making structure and the delegations deposited in the register of companies.

- presence of personnel with appropriate professionalism and competence to carry out the assigned functions.

Similarly, the presence of structured employee training plans is relevant.

⁸⁰ CNDCEC, Rule 3.5 *Vigilanza sull'adeguatezza e sul funzionamento dell'assetto organizzativo*

- the presence of company directives and procedures, their periodic updating and effective dissemination.

Consequently, the company will have to particularly feel the need to adopt procedures to monitor the different business processes.

The adoption of an adequate organizational structure by the company, with the care of computerization and the containment of manual skills, allows to limit the discretion and to maintain the coherence of the behaviours in order to confer order to the business operativity and to increase the ability to coordination and therefore the efficiency of the various functional structures.

The adequacy of the organizational structure therefore concerns not only the "human" organizational arrangements but also the company information system that holds, as well as an undoubted relevance to the performance of the first, a particular importance on the quality and the way in which the activity of conveying information, organizational communications, information concerning accounting, management, information, business intelligence systems is guaranteed.⁸¹

When implementing or adapting the organisational set-up, the possible adoption of a quality management system and the compliance (compliance) of the organisation and of the business activities with the procedures cannot be ignored, the regulations, the legal provisions contained in the Code of Crisis.

Administrators should therefore pay the utmost attention to ensuring that the organisation and business activities comply with the following rules:

- The Models of organization, management, and control ex D.Lgs. 231/2001
- The provision of art. 30 of Legislative Decree no. 81/2008 on health and safety at work,
- Food hygiene and safety D.Lgs. 193/07,
- Protection of the environment (L. 68/2015),
- Cybersecurity and Privacy: EU Regulation 679/2016 and D.Lgs. 101/2018 (GDPR).

In fact, the administrative and accounting structures⁸² represent subsystems of the widest organizational arrangements that allow to determine and verify, at the level of forecasting and/or balance sheet management and the results produced by the same in

⁸¹ A. Panizza, Adeguate assetti organizzativi, amministrativi e contabili: aspetti (teorici ed) operativi, 11 August 2021, pag.16.

⁸² For normative references, see art. 2403, paragraph 1, c.c.

economic and financial terms, facilitating the timely detection of crisis situation and loss of business continuity.⁸³

The administrative-accounting arrangements are appropriate if it allows:

- the complete, timely and reliable accounting and presentation of management facts,
- the production of valid and useful information for management choices and for the safeguarding of the company's assets,
- the production of reliable data for the establishment of the financial statements.⁸⁴

At the same time, the CNDCEC recalls that, although the administrative and accounting structure converges in the overall organizational arrangements of the company, they are distinct from each other:

- The accounting structure can be defined as the system of recognition of business facts aimed at the correct and true representation of the financial position of the company in accordance with the regulatory framework (including applicable accounting policies)⁸⁵,
- the administrative set-up represents the set of planning and control tools/systems, and the procedures for their use, capable of producing the information necessary for business management to take decisions; monitor the evolution of management and analyse the discrepancies between expected and final results. In this case, the administrative structure incorporates the performance planning and control systems, part of the internal control systems and the management information systems.⁸⁶

In any case, it is the same definition of crisis, as a state of economic and financial imbalance that makes it probable the insolvency of the debtor, introduced by the legislature with art. 2 of Legislative Decree 14/2019, to make clear the need for the application of a preventive approach to management. Whereas the (future) probability of insolvency is reflected in the inadequacy of the prospective cash flows to meet the

⁸³ In this sense, *Società Italiana dei Docenti di Ragioneria e di Economia Aziendale (SIDREA), Gruppo di Studio Diagnosi precoce e crisi di impresa, Le parole della crisi. La lettura degli aziendalisti italiani*, March 2021, p. 7.

⁸⁴ CNDCEC, Rule 3.5. *Vigilanza sull'adeguatezza e sul funzionamento dell'assetto organizzativo*, Rule 3.7, *Vigilanza sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile*, Information n. 159/2020, 21 December 2020.

⁸⁵ *Società Italiana dei Docenti di Ragioneria e di Economia Aziendale (SIDREA), Gruppo di Studio Diagnosi precoce e crisi di impresa, Le parole della crisi. La lettura degli aziendalisti italiani*, March 2021, pag. 2

⁸⁶ *Ibidem*, pag. 9-10

planned obligations on a regular basis, this forward-looking approach can only be confirmed as it is geared to the accounting valuation of the future time when the company becomes insolvent.⁸⁷

In identifying the components in which the structure of the administrative structure can be realized, it is possible to refer to the presence and application of:

- a planning process that foresees its development over a period of at least 6 months (art. 13, paragraph 1 of the CCII)⁸⁸, considering, among others, the foreseeable evolution of the macroeconomic scenario, the market in which the company and its main competitors operate,
- the execution of scenario and stress-test analyses and the (annual) revision of the plan are important sources of information update,
- a budgeting process oriented to the predictive analysis of income and cash flow prognostics on the basis of a financial analysis (perfected through the elaboration of the financial statements, the treasury budget, and the calculation of the DSCR) and predictive analysis of the balance sheet (balance sheet and investment budget), supported, where appropriate, by analysis of deviations if deemed necessary,
- a forecasting process to be applied with the required periodicity, based on management performance,
- coordination between general and analytical/industrial accounts. It is at least appropriate to align the analytical accounting system adopted and the structure of the plan of accounts to facilitate management control (for example, separating direct labour costs from indirect labour, direct materials from indirect materials, highlighting in the plan of accounts the period costs in relation to direct costs, etc...),⁸⁹
- a system of analytical accounting and determination of product costs which is of fundamental importance for a timely and correct analysis of margins. The

⁸⁷ A. Quagli – A. Panizza in *Il sistema di allerta*, in *Crisi d'impresa e Insolvenza*, IlCaso.it, May 2019

⁸⁸ Pursuant to art. 13 paragraph 1, which unless further amendments enter into force on 31.12.2023, for the purpose of the forecast of the crisis it is necessary to proceed with the calculation of the indices that give evidence of the non-sustainability of debts for at least the next six months. For these purposes, significant indices are those that measure the sustainability of debt charges with the cash flows that the company is able to generate, and the inadequacy of own funds compared to those of third parties.

The time horizon of the plan may be extended to the remaining period of the financial year if it is longer than six months, if this makes the calculation of the DSCR easier and more reliable. CNDCEC, Alert Indices, par. 3.3.2. 20 October 2019. It is advisable, in the presence of an appropriate organizational structure, to associate the drawing up of three-year plans with short-term planning.

⁸⁹ N. Castello, note inserted into the check list of the administrative arrangements of MPHIM+, June 2021

correct definition of the cost of product/service, and the consequent possibility to refine the activity of pricing, transits from the necessary application of a system of analytical accounting that previews, between the others, the determination of the industrial processing cost (per hour), ingredient necessary for the improvement of the product list, element too often not sufficiently taken care of by companies,⁹⁰

- a reporting process (financial statement and treasury budget)

And it is precisely from the application of the approach described above that the possibility arises of intercepting easily, but above all promptly, situations of crisis and prospective insolvency, encouraging prompt action to overcome the crisis and the recovery of business continuity, as advocated by the legislator.⁹¹

4.2 The organizational arrangements and the business continuity

Pursuant to art. 2086 of the Italian Civil Code, paragraph 2 (introduced by art. 375 of the Code of the Crisis) "the entrepreneur, operating in corporate or collective form, has the duty to establish an organizational, administrative and accounting structure appropriate to the nature and size of the company" not only because of the early detection of the crisis of the company but also because of the loss of business continuity.

On the notion of business continuity (going concern) the accounting principle OIC11 provides that: "in the preparation of the financial statements, management must carry out a prospective assessment of the firm's ability to continue to constitute a functioning economic unit for the production of income for a foreseeable future period of time, covering a period of at least 12 months from the balance sheet date".

The same accounting policy requires, in cases where significant uncertainties with regard to going concern are identified as a result of such a prospective assessment, that the notes to the financial statements should clearly provide «information on the risk factors, assumptions made and uncertainties identified, as well as future business plans to address these risks and uncertainties».⁹²

International Auditing Principle No. 570 identifies the events and circumstances worthy of being monitored for business continuity:

⁹⁰ A. Panizza, *Adeguati assetti organizzativi, amministrativi e contabili: aspetti (teorici ed) operativi*, 11 August 2021, pag. 20

⁹¹ Ibidem, pag. 21

⁹² OIC11 Accounting Principle – *Finalità e postulate del bilancio*, Par. 22.

Financial Indicators:

- negative balance sheet deficit or net working capital position,
- excessive reliance on short-term loans to finance long-term activities,
- historical or prospective financial statements showing negative cash flows,
- main negative economic and financial indices,
- significant operating losses or significant impairment of assets used to generate cash flow,
- difficulties in the payment of arrears of dividends or discontinuities in the distribution of dividends,
- inability to pay debts on maturity,
- failure to comply with the contractual terms of the loans,
- change of payment forms granted by suppliers, from "credit" to "delivery payment".

Managerial Indicators:

- management's intention to liquidate the company or cease operations,
- loss of management members with strategic responsibilities without replacing them,
- loss of key markets, key customers, distribution contracts, concessions, or major suppliers,
- difficulties with staff,
- scarcity in the supply of important supplies,
- appearance of highly successful competitors.

Other Indicators:

- reduced capital below legal limits or non-compliance of capital with other rules of law, such as solvency or liquidity requirements for financial institutions,
- ongoing legal or regulatory procedures which, in the event of failure, may involve claims which the undertaking is likely not to be able to make forehead,
- changes in laws or regulations or government policies that are expected to adversely affect the enterprise,
- catastrophic events against which an insurance policy has not been taken out or against which an insurance policy has been taken out with insufficient ceilings.

The above-mentioned Auditing Principle No. 570 notes that the effects of such events or circumstances can be mitigated by management's ability to launch business plans⁹³ to support cash flows through the suspension of loans,⁹⁴ the tax and contribution payments⁹⁵ provided for in the successive decrees.

The treasury can also be supported through access to liquidity support measures as well as through capital increases, shareholder financing⁹⁶ and rescheduling of payment terms to suppliers.

All this is necessary in order to compensate, from a purely financial point of view, the contraction of sales, the lengthening of the payment times of customers, and the reduced circulation of the warehouse.⁹⁷

If the actions described above are not sufficient to mitigate the recessive effects, the entrepreneur may be called to the choices much more complex like the re-engineering of the business model and the optimize the available resources.⁹⁸

Think, for example, of the winery that operates on the hotel, restaurant, and catering channel (Ho.re.Ca), among the activities in lockdown characterized by a slower recovery, and that must reorient its labels on a different channel, that of the large-scale distribution. It is clear and immediate that in such a condition it is necessary to resort to a new engineering of the business marketing mix with the identification of a different combination of the 4 elements and that is market (large-scale distribution instead of Ho.re.Ca) - product (identification of labels to be allocated to the large-scale distribution channel, minimum order, delivery time) - price (discounts and payment methods consistent with the conditions required by the large-scale distribution channel) - promotion (3x2 offers and special offers).⁹⁹

⁹³ ISA n.570, Guidelines and other explicative material, par. A24

⁹⁴ Letter c) of the second paragraph of art. 56 D.L. 18/2020 provides that the payment of instalments due before 30 September 2020 is suspended until 30 September 2020.

⁹⁵ Among them, D.L. 18/2020 and D.L. 23/2020

⁹⁶ Art. 8 of D.L. 23/2020 provides for the suspension of the application of the provisions on the possibility of repayment of loans to members compared to other creditors, referred to in Articles 2467 and 2497-quinquies of the Italian Civil Code, in order to encourage the involvement of shareholders in the increase of financing flows to the company.

⁹⁷ Castello N., (2020). *Gli assetti organizzativi e la continuità aziendale al tempo del Covid-19. Aspetti giuridici ed economico aziendali*, essay contained in the publication entitled "*Covid-19 vs. democrazia aspetti giuridici ed economici nella prima fase dell'emergenza sanitaria*" edited by Michele Borgato and Daniele Trabucco, ESI-Napoli, pag. 190.

⁹⁸ Ibidem, pag. 196

⁹⁹ Ibidem, pag. 187 and 188

4.3 The individual entrepreneur and the prevention of the crisis

In the course of the present discussion, we have analysed how the entrepreneur who operates in corporate or collective form must approach the prognostic activities of the crisis, it remains to determine what instead the individual entrepreneur must do in practice.

In this regard, art. 3 of the CCII (obligations of the debtor), according to which, while the collective entrepreneur must "adopt an appropriate organizational structure" pursuant to art. 2086 of the Civil Code, the individual entrepreneur must instead adopt "appropriate measures", however, not better specified by the legislator of the CCII nor treated adequately by the doctrine.

In order to ensure that the state of crisis is recognised in good time, the legislator lays down different rules for the individual entrepreneur and the collective entrepreneur:

- the adoption of appropriate measures for the individual entrepreneur: planning of specific interventions,
- the adoption of an appropriate organisational framework for the collective entrepreneur: planning of organisational procedures.

It is appropriate to consider that the great difference between "measures" and "arrangements" lies on the fact that the "organisational arrangements" represent a much more structured duty with respect to the "suitable measures" that have to be adopted by the individual entrepreneur.

Both, however, cannot lack an indefectible element, namely planning, the lack of which becomes the central aspect of the concept of insolvency especially if, in the absence of "measures" and "arrangements" necessary to implement the prognostic activity of the crisis (and therefore the planning activity), the entrepreneur has not been able to intercept the first signs of imbalances that have subsequently led to the inability to meet the financial commitments.

In particular, also in Article 2086 of the Civil Code, as amended by art. 375 of Legislative Decree 14/2019, the legislator specifies that "the entrepreneur, operating in corporate or collective form, has the duty to establish an organizational, administrative and accounting structure appropriate to the nature and size of the enterprise. This concept has already been recalled in the civil code to art. 2214¹⁰⁰, whereas regards accounting records and, therefore, accounting arrangements, it provides that "the

¹⁰⁰ *Disposizioni particolari per le imprese commerciali*

entrepreneur engaged in a commercial activity [2195, 2205] must keep the journal [2215, 2216; 634 Code of Civil Procedure] and the inventory book [2217]. It shall also keep other records [1760, No. 3, 2312] which are required by the nature and size of the undertaking and shall keep in an orderly manner for each case the originals of the letters, telegrams and invoices received, and copies of the letters, telegrams and invoices sent [2220, 2560, 2709, 2711]. The provisions of this paragraph shall not apply to small entrepreneurs [2083, 2221]".

The same art. 2214, last subparagraph, further specifies that "the provisions of this paragraph do not apply to small entrepreneurs [2083, 2221]", while the legislator of the crisis code provides that organisational arrangements, administrative and accounting arrangements must be adopted by all collective undertakings, including smaller undertakings and agricultural undertakings, including in the form of partnerships. Even then the simple society, designated and designed for the exercise of the non-commercial activity and therefore mainly used in agricultural enterprises, ends under the imperative of the reformed art. 2086 of the Civil Code and, under its terms, the simple enterprise, or the agricultural enterprise, has the obligation to equip itself with tools useful for the timely detection of the crisis. Not only the dimensions, but often the socio-cultural realities within which simple societies are born and live, make the new normative provision baroque.¹⁰¹

All this seems to point to a discrepancy between the civil legislator and that of the crisis code and raises more than one question:

Is it necessary to extend the adoption of the arrangements to all collective undertakings and whether, in some cases, this concept may be excessive or excessive in some way? In the case of an individual entrepreneur, is it always sufficient to take appropriate measures, whatever the size and complexity of the undertaking itself?

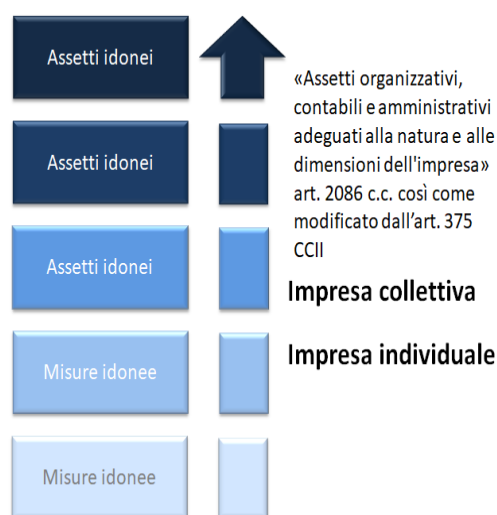
Consider, for example, the case of an individual manufacturing entrepreneur or a wholesale trader with a significant turnover and a complex organisation (sales manager, administrative office, ICT manager, etc.) compared to a cooperative society which carries out the activity of cultivation of the fund or to a collective society which carries out the activity of self-repair with a turnover typical of the smaller enterprises and without internal administrative organization.

¹⁰¹ P. Bottoni, *Alcune riflessioni sul decreto legislativo 14 gennaio 2019, il c.d. Codice della Crisi d'impresa e dell'insolvenza*, diritto.it

It is quite clear that, in these circumstances, while the "appropriate measures" may be loss-making for individual firms of this size, the "organisational arrangements" on the other hand, may be excessive for agricultural and service enterprises of the size and nature mentioned above, even if they are run in corporate form.¹⁰²

It is therefore not disputed that the complexity of the procedures and therefore the quality of the arrangements may be commensurate with the nature and size of the collective or corporate enterprise, but there may be more than a reasonable doubt that it discriminates between "arrangements" and "measures" can be linked, sic et simpliciter, to the mere distinction between individual and collective enterprises.

It must therefore be considered that there is a continuum between measures and arrangements, according to which it is likely that appropriate measures will be adopted for the individual entrepreneur and suitable arrangements for the collective entrepreneur, but it is not excluded, as previously argued, that the adoption of appropriate measures may be inappropriate in the case of individual undertakings of significant and excessive size or redundant for "smaller" collective undertakings.¹⁰³



This debate on "measures" and "arrangements" is not an end in itself, as the legislator of the CCII ends up linking the inadequate implementation of the organizational arrangements to a responsibility of the administrators who, not having complied with this obligation (provided for in Article 3, paragraph 2) did not act promptly to intercept and overcome the crisis.

Following the last disquisitions contained in this paragraph, according to a part of the doctrine, the text of paragraph 1 of art. 3 of the Crisis Code (obligations of the debtor), which provides that the individual entrepreneur must take appropriate measures to detect the state of crisis in good time and take the necessary initiatives to address it, as

¹⁰² N. Castello, *Osservazioni e proposte dell'UNCI in relazione agli indici di allerta individuati dal CNDCEC ai sensi dell'art. 13 co. 1 e co. 2, al Ministero dello Sviluppo Economico – Direttore Generale per la Vigilanza sugli Enti Cooperativi, sulle Società e sul Sistema Camerale*, 9 December 2019, pag. 2

¹⁰³ In this part of the research work, we welcome the arguments and analyses developed by Prof. Giuseppe Ferri jr, University of Rome Tor Vergata, during his report on "*Gli assetti organizzativi e la prevenzione della crisi: le mobile frontier della responsabilità*", at the conference held on 25.11.2019 at the Unitrento entitled "*Il codice della crisi d'impresa e dell'insolvenza: passato, presente e futuro del diritto concorsuale*".

well as the collective entrepreneur, ends up in reality to extend the obligation to equip itself with adequate arrangements for almost all Italian companies, making secondary the reference to the legal form and focusing instead on virtuous conduct of good management.¹⁰⁴

Net of the above, the extension of the obligation to provide adequate organizational, administrative and accounting arrangements to all entrepreneurs operating in corporate or collective form, attracting them, in this way, to the duties originally provided for by art. 2381 of the Italian Civil Code for limited liability companies only, highlights the need for growth, primarily cultural, to provoke at the various levels of the organizational structure of Italian companies, in particular small and medium-sized ones.¹⁰⁵

This much-called growth process should facilitate the removal or at least the attenuation of the critical elements analysed in the first paragraph of this paper.

However, the repeated postponements of the definitive entry into force of the Code of the crisis, instead of encouraging the carrying out of the activities necessary for the implementation of the appropriate arrangements, have instead created confusion in the entrepreneur and, even more serious, in the accounting profession, which ended up associating the entry into force of the obligation to provide adequate organisational, administrative and accounting arrangements with the provisions of the crisis code on alert institutions, with the consequence that almost all small and medium-sized enterprises have so far left the rule already in force.

This ill-positioned attention should be promptly corrected and channelled on the current obligations placed on the entrepreneur, especially in this time of instability and general crisis of the economy.

The organisational, administrative, and accounting structures, in the current context, would allow Italian SMEs to adopt a new business model capable of translating their knowledge, insights and relationships, in more effective and efficient programs drawing heavily on the risk management tools provided by our legal system.¹⁰⁶

¹⁰⁴ In addition to the contributions of N. Castello and G. Ferri Junior, see also the contributions of A. Panizza, *Adeguati assetti organizzativi, amministrativi e contabili: aspetti (teorici ed) operativi*, 11 August 2021, p. 2, and S. Ambrosini, *L'adeguatezza degli assetti organizzativi, amministrativi e contabili e il rapporto con le misura di allerta nel quadro normativo riformato*, in *Crisi d'impresa e Insolvenza*, Ilcaso.it, October 2019, p. 2-3.

¹⁰⁵ A. Panizza, *Adeguati assetti organizzativi, amministrativi e contabili: aspetti (teorici ed) operativi*, 11 August 2021, pag. 2.

¹⁰⁶ Ibidem note 96, pag. 196.

Chapter 2

A new Enterprise Risk Management Model

1. The measurement of the impact of strategical decisions and of the events on the profitability and the future cash flows: a compliant risk management model with respect to the Code of the Crisis

1.1 The measurement of the impact of strategical decisions on the profitability and the cash flows: a practical-operative model

In the previous paragraph, during the discussion of the administrative structure, we defined the same as the set of planning and control tools/systems able to produce the information necessary for the company management to take decisions. In this sense, the administrative structure incorporates performance planning and control systems as part of internal control systems and directional information systems.¹⁰⁷

It was also noted as the same definition of crisis (introduced by the legislator with art. 2 of Legislative Decree 14/2019) as a state of economic and financial imbalance manifested in the inadequacy of prospective cash flows to meet the planned obligations on a regular basis, makes it abundantly clear that there is a need to apply a preventive approach to management, which is reflected in the implementation of a planning process which provides for its development over a period of at least six months¹⁰⁸, taking into account, inter alia, the expected evolution of the macroeconomic scenario, the market in which the company operates and its main competitors.

The plan will necessarily have to be supported by a scenario analysis and subjected to stress-testing, as well as periodic review, which are important sources of information update.

The implementation phases of the plan have also been identified, including the following:

¹⁰⁷ *Società Italiana dei Docenti di Ragioneria e di Economia Aziendale (SIDREA), Gruppo di Studio Diagnosi precoce e crisi di impresa, Le parole della crisi. La lettura degli aziendalisti italiani, March 2021, pagg. 9-10.*

¹⁰⁸ Pursuant to art. 13 paragraph 1, which unless further amendments enter into force on 31 December 2023, for the purpose of the forecast of the crisis it is necessary to proceed with the calculation of the indices that give evidence of the non-sustainability of debts for at least the next six months. For these purposes, significant indices are those that measure the sustainability of debt charges with the cash flows that the company is able to generate, and the inadequacy of own funds compared to those of third parties.

- the adoption of a system of analytical accounting and determination of product/service costs, which is of fundamental importance for a timely and, above all, correct analysis of margins,
- a forecasting process to be applied with the necessary periodicity, based on management developments,
- a budgeting process oriented to the predictive analysis of income and cash flow prognostics (DSCR) as well as the predictive analysis of the balance sheet,
- a reporting process (financial statement and treasury budget).

The objective of this paragraph is to identify a practical and operational method for drawing up a plan which allows the economic, financial, and capital effects of strategic choices to be measured, before being put into practice and take the form of decisions, activities which are, moreover, poorly equipped in SMEs.¹⁰⁹

At the same time, the same method, if properly implemented, provides the key to the implementation of a risk management model that meets the requirements of D.lgs 14/2019 (Corporate Crisis and Insolvency Code) with particular reference to administrative and accounting arrangements.

The starting point is the analysis of costs and therefore it is necessary to start from the analytical accounting.

On the basis of the arguments already set out, given the limitations, complexity and cost-effectiveness of full-cost costing systems, an easy solution for SMEs, but not without an appropriate methodological approach, is the "direct cost" or the "evolved direct cost".

In particular, the following guidelines will be detailed to develop the predictive analysis of income, balance sheet and prognostic cash flow (DSCR) resulting from the taking of strategic decisions concerning the products to be implemented and the commercial conditions to be adopted (prices, minimum order, payment terms, etc...).

For this purpose, in the case in question, it is assumed that on 28 February the planning activities for the period from 1 January 2021 to 31 December 2021 will begin.¹¹⁰

¹⁰⁹ The detailed procedures in this paragraph for the implementation of a trade marketing model, instrumented with an analytical accounting system, are in accordance with the Crisis Code and have been engineered by MPHIM+.

¹¹⁰ For the purpose of calculating the DSCR, the six-month time horizon may be extended to the residual period of the financial year if it is longer than six months if this makes the calculation of the DSCR easier and more reliable. CNDCEC, *Indici d'allerta*, par. 3.3.2., 20 October 2019.

First step: use of direct cost or evolved direct cost for the construction of the separate base where to indicate the variable costs of raw materials, labour and, where possible, any special fixed costs.

In the following table, the product "wine X" is represented as a separate base where direct raw materials and direct work per unit of product have been calculated.

Materials			
Variable Cost	Quantity	Cost	
Bottiglia	1.0000	0,8000	0,8000
Etichetta	1.0000	0,2000	0,2000
Tappo in Sughero	1.0000	0,3660	0,3660
			1,3660
Human Resources			
Variable Cost	Hour	Cost/Hour	
lavoro diretto	1.00	0,8085	0,8085
	1.00		0,8085
Total variable costs per unit			2,1745

Direct Variable Costs per Unit – Source: MPHIM+

At this stage it is also necessary to consider all the variable costs related to the commercial area avoiding treating them as an indirect cost and to make imputations to products/services that may not represent the real absorption of those costs.

For this purpose, after having calculated the total of the variable direct costs of production in the separate basis (equal to € 2,1745), we proceed to calculate all the variable costs related to the commercial area (commissions and transport costs in the case in the example) in relation to the minimum order.

In particular, in relation to the wholesaler customer, the incidence of transport costs on the minimum order is equal to € 106.4282, while the gross agent commissions are calculated at 4.330% (the net commissions are equal to 3.5%), amounted to € 93.0978.

Customer	Min. Order	Discount 1	Discount 2	Final Discount	Sales Price	Quantity	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Agent	Sales Price Margin Amount & %
										100.00	
Wholesaler +	1 pallet:600 botti	44' ▾	21' ▾	55.76%	3,5834	600	2.150,0640	106,4282	93,0978	93,0978	645,8381
								4.95	4.33	4.330%	30.04%
										75,3828	--
										3.506%	--
Minimarket <200m2 +	3box:18 bottiglie	44' ▾	0% ▾	44.00%	4,5360	18	81,6480	16,3214	12,1002	12,1002	14,0853
								19.99	14.82	14.820%	17.25%
										9,7978	--
										12.000%	--
End Customer +	1	0% ▾	0% ▾	0.00%	8,1000	1	8,1000	0,0000	0,0000	0,0000	5,9255
								0.00		0.000%	73.15%
										0,0000	--

First level Sales Contribution Margin on the minimum order – Source:MPHIM+

In the last column of the table are present the margin of contribution of first level (revenues-direct costs) on the minimum order for each category of customer.

In relation to the wholesaler customer, the first level Contribution Margin is €645,8381.

The ratio between the first level contribution margin on the minimum order of the wholesaler (equal to € 645,8381) and the value of the minimum order of the wholesaler (equal to € 2.150, 064), expresses the first level percentage contribution margin on the minimum order of the wholesaler which is equal to 30.04%.

This figure could present information limits that can be covered by another important fact: the unit contribution margin calculated for each category of customers that recognises the unit contribution margin.

In this regard, once the company's trade marketing model has been completed, it is possible to calculate the unit contribution margin as follows:

Customer	Min. Order	Discount 1	Discount 2	Final Discount	Sales Price	Quantity	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Agent	Sales Price Margin Amount & %
										100.00	
Wholesaler +	1 pallet:600 botti	44' ▼	21' ▼	55.76%	3,5834	1	3,5834	0,1774	0,1552	0,1552	1,0764
								4.95	4.33	4.330%	30.04%
										0,1256	--
										3.506%	--
Minimarket <200m2 +	3box:18 bottiglie	44' ▼	0% ▼	44.00%	4,5360	1	4,5360	0,9067	0,6722	0,6722	0,7825
								19.99	14.82	14.820%	17.25%
										0,5443	--
										12.000%	--
End Customer +	1	0% ▼	0% ▼	0.00%	8,1000	1	8,1000	0,0000	0,0000	0,0000	5,9255
								0.00		0,0000	73.15%
										0,0000	--
										0.000%	--

First Level Contribution Margin per Unit – Source: MPHIM+.

Having developed the calculation of the first level contribution margin on the minimum order, it is possible to obtain the first level contribution unit margin that does not consider the quantities sold, making this information less subjective than other types of margin, given that the concept of margin is used not only by reference to results

achieved (quantities sold), but also and above all by reference to expected results (expected/planned sales quantity).¹¹¹

The analysis summarized in the last two tables, provides a clear conceptual and numerical representation of the business model of the company that includes business choices about the nature of revenues, the structure of costs, what to do/buy, how to make a profit.

This scheme also supports the auditor's understanding of the business and the context in which it operates, as it allows, inter alia, to analyse product/market combinations, profit margins, pricing policies, and marketing strategies.¹¹²

Second step: identification of common fixed negative income components, such as period costs and non-specifiable overheads compared to the calculation object (product/service) for the plan period.

The period costs and non-specifiable overheads for the year 2021 are therefore foreseen. As no substantial changes are expected in the amount of these cost items, the amounts that can be found in the balance sheet on 31 December 2020 are confirmed.

Interest Expenses	€ 1.600,00
Other Operating Assets	€ 15.000,00
Depreciation	€ 4.000,00
Total period costs and non-specifiable overheads	€ 20.600,00

Period costs and unspecifiable overheads

Third step: sales budget at least at 6 months (suggesting at 12 months if there are not significative elements of instability in the economic and financial results).¹¹³

Based on the trends of 2020 and the last period (January and February 2021), considering that there are no discontinuities in relations with sellers and retailers, the following sales forecasts for 2021 are developed:

- 10.000 bottles to wholesalers,
- 34.000 bottles to minimarkets,

¹¹¹ M. Bordinon, *Il controllo di gestione. Strumenti, evoluzione, esigenze e potenzialità*, Le Fonti – Milano 2008, pagg. 55-56

¹¹² Reference is made to the international auditing standard IAS 315 which requires the auditor to analyse, inter alia, through a questionnaire, the following aspects:

- Nature of the Revenues (producer, wholesaler, banking/insurance activity, import/export, services, etc.),
- Products, Services and Markets (More clients and contracts, terms of pay, margins, market share, competitor, pricing policies, product reputation, warranties, orders, trends, marketing strategies),
- Involvement in the electronic market (internet sales)

¹¹³ See note 107

- 3.000 bottles directly.

Fourth step: calculation of the first level contribution margins by product/service, channel, client, and inventories per product unit.¹¹⁴

Customer	Min. Order	Discount 1	Discount 2	Final Discount	Sales Price	Quantity	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Agent	Sales Price Margin Amount & %
										100.00	
Wholesaler +	1 pallet:600 bott	44' ▾	21' ▾	55.76%	3,5834	10000	35.834,4000	1.773,8028 4.95	1.551,6295 4.33	1.551,6295 4.330%	10.763,9677 30.04%
Minimarket <200m2 +	3box:18 bottiglie	44' ▾	0% ▾	44.00%	4,5360	34000	154.224,0000	30.829,3776 19.99	22.855,9968 14.82	22.855,9968 14.820%	26.805,6256 17.25%
End Customer +	1	0% ▾	0% ▾	0.00%	8,1000	3000	24.300,0000	0,0000 0.00	0,0000	0,0000 0.000%	17.776,5000 73.15%
Total quantity - 47000 Product/Service Turnover - 214.358,4000							Total profit Margin of Profit Total turnover - direct cost (amount) Total turnover - direct cost (%)				55.146,0933 25.73% -- --

First level contribution margin on sales budget – Source: MPHIM+

In the development of the planning activity, the scheme contained in the last table allows to include the forecasted sales divided by market, product, channel, or client on the basis of the hypothesis and on the commercial and marketing choices.¹¹⁵

Fifth step: subtract from the first level or second level contribution margin, in the case of evolved direct cost, the period costs and non-specifiable overheads, thus obtaining the economic result of the period related to the company being analysed.¹¹⁶

Therefore, in the present case, in order to obtain the forecast economic result for the period covered by the plan (1.1.2021 - 31.12.2021), equal to €34.546,09, it is sufficient to subtract from the contribution margin of €55.146,0933 the level just calculated, the total period costs and non-specifiable overheads of € 20.600,00 as shown in the table below reproduces:

Interest Expenses	€ 1.600,00
Other Operating Assets	€ 15.000,00
Depreciation	€ 4.000,00
Total period costs and non-specifiable overheads	€ 20.600,00

¹¹⁴ Easy to calculate as they are equal to the difference between sales forecasts, initial inventories and purchases.

¹¹⁵ CNDCEC and FNC, *Verso il nuovo codice della crisi*, 6.1.3 – 14 June 2019

¹¹⁶ “Se i costi i fissi per definizione sono costi di periodo, cioè costi il cui ammontare complessivo è legato al trascorrere del tempo ed è indipendente dai volumi di produzione/vendita realizzati ecco che se li si imputa all'unità di prodotto il risultato che si ottiene è una loro variabilizzazione del tutto irreali anzi pericolosa.” A. Bubbio, *Contabilità analitica per l'attività di direzione*, Edizioni Uniopli Milano 1989, pag. 172

After the predictive analysis of income, the activity is completed with the predictive analysis of the balance sheet and the forecast of cash flows, in relation to which it is necessary to develop the next steps.

Sixth step: calculation of credit vs customers considering the actual payment terms.

Based on the revenue forecasts in Table 6.5, once the product sales forecasts for each type of customer have been developed, based on the actual payment times of the customers (deferral of payment), it is possible to calculate the credits vs customers on 31 December 2021, which is easier when developed over 12 months.

Wholesaler						
Terms of Payment	Total Amount	Instalments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	35.834,4000	1 ▾	45	22.00	4.417,94	5.389,89

Minimarket <200m2						
Terms of Payment	Total Amount	Instalments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	154.224,0000	1 ▾	42	22.00	17.746,32	21.650,51

End Customer						
Terms of Payment	Total Amount	Instalments	Deferral of payment	VAT	Taxable	VAT Included
cash	24.300,0000	0 ▾		22.00	0,00	0,00

Lo schema di calcolo riprodotto, tiene conto della nota n. 7 del documento «Indici dell'Allerta» del CNDCEC (20 OTTOBRE 2019)

Receivables from Customer

VAT on sales

27.040,40

47.158,85

Calculation of credits vs clients on the basis of the clients' effective terms of pay – Source: MPHIM+

The calculation of customer payment times is given by the following rotation index:
(customer credit days) : (Credits/Sales) x 365.

The choices of the delay of payment granted to the customer, is rightly part of the "price" of the marketing mix company and the trade marketing model implemented by the company, as it represents a use of financial resources in favour of customers and in this regard, it is necessary to verify its sustainability with regard to the treasury of the company.

On the other hand, an increase in the 20-day delay granted to wholesalers and retailers (see the next table), which does not affect the income of the reference period, would lead to an increase in claims of more than €12.000,00 (from €27.040,40 to €39.745,67) and therefore investments in working capital, with an equal amount reduction in cash flows that could cause an imbalance in the cash flow of the company.

Wholesaler						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	35.834,4000	1 ▼	65	22.00	6.381,47	7.785,39

Minimarket <200m2						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	154.224,0000	1 ▼	62	22.00	26.196,95	31.960,28

End Customer						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
cash	24.300,0000	0 ▼		22.00	0,00	0,00

Lo schema di calcolo riprodotto, tiene conto della nota n. 7 del documento «Indici dell'Allerta» del CNDCEC (20 OTTOBRE 2019)

Receivables from Customer VAT on sales **39.745,67**
47.158,85

Simulation of credits vs customers in the hypothesis of increase of the actual times of payment of the customers – Source: MPHIM+

Seventh step: calculation of debts vs suppliers considering the actual payment terms.

Following the development of product sales forecasts, once identified:

- the volume of purchases of raw materials,
- the estimates of transport costs,
- the estimates of commissions,
- the average terms of pay on the basis of the following rotation index: (Supplier Debt Days): (Payables/Purchases) x 365,

it is possible to calculate debts to suppliers which are easier to calculate if developed over 12 months:

Descrizione	Ammontare	Rate	Dilazione	IVA	Debiti	Destinazione
Acquisto materie prime	64.802,00	1 ▼	34	22.00	7.364,35	Debiti vs fornitori ▼

Descrizione	Ammontare	Rate	Dilazione	IVA	Debiti	Destinazione
Trasporto	32.603,18	1 ▼	32	22.00	3.487,20	Debiti vs fornitori ▼

Descrizione	Ammontare	Rate	Dilazione	IVA	Debiti	Destinazione
Provvigioni	21.443,14	1 ▼	40	22.00	2.866,92	Debiti vs agenti ▼

Calculation of debts vs suppliers on the basis of the agreed terms of pay – Source: MPHIM+

The eighth step requires the availability of a balance sheet at the latest date or financial statements:

STATO PATRIMONIALE: ATTIVO	
Data 31/12/2020	
Crediti verso soci	0,00
Immobilizzazioni immateriali	0,00
Immobilizzazioni materiali	32.000,00
Immobilizzazioni finanziarie	0,00
Totale immobilizzazioni	32.000,00
Totale rimanenze	102.201,50
Totale crediti	30.425,00
di cui entro 12 mesi crediti vs clienti	30.425,00
Totale disponibilità liquide	31.336,00
Ratei e risconti attivi	1.202,00
Totale attivo	197.164,50
STATO PATRIMONIALE: PASSIVO	
Data 31.12.2020	
Patrimonio netto	119.433,26
Capitale sociale	70.000,00
Altre riserve	16.183,50
Utile (Perdita) dell'esercizio	33.249,76
Fondo TFR	30.628,00
Totale debiti	47.103,24
Debiti vs fornitori	12.985,00
Debiti vs agenti	2.500,00
Iva ns debito	6.618,24
Mutui passivi	25.000,00
Ratei e risconti passivi	0,00
Totale passivo e patrimonio netto	197.164,50

Balance sheet on 31 December 2020

Ninth step: requires the availability of the plan for repayment of loans and other medium and long-term debts.

In the example, during the period of the plan, there are payments for mortgage repayment of € 12.500,00 for the capital share, the interest is equal to €1.600,00.

Tenth step: preparation of the forecast balance sheet.

The following table shows the balance of assets and liabilities of the balance sheet recalculated on the basis of the forecasts contained in the plan set out above.

	31-12-2021		31-12-2021
A) Crediti verso soci per versamenti ancora dovuti	0,00	A) Patrimonio netto	
B) Immobilizzazioni		Capitale e riserve	84.683,50
Immobilizzazioni immateriali	0,00	Utili (perdite) portati a nuovo	0,00
Immobilizzazione materiali	28.000,00	Utile (perdita) dell'esercizio	25.846,09
Immobilizzazioni finanziarie	0,00	Totale patrimonio netto (A)	110.529,59
Totale immobilizzazioni (B)	28.000,00	B) Accantonamento fondo rischi e spese (+)	2.964,49
C) Attivo circolante		C) Trattamento di fine rapporto di lavoro subordinato	35.628,00
Rimanenze di prodotti finiti, materie prime	108.725,00	Debiti	
Attività finanziarie che non costituiscono immobilizzazioni	0,00	Obbligazioni e debiti rappresentati da titoli di credito (breve termine)	0,00
Crediti vs clienti	27.040,40	Obbligazioni e debiti rappresentati da titoli di credito m/l termine	0,00
Altri crediti a breve termine	0,00	Debiti vs soci	0,00
Crediti vs imprese collegate e associate	0,00	Banca c/c passivo	0,00
Crediti tributari	0,00	Altri debiti a breve termine	2.866,92
IVA a credito	0,00	Mutui	12.500,00
Banche c/c attivo	0,00	Altri debiti a m/l termine	0,00
Assegni, denaro e valori in cassa	27.075,15	Debiti vs imprese controllate e collegate	0,00
Totale Attivo circolante (C)	162.840,55	IVA a debito	6.800,00
D) Ratei e risconti attivi	0,00	Debiti tributari	8.700,00
TOTALE STATO PATRIMONIALE ATTIVO	190.840,55	Debiti vs fornitori	10.851,55
		Debiti vs dipendenti	0,00
		Totale debiti (D)	41.718,47
		E) Totale Ratei e risconti	0,00
		TOTALE STATO PATRIMONIALE PASSIVO	190.840,55

Forecasted Balance Sheet on 31 December 2021 – Source: MPHIM+

Eleventh step: prognostic analysis of cash flows for the year 2021 (art. 13 of D.Lgs 14/2019, Indices of alert of the CNDCEC 1st approach in the case in example).¹¹⁷

It should be noted that steps 10 and 11 develop simultaneously, since prospective liquidity, the calculation of which is carried out in the following detailed procedure, although calculated on the basis of a prospective financial statement, is at the same time an asset element of the balance sheet.

The procedures to be used for the calculation of prognostic cash flow, forecasted liquidity and DSCR are described below:

- a) Period economic outturn obtained by subtracting first- or second-level contribution margin from the common fixed income negative components (point 5),

To obtain the result of the period, equal to € 34.546,09, it is sufficient to subtract from the first level contribution margin just calculated, equal to € 55.146,09, the total period costs and non-specifiable overheads equal to € 20.600,00.

¹¹⁷ The first approach proves to be better suited to SMEs which are not obliged to draw up financial statements in the balance sheet and therefore may be less accustomed to calculating certain quantities required by the DSCR in the second approach, such as free cash flow from operation (FCFO).

b) Add to period economic outturn non-monetary costs and subtract non-monetary revenues, for example:

- expected depreciation over the plan period € 4.000,00,
- provision TFR in the plan period € 5.000,00,
- provision of funds for expenditure (allowances for staff members) in the period covered by the plan € 2.965,49.

No capital gains/losses or other non-monetary revenues are expected.

	31-12-2021
Utile ante imposta	34.546,09
Imposte	8.700,00
Risultato netto	25.846,09
Ammortamenti	4.000,00
Accantonamento TFR (+)	5.000,00
Accantonamento fondo rischi e spese (+)	2.964,49
AUTOFINANZIAMENTO	37.810,58

Period's economical result +/- non-monetary costs/revenues – Source: MPHIM+

- c) Following a comparison of the balance sheet and balance sheet items, it is possible to identify changes in the working capital elements (receivables vs customers, payables vs suppliers, inventories, etc...), of permanent capital (loans, equity, TFR, etc...) and fixed assets (purchases and disposals), to be added (with positive or negative sign) to profits (point 11, letter a), also considering non-monetary costs, with positive sign, and non-monetary revenues, with negative sign, as indicated in point 11 b.

In the table below, changes in net working capital: in the first column on the left the values on 31 December 2020, in the second column the values at 31.12.2021, in the third column on the right (changes) differences expressing the origin of cash flows triggered by changes.

	31-12-2020	31-12-2021	Variazione
Cassa	31.336,00		
Cassa Assegni	0,00		
Banche c/c attivo	0,00		
Liquidità	31.336,00		
IVA a debito anno n (se l'importo in n+1 è negativo, significa che l'IVA è a credito)	6.618,24	21.012,22	14.393,98
IVA su investimenti o a credito anno n	0,00	0,00	0,00
Banca c/c passivo (indicare in n+1 l'importo scopertura max concessa)	0,00	0,00	0,00
Interessi e altri oneri finanziari banca c/c passivo		0,00	
Rimanenze di prodotti	102.201,50	108.725,00	-6.523,50
Svalutazione		0,00	
Rimanenze di materie prime, sussidiarie, di consumo e merci	0,00	0,00	0,00
Svalutazione		0,00	
Crediti vs clienti	30.425,00	27.040,40	3.384,60
Svalutazione		0,00	
Altri crediti a breve termine	0,00	0,00	0,00
Crediti tributari	0,00	0,00	0,00
Debiti tributari	8.500,00	0,00	-8.500,00
Debiti vs fornitori	12.985,00	10.851,55	-2.133,45
Debiti vs dipendenti	0,00	0,00	0,00
Debiti vs agenti	2.500,00	2.866,92	366,92
Altri debiti a breve	0,00	0,00	0,00
Attività finanziarie che non rappresentano immobilizzazioni	0,00	0,00	0,00
Proventi da titoli		0,00	
Obbligazioni e debiti rappresentati da titoli di credito (breve termine)	0,00	0,00	0,00
Interessi e altri oneri finanziari banca c/c passivo		0,00	
Ratei e risconti attivi	1.202,00	0,00	1.202,00
Ratei e risconti passivi	0,00	0,00	0,00
VARIAZIONI CAPITALE CIRCOLANTE			2.190,55

Variations in the Working Capital 2020/2021 – Source: MPHIM+

In the table below, the changes in permanent capital relating to the payment of the principal amount of the loan payable:¹¹⁸

¹¹⁸ Interest expense has already been considered in the calculation of the estimated operating result.

	31-12-2020	31-12-2021
Capitale e riserve n	84.683,50	
Utili (perdite) esercizio n portati a nuovo n+1	26.249,76	0,00
Aumento capitale sociale n+1		0,00
Diminuzione capitale sociale n+1		0,00
Capitale e riserve n+1		84.683,50
Variazione patrimonio netto		-26.249,76

Variation of Fixed Capital (Equity) – Source: MPHIM+

The total of the changes in the permanent capital is therefore equal to € -38.749,76, which is given by the sum of the negative changes on loans of € 12.500,00 and on equity of € 26,249,76, with negative sign in how much concurs to the contraction of the prognostic cash flow for the period 2021.

The data from the above detailed calculations are represented in the table below that expresses the prognostic cash flow for year 2021:

	31-12-2021
Utile ante imposta	34.546,09
Imposte	8.700,00
Risultato netto	25.846,09
Ammortamenti	4.000,00
Accantonamento TFR (+)	5.000,00
Accantonamento fondo rischi e spese (+)	2.964,49
AUTOFINANZIAMENTO	37.810,58
Minusvalenza/plusvalenza	0,00
Altri ricavi non monetari (incrementi immobilizzazioni lavori interni)	-0,00
Svalutazione	0,00
Risultato netto +/- costi e ricavi non monetari	37.810,58
VARIAZIONI IMMOBILIZZAZIONI	0,00
VARIAZIONI CAPITALE CIRCOLANTE	2.190,55
FLUSSI FINANZIARI CAPITALE PERMANENTE	-38.749,76
ALTRE VARIAZIONI FINANZIARIE	0,00
Cash Flow	1.251,37
Cash flow con imposte dirette a debito	9.951,37

Forwarded Cash Flow on 31 December 2021 – Source: MPHIM+

Adding to the existing liquidity at 31.12.2020, equal to €31.336,00, the forwarded cash flow on 31 December 2021, equal to € 9.951,37 and deducting the VAT payable for the period 1.1.2021-31.12.2021¹¹⁹, equal to € 14.212,22, you get the cash flow at 31.12.2021 equal to € 27.075,15.

In addition, the scheme in the table above has an unquestionable diagnostic value as well as prognostic value, as it allows us to trace the causes, decisions and events that led to a decline in cash flow, providing useful guidance on the actions to be taken in order to contain the effects that may adversely affect prospective cash flows.

It is therefore possible to calculate the DSCR with the first approach, where in the denominator are reported the financial expenses related to the loan (share capital and interest) equal to € 12,500.00 (principal amount, as the interest of € 1,600.00 was reduced by the estimated economic result):

$$(31.336,00^{120} + 9.951,37^{121} + 12.500,00^{122} - 0,00 - 14.212,22^{123} + 0,00) / 12.500,00 = 3,17$$

DSCR > 1 notes that, at the date of the plan, a probable business crisis situation does not exist.

Such planning will have to be updated with quarterly cadence,¹²⁴ making the necessary corrections on the base of the trend recorded in the last period (bimester, trimester, etc...). The activities described above, if implemented (as in the case of example) in a DSS system where the algorithms of the cause-effect relationships between dependent and independent variables have been correctly reconstructed, it also provides an economic and financial model capable of developing sensitivity analysis to assess the effects on profitability, cash flows and the balance sheet of strategic decisions relating not only to the choice of products to be produced, sales channels, product promotion (agents, fairs, e-commerce), price discrimination strategies, but also, by way of example:

- investments and disposals of company assets
- the opening of a new plant

¹¹⁹ In how much the forwarded annual VAT has been liquidated but not diminished from the prospective cash flows for the amount to pour in the period.

¹²⁰ Liquidity at 31.12.2020

¹²¹ Prospective cash flow at 31.12.2021 excluding direct taxes payable in the following year and VAT payable in the period 1.1.2021-31.12.2021. Capital share of the loan that is added to the numerator as it has already been considered with a negative sign in the calculation of the cash flow prognostic for the year 2021, in decrease of the economic result of the period.

¹²² Capital share of the loan that is added to the numerator as it has already been considered with a negative sign in the calculation of the cash flow prognostic for the year 2021, in decrease of the economic result of the period.

¹²³ Debit tax for year 2021.

¹²⁴ Art. 24, par. 1 of the CCII

- the use of the cash flow
- the level of capital base and the choices about the company financial activities.

It is then proposed a direct cost configuration that absorbs all variable costs, including those related to the commercial area, contained in a computer solution that makes dynamic analysis of what-if type, escaping the limit of "variability" of fixed costs reported by full cost costing systems.

A totalizing management control, which, starting from direct cost or evolved direct cost, allows the enterprise to:

- implement and analyse trade marketing and marketing mix choices (operational marketing)
- calculate the first or second level contribution margins, by product, channel, and customer
- conduct income predictive and prognostic cash flow activity
- have together, in a systematic way, the evaluation and control of management areas and fundamental business processes.¹²⁵

1.2 The measurement of the impact of the events on the profitability and on cash flows: a practical-operational model.

Risk Management represents a managerial innovation whose role is expressed, also and not only, in ensuring the protection of the "company system" from adverse events and their effects that represent problems known to both companies and auditors.

Paragraph 22 of accounting standard OIC11 provides, in the presence of significant uncertainties (such as those related to the effects of COVID-19), that information on risk factors, assumptions made (for example, CIG, moratoria, etc.) and future business plans to address such risks and uncertainties are provided in the notes to the financial statements.

For companies subject to the obligation of statutory audit, the international accounting standard (ISA Italia) n. 570, titled "*Continuità Aziendale*", requires the auditor to discuss with management whether the latter "has identified events or circumstances which, considered individually or as a whole, may give rise to significant doubts as to the undertaking's ability to continue operating as a functioning entity, and, if so, consider management plans to address such events and circumstances."

¹²⁵ F. Raccichini, L. Nardoni, C. Cannella, S. Cognigni, A. De Santis, G. Eusebi, V. Orsini, *Il controllo di gestione nelle PMI, Commissione di studio sul Controllo di Gestione e Analisi Finanziaria ODCEC di Fermo, Documento n. 1*, November 2018, pag. 11

This problem also affects banks. According to the new guidelines published by EBA on 29 June 2020, when assessing the financial position of customers, credit institutions should also consider the sustainability and feasibility of future repayment capacity in relation to the occurrence of potentially adverse conditions,¹²⁶ relevant to the type and purpose of the loan and likely to occur during the life of the loan contract.

The assessment of these events requires the development of an adequate sensitivity analysis¹²⁷ which, as already provided by the CNDCEC, can be implemented, as part of the plan, through the construction of an economic-financial and patrimonial model is able to represent the quantitative formalization of the economic, financial and patrimonial perspectives.¹²⁸

Moreover, the EBA also requires banks, in the context of their lending and monitoring activities, to develop a sensitivity analysis of the customer's ability to repay in unfavourable future conditions, considering the idiosyncratic and market events listed above.

Such points of correspondence, determine a substantial convergence also on the aspects of methodological and procedural nature that they demand to operate according to a forward-looking perspective, on stochastic base (probabilistic) and multi-scenario, through the sensitive analysis.

Some examples will clarify the above details. The aim is, in particular, to conduct a sensitivity analysis on a stochastic (probabilistic) and multi-scenario basis that considers the following events, completely plausible compared to current market situations:

- a) loss of the wholesaler Alfa Srl, the only customer-wholesaler to operate on the Ho.re.Ca channel, one of the sectors most affected by the epidemiological emergency
- b) average extension of customer payment periods by 15 days on an annual basis.

We start from the hypothesis a) and assume that the volume of annual purchases of the wholesaler Alfa Srl is equal to 3.000 bottles.

¹²⁶ Credit institutions should take into account events, which are particularly relevant to the customer's specific circumstances and business model, including idiosyncratic events (a serious but plausible drop in a client's revenues or profit margins, the bankruptcy of a major trading partner, unfavourable changes in asset prices) and market events (a serious but plausible macroeconomic slowdown, a serious but plausible contraction of the economic sectors in which the customer and its customers operate).

¹²⁷ EBA, Guidelines on loan origination and monitoring (ABE/GL/2020/06), May 2020, par. 5.2.6, point 150.

¹²⁸ CNDCEC, *Verso il nuovo codice della crisi*, 14 June 2019, Par. 3.3

We proceed to analyze the effects on income and cash flow of the event just described, relating to the decline in revenues due to the loss of the customer.

Customer	Min. Order	Discount 1	Final Discount	Sales Price	Quantity	Total Amount	Network Management Amount & %	Sales Network Amount & %	Agent	Sales Price Margin Amount & %
									100.00	
Wholesaler +	1 pallet:600 bottiglie	44% ▾	55.76%	3,5834	7000	25,084,0800	1,241,6620 4.95	1,086,1407 4.33	1,086,1407 4.330% 879,4661 3.506%	7,534,7774 30.04% -- --
Minimarket <200m2 +	3box:18 bottiglie	44% ▾	44.00%	4,5360	34000	154,224,0000	30,829,3776 19.99	22,855,9968 14.82	22,855,9968 14.820% 18,506,8800 12.000%	26,605,6256 17.25% -- --
End Customer +	1	0% ▾	0.00%	8,1000	3000	24,300,0000	0,0000 0.00	0,0000	0,0000 0.000% 0,0000 0.000%	17,776,5000 73.15% -- --
Total quantity - 44000 Product/Service Turnover - 203.608,0800							Total profit Margin of Profit Total turnover - direct cost (amount) Total turnover - direct cost (%)			51.916,9030 25.50% -- --

First level contribution margin on sales budget in the hypothesis of the loss of the wholesaler – Source: MPHIM+

The expected sales volume of the wholesaler is reduced to 7,000 bottles per year while the first level contribution margin is reduced to € 51.916,9030.

From the comparison of the first level contribution margins referred to in the previous table, equal to € 51.916,9030 with the period costs and non-specifiable overheads contained in the table reproduced here:

Interest Expenses	€ 1.600,00
Other Operating Assets	€ 15.000,00
Depreciation	€ 4.000,00
Total period costs and non-specifiable overheads	€. 20.600,00

The result is obtained from the predictive analysis of income following the expected reduction in sales, which reveals an operating result of €31.316,90 (-€ 3.232,27 compared to the previous predictive analysis of income).

	31-12-2021		31-12-2021
A) Crediti verso soci per versamenti ancora dovuti	0,00	A) Patrimonio netto	
B) Immobilizzazioni		Capitale e riserve	84.683,50
Immobilizzazioni immateriali	0,00	Utile (perdite) portati a nuovo	0,00
Immobilizzazione materiali	28.000,00	Utile (perdita) dell'esercizio	22.616,90
Immobilizzazioni finanziarie	0,00	Totale patrimonio netto (A)	107.300,40
Totale immobilizzazioni (B)	28.000,00	B) Accantonamento fondo rischi e spese (+)	2.964,49
C) Attivo circolante		C) Trattamento di fine rapporto di lavoro subordinato	35.628,00
Rimanenze di prodotti finiti, materie prime	115.248,50	Debiti	
Attività finanziarie che non costituiscono immobilizzazioni	0,00	Obbligazioni e debiti rappresentati da titoli di credito (breve termine)	0,00
Crediti vs clienti	25.423,43	Obbligazioni e debiti rappresentati da titoli di credito m/l termine	0,00
Altri crediti a breve termine	0,00	Debiti vs soci	0,00
Crediti vs imprese collegate e associate	0,00	Banca c/c passivo	0,00
Crediti tributari	0,00	Altri debiti a breve termine	2.812,24
IVA a credito	0,00	Mutui	12.500,00
Banche c/c attivo	0,00	Altri debiti a m/l termine	0,00
Assegni, denaro e valori in cassa	16.613,26	Debiti vs imprese controllate e collegate	0,00
Totale Attivo circolante (C)	157.285,19	IVA a debito	4.641,97
D) Ratei e risconti attivi	0,00	Debiti tributari	8.700,00
TOTALE STATO PATRIMONIALE ATTIVO	185.285,19	Debiti vs fornitori	10.794,63
		Debiti vs dipendenti	0,00
		Totale debiti (D)	39.448,84
		E) Totale Ratei e risconti	0,00
		TOTALE STATO PATRIMONIALE PASSIVO	185.341,73

Forwarded Balance sheet in the hypothesis of the loss of the wholesaler client – Source: MPHIM+

The predictive analysis of the balance sheet and prognostic cash flow situation, on the other hand, detects a DSCR=2.33, however greater than 1 and still far from on-call levels. However, the cash flow, as a result of the forecast reduction of sales on the wholesale customer, becomes € 16.613,25 compared to the previous hypothesis of the table about the forwarded balance sheet on 31 December 2021 (€ 27.075,15) and notes a significant decrease due to the greater responsiveness of cash flows compared to changes in turnover, much higher than the trade-off between turnover and income.

A further stress test (hypothesis b), on an extension of the customer payment terms of 15 days on an annual basis, quite likely in a recessionary context like the current one, detects instead an increase of credits vs customers to € 34.413,40 (credits vs wholesalers € 5.036,56 to which must be added credits vs retailers for € 29.382,84):

Wholesaler						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	25.084,0800	1	60	22.00	4.123,41	5.030,56

Minimarket <200m2						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
30 gg	154.224,0000	1	57	22.00	24.084,30	29.382,84

End Customer						
Terms of Payment	Total Amount	Installments	Deferral of payment	VAT	Taxable	VAT Included
cash	24.300,0000	0		22.00	0,00	0,00

Credits vs clients after the increase of the terms of pay – Source: MPHIM+

	31-12-2021		31-12-2021
A) Crediti verso soci per versamenti ancora dovuti	0,00	A) Patrimonio netto	
B) Immobilizzazioni		Capitale e riserve	84.683,50
Immobilizzazioni immateriali	0,00	Utili (perdite) portati a nuovo	0,00
Immobilizzazione materiali	28.000,00	Utile (perdita) dell'esercizio	22.616,90
Immobilizzazioni finanziarie	0,00	Totale patrimonio netto (A)	107.300,40
Totale immobilizzazioni (B)	28.000,00	B) Accantonamento fondo rischi e spese (+)	2.964,49
C) Attivo circolante		C) Trattamento di fine rapporto di lavoro subordinato	35.628,00
Rimanenze di prodotti finiti, materie prime	115.248,50	Debiti	
Attività finanziarie che non costituiscono immobilizzazioni	0,00	Obbligazioni e debiti rappresentati da titoli di credito (breve termine)	0,00
Crediti vs clienti	34.413,40	Obbligazioni e debiti rappresentati da titoli di credito m/l termine	0,00
Altri crediti a breve termine	0,00	Debiti vs soci	0,00
Crediti vs imprese collegate e associate	0,00	Banca c/c passivo	0,00
Crediti tributari	0,00	Altri debiti a breve termine	2.812,24
IVA a credito	0,00	Mutui	12.500,00
Banche c/c attivo	0,00	Altri debiti a m/l termine	0,00
Assegni, denaro e valori in cassa	7.623,29	Debiti vs imprese controllate e collegate	0,00
Totale Attivo circolante (C)	157.285,19	IVA a debito	4.641,97
D) Ratei e risconti attivi	0,00	Debiti tributari	8.700,00
TOTALE STATO PATRIMONIALE ATTIVO	185.285,19	Debiti vs fornitori	10.794,63
		Debiti vs dipendenti	0,00
		Totale debiti (D)	39.448,84
		E) Totale Ratei e risconti	0,00
		TOTALE STATO PATRIMONIALE PASSIVO	185.341,73

Balance sheet following customer loss and longer payment periods – Source: MPHIM+

The prognostic cash flow, in this case, is equal to € 7.623,29 generating a level of cash flow that shows particular concerns as it is significantly reduced compared to the last final figure on 31 December 2020 which showed a liquidity of € 31.336,00.

These are the results of the sensitivity analysis on a stochastic (probabilistic) and multi-scenario basis which considers the events related to the reduction of sales and the lengthening of customer payment times, completely plausible compared to current market situations.

1.3 The Risk Management compliant with the Crisis Code

With the cash flow prognosis closes the circle and the risk management system described here, instrumented with trade marketing models, analytical accounting, and a business intelligence system capable of developing stochastic (probabilistic) sensitivity analysis and multi-scenario, allows to assess the impact on profitability and cash flow of strategic decisions and adverse but entirely plausible events that may threaten business continuity. A risk management model compliant with the crisis code that addresses the typical problems of SMEs, especially those related to operational marketing, receptacles of company malfunction ready to lead to the crisis of enterprise if not adequately intercepted and treated.

As already widely discussed in the other parts of this work, to complete the discussion of the risk management model to be adopted according to the requirements of the Code of Crisis, it is necessary to carry out periodic monitoring, in addition to prognostic cash flows, of the following indices indicating the absence of a reasonable presumption of crisis provided that they comply with the following conditions:

- 1) Shareholders' equity > 0 or less than legal minimum,¹²⁹
- 2) DSCR > 1 ,¹³⁰

Although not yet in force, it is also advisable to monitor the following indicators:¹³¹

- a) debts for salaries which have been due for at least 60 days, and which amount to more than half of the total monthly remuneration,
- b) debts to suppliers which have been past due for at least 120 days, and which exceed debts not due.

As an adjustment of the Crisis Code to EU Directive 2019/1023 is expected, the so-called Insolvency Directive, which in paragraph 22 expressly indicates, among the indicators taking the form of alert mechanisms, the non-payment of taxes or social security contributions, it is also advisable to monitor also:

¹²⁹ Art. 13, Par. 1 of CCII, *Indici di allerta del CNDCEC*, par. 3.2.1.

¹³⁰ Art. 13, par. 1 of CCII, *Indici di allerta del CNDCEC*, par. 3.2.1.

¹³¹ Art. 24, par. 1 letters a and b of the CCII, whose come into force is scheduled on the 31 December 2023

<i>Agenzia delle Entrate</i>		Thresholds
Total unpaid and past due VAT debt resulting from the notification of periodic liquidation	At least 30% of turnover for the same period and not less than:	> euro 25,000 if the turnover in statement of the previous year is at most euro 2 million
		> euro 50,000 if the turnover in statement of the previous year is at most euro 10 million
		> euro 100,000 if the turnover in declaration of the previous year exceeds euro 10 million
<i>INPS</i>		Thresholds
Late payment of social security contributions for more than 6 months	Debts past due > 1/2 contributions previous year	> euro 50.000,00
Collection Agent		Thresholds
Total amounts receivable entrusted for collection, whether declared in writing or definitively established	Past due > 90 days	> € 500.000,00 for sole proprietorships
		> € 1000.000,00 for collective undertakings

Alert Thresholds for qualified public creditors

which constitute, pursuant to Art. 15 of the CCII, so-called external alerts activated by qualified public creditors. They too, at this stage, are postponed to 31 December 2023.

In addition to monitoring debt sustainability, the entrepreneur also has the task of monitoring the existence of other business continuity threats related to other types of events that may compromise continuity for the current year and, where the remaining period is less than six months, in the following six months,¹³² such as:

- relevant losses caused by environmental damages,
- legal disputes involving the company's top management,
- deep disagreements into the company ownership,
- sudden loss of fundamental clients or suppliers.

These threats are not detectable by the indices referred to in the delegation, as they are removed from the system of budgetary values to which these indices are reconnected,¹³³ but must be carefully monitored by the administrative body.

¹³² Art. 13, par. 1 of the CCII

¹³³ CNDCEC, *Indici di allerta*, 20 October 2019, par. 6.1.

CHAPTER 3

Experimenting the ERM Model on Micro and Small Enterprises

1. The adoption of the model by a company

The adjustment to the appropriate organizational, administrative, and accounting arrangements was carried out on the company *EMMEDIA SAS di Allenza Serafino Antonio e C.* whose personal data and some information on the type of customers are reported, turnover class and number of employees.

The company has been working in the market of Wholesale of aluminium profiles, window joinery and other building materials and products, and it operates mostly on the regional market of Sicily.

Surveys about the Company's Organizational Arrangements have been carried out in March 2021.

In order to explore the effects of the application of the model on the real case of a micro-enterprise, a study about its organizational arrangements and business continuity was necessary.

The wording about the organizational arrangements and the business continuity can be found already in 2017, saying that “it is the entrepreneur's duty to introduce organisational arrangements adequate for the early detection of the crisis and loss of business continuity, and to take action for the timely adoption of one of the instruments provided for by the law to overcome the crisis and the recovery of business continuity”¹³⁴

The checklist that we are going to analyse has been elaborated on the basis of the IAS 570 that considers different kind of indicators, relatively to different kind of adverse events that the company may face.

The indicators work in synergy with the principles that, imposed by the new CCII, are considered to be fundamental not only in order to correctly manage the company, but also (and more than anything else) in order to predict and prevent situations of business crisis,

¹³⁴ Art. 14 letter b) of Delegation Law (L. n. 55/2017)

as has also been pointed out in the new art. 2086 of the Italian Civil Code about company management. In particular, art. 375 of the CCII imposes that “the entrepreneur, operating in corporate or collective form, has the duty to establish an organisational, administrative and accounting structure appropriate to the nature and size of the enterprise, including the early detection of the company’s crisis and the loss of business continuity, and to act without delay for the adoption and implementation of one of the instruments provided for by the law to overcome the crisis and the recovery of business continuity”

Company Name EMMEDIA SAS DI ALLENZA SERAFIN	Address Via Capitano Boer 101	Zip Code 90029
City Valledolmo	Province PA	District Sicilia
Country Code ITA - Italy	Phone 0921544503	VAT 05362300823
Fax	Website	app.customer_type PRODUCER, CONSTRUCTION COMPANY - GENERAL CONTRACTOR
Legal Form Società in accomandita semplice (S.a.s.)		
Revenues ≤ €. 2.000.000	No. Employees 2	

Nella tua attività la giacenza di magazzino è rilevante
☒ Si ☐ No ☐ L'attività dell'impresa non richiede alcun magazzino materie prime, semilavorati o prodotti finiti

Contabilità generale
☐ Si ☒ No

It was observed that the warehouse inventories have a relevant role in the company’s activity.

2. The organizational arrangements

The first activity that has been implemented, for the implementation of a risk management system compliant with the Code of the crisis, considering that at the current date are in force only the articles 27, paragraph 1; 350; 356; 357; 359; 363; 364; 366; 375; 377; 378; 379; 385; 386; 387; and 388 which entered into force on 16 March 2019 of Legislative Decree 14/2019, was to analyse the current organizational arrangements, administrative and accounting in order to identify possible areas for improvement in order to reach the level of adequacy required by the legislation.

As already mentioned in the fourth paragraph of the first chapter, the organizational arrangements have to be verified through the compilation of a systemic questionnaire that reports the checklist of the company's compliance with the CCII and with the EBA managerial model.

The organizational arrangements¹³⁵ are defined as the function and organization chart system¹³⁶ and in particular, the set of directives and procedures established to ensure that decision-making is assigned and effectively exercised at an appropriate level of competence and responsibility, the procedural set of controls.

An organisational set-up shall be appropriate if it has a structure compatible with the size of the company and with the nature and manner of pursuing the objects of the company, as well as the timely detection of signs of crisis and loss of business continuity and can therefore allow the directors in charge of the decision to take the most appropriate measures for its detection and resolution.¹³⁷

Directors shall ensure that the organisational set-up is appropriate to the nature, size, complexity, and other specific characteristics of the company, verifying that it is capable of detecting early signs of crisis and loss of business continuity so as to make it possible to take appropriate measures to overcome the crisis or to recover the business continuity.

We then develop:

- the checklist of the organizational, administrative, and accounting arrangements on the basis of the indications given by the CNDCEC in the *Norma di comportamento del collegio sindacale delle società non quotate*¹³⁸,
- The checklist about business continuity according to the indications of the national accounting principle *OIC11* and the international audit principle *ISA57a* (going concern).

The aforementioned check lists are also contained in the DSS MPHIM+ which I used to analyse the arrangements and monitor the company's business continuity.

¹³⁵ Art. 2086 Civil Code, Art. 2403, par. 1 Civil Code, Art. 2381, par. 3 and 5, Civil Code

¹³⁶ The so-called "*Funzionigramma*" To be understood as configuration (horizontal) of tasks, functions and competences, and the organization chart, to be understood as configuration (vertical) of relationships of supra and subordination, powers, and responsibility.

¹³⁷ CNDCEC, Rule 3.5 *Vigilanza sull'adeguatezza e sul funzionamento dell'assetto organizzativo*,

¹³⁸ *Informativa n. 159/2020 del CNDCEC*, 21 December 2020

Sistemi di gestione qualità

☐ Si ☒ No

In relazione all'attività svolta, l'adozione di un sistema di gestione della qualità è obbligatoria?

☐ Si ☒ No

In relazione all'attività svolta, l'adozione di un sistema di gestione della qualità può ampliare le possibilità di mercato dell'impresa?

☐ Si ☒ No

Modelli organizzativi (ex d. lgs 231/2001)

☐ Si ☒ No

Procedimenti penali negli ultimi 5 anni che hanno riguardato soci, soggetti che rivestono posizioni apicali

☐ Si ☒ No

I procedimenti penali riguardavano reati a catalogo ex D. Lgs 231/2001

☐ Si ☒ No

Ispezioni negli ultimi 5 anni degli organi di controllo (Arpa, Polizia, Guardia Forestale, Guardia di Finanza, Vigili del Fuoco, Ufficio Provinciale del Lavoro,)

☐ Si ☒ No

In the same order:

- Quality management systems: No
- Relatively to the activity carried out, is it mandatory the adoption of a quality management system? No
- Relatively to the activity carried out, may the adoption of a quality management system improve the company market capacity? No
- Organizational Models (ex d. lgs. 231/2001)? No
- Criminal proceedings in the past 5 years regarding stakeholders or entities in the top management? No
- Were the criminal proceedings part of the catalogue ex D. lgs. 231/2001? No
- Inspections in the past 5 years from supervisory bodies? No

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Il RSPP è il datore di lavoro (DL) o un soggetto esterno (Ext)

☒ DL ☐ EXT ☐ Non è stato designato

Il RSPP designato ha effettuato la formazione obbligatoria?

☒ Si ☐ No

E' stato eletto un Rappresentante dei lavoratori sulla sicurezza?

☒ Si ☐ No

Il Rappresentante dei lavoratori sulla sicurezza ha ricevuto la formazione obbligatoria?

☒ Si ☐ No

Sono stati nominati gli addetti al primo soccorso?

☒ Si ☐ No

Gli addetti al primo soccorso hanno ricevuto la formazione obbligatoria?

☒ Si ☐ No

Sono stati nominati gli addetti alle emergenze, evacuazione e antincendio?

☒ Si ☐ No

Gli addetti alle emergenze, evacuazione e antincendio hanno ricevuto la formazione obbligatoria?

☒ Si ☐ No

I singoli lavoratori hanno ricevuto la formazione secondo l'art. 37 del d. lgs 81/08 (formazione generale e specifica)

☒ Si ☐ No

I lavoratori soggetti a rischio lavorativo hanno effettuato le visite mediche richieste dall'art. 41 del D. Lgs 81/08?

☒ Si ☐ No ☐ Non sono obbligato

E' stato predisposto il DVR?

☒ Si ☐ No

Checklist about safety on the workplace:

- Is the Health and Safety Manager the Employer or an external member? It is the Employer
- Did the Health and Safety Manager attend the mandatory formation? Yes
- Was nominated a representative for the employees about security? Yes
- Did the representative attended the mandatory training? Yes

- Have the first-aids been nominated? Yes
- Did they attend the mandatory training? Yes
- Have the emergency, evacuation and fire-fighting workers been nominated? Yes
- Did they attend the mandatory training?
- Did each employee attend the training ex art. 37 of d. lgs. 81/2008? Yes
- Did the employee subject to risk have the medical visit required by art. 41 d. lgs. 81/2008? Yes
- Was a risk assessment document drawn up? Yes

Regolamento Ue 679/2016 (GDPR) Trattamento dei Dati Personali (Privacy)

Il titolare dell'impresa ha effettuato la formazione in materia di privacy ai sensi del Regolamento Ue 679/2016 (GDPR)?

☒ Si ☐ No

Il titolare dell'impresa ha garantito la formazione obbligatoria in materia di Privacy a tutti i dipendenti e collaboratori sul tema protezione dei dati personali ai sensi del Regolamento UE 679/2016 (GDPR)?

☒ Si ☐ No

Sono state predisposte le procedure Privacy ai sensi del Regolamento Ue 679/2016 (GDPR)?

☒ Si ☐ No

The checklist about EU regulation 679/2016 about privacy:

- Did the owner of the company attend the mandatory training about privacy according to EU Regulation 679/2016 (GDPR)? Yes
- Did the owner of the company grant the mandatory training about privacy to all of the employee and collaborators about the protection of personal data according to EU Regulation 679/2016 (GDPR)? Yes
- Are privacy procedures according to in place EU Regulation 679/2016 (GDPR)? Yes

Organigramma

☒ Si ☐ No

	Aree Funzionali	Nome e Cognome	Natura del rapporto	Corrispondenza con quanto indicato nell'organigramma	Coerenza con il percorso di studi	Coerenza con il curriculum	Potere di compiere atti di gestione con autonomia decisionale	Delega di funzione in forma scritta, procura notarile o incarico professionale	Sono stati previsti limiti di spesa	Il rappresentante ha operato nei limiti della delega o procura
	Amministrative	Giuseppe	Dipendente	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input type="radio"/> Si <input checked="" type="radio"/> No	No	<input type="radio"/> Si <input type="radio"/> No	<input type="radio"/> Si <input type="radio"/> No
	Acquisti	Serafino	Amministrativo	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	Delega	<input type="radio"/> Si <input checked="" type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No
	Vendite	Serafino	Amministrativo	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No	Delega	<input type="radio"/> Si <input checked="" type="radio"/> No	<input checked="" type="radio"/> Si <input type="radio"/> No

Then we analyse the organizational structure of the company.

As we can observe, the organizational structure of the company sees a dependent that takes care of the directive function with no power to operate in the management autonomously, while the director has full power on the management and takes care of sells and purchases of assets.

Sistema IT

Fatturazione

☒ Si ☐ No

Contabilità

☒ Si ☐ No

Paghe

☐ Si ☒ No

Magazzino

☒ Si ☐ No

Dichiarazioni annuali

☐ Si ☒ No

CRM

☒ Si ☐ No

Software in grado di produrre un business plan, un budget semestrale/annuale, un piano di tesoreria o di cassa semestrale/annuale

☒ Si

Checklist about the subjects of use of computer systems:

- Billing? Yes
- Accounting? Yes
- Salary? No
- Warehouse? Yes
- Yearly declaration? No
- CRM? Yes
- Software for Business Planning, yearly/half-yearly budgeting, yearly/half-yearly Treasury or cash planning? Yes

2.1 The Administrative and Accounting arrangements

Le giacenze di magazzino sono aggiornate

☒ Si ☐ No

Le scritture contabili sono aggiornate?

☒ Si ☐ No

Conosci il costo diretto delle materie prime impiegate per la realizzazione del prodotto?

☒ Si ☐ No

Conosci i costi del lavoro diretto impiegato per la realizzazione del prodotto?

☐ Si ☐ No ☒ Nessun costo diretto del lavoro

Hai calcolato l'incidenza dei costi di periodo (comuni o generali) sul prodotto/servizio?

☐ Si ☒ No

Hai verificato il coordinamento tra contabilità generale e contabilità analitica/industriale?

☐ Si ☒ No

Situazioni contabili infrannuali

☒ Si ☐ No

Budget economico-finanziari almeno a 6 mesi

☐ Si ☒ No

In the same order:

- Are the warehouse inventories updated? Yes
- Are the accountings updated? Yes
- Is the direct cost of the raw materials known? Yes
- Is the cost of the direct work known? There is no direct cost for work
- Has been calculated the incidence of the year costs (common or genera) on the product/service? No
- Has been verified the coordination between general accounting and analytic/industrial accounting? No
- Interim accounting situation? Yes
- Economic-financial budget at 6 months? No

Assetti organizzativi

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Verificare il periodo di validità dell'attestato di frequenza del RSPP (5 anni) e la corretta identificazione della categoria di rischio (alto, medio, basso) sulla base del/i codice/i Ateco

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Se hai più di 15 dipendenti verificare la validità dell'attestato di frequenza del RLS (1 anno) Se hai meno di 15 dipendenti l'attestato di frequenza del RLS si ritiene valido

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Verificare il periodo di validità dell'attestato di frequenza per gli addetti al primo soccorso (3 anni)

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Verificare il periodo di validità dell'attestato di frequenza degli addetti alle emergenze, evacuazioni e antincendio (3 anni)

D. Lgs. 81/08 sicurezza nei luoghi di lavoro

Verificare il periodo di validità dell'attestato di frequenza dei lavoratori (art. 37 del D. Lgs 81/08) che è pari a 5 anni. Verificare inoltre la corretta identificazione della categoria di rischio (alto, medio, basso) sulla base del/i codice/i Ateco

Amministrazione

Acquisti

Vendite

Sistema IT

Nel caso in cui l'elaborazione delle paghe è assicurata da un soggetto terzo (professionista ad esempio), accertarsi che il flusso informativo con lo stesso sia adeguato al fine di evitare il mancato/tardivo adempimento delle obbligazioni previdenziali, assicurative e fiscali.

Sistema IT

Accertarsi che il professionista abbia inviato i dichiarativi all'Amministrazione Finanziaria nei tempi stabiliti dalla legge.

Assetti amministrativo-contabili

E' consigliabile procedere al coordinamento tra contabilità generale e contabilità analitica/industriale per migliorare l'efficienza e l'efficacia delle attività di controllo di gestione, budgeting e reporting.

Assetti amministrativo-contabili

Il sistema amministrativo-contabile non procede all'analisi predittiva del reddito e non permette di sviluppare la prognosi dei flussi di cassa

Since it is a partnership, the company is not obliged by tax law to apply the general accounting system that was implemented from the year 2021 and, at the date of the plan, is under construction as regards the opening balance.

The most critical point of the report about the administrative and accounting arrangements is that the company did not use to practice the planning of the financial activities, the predictive analysis of income, making in this way unavailable to develop a cash flows prognostic activity. This means that the company was not compliant nor with the Code of the Crisis nor with the EBA managerial model¹³⁹ either.

Since the company works as a SAS (*Società in Accomandita Semplice*) or Limited Partnership, it operates under the obligations of art. 375 of the CCII, which already came into force on the 16th of March 2019.

¹³⁹ Guidelines on Lending and Monitoring (EBA/GL/2020/06), <https://www.eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring#pane-291>

The abovementioned situation may represent a problem for the company since, by not keeping track of the forwarded cash flows it makes difficult to predict and prevent a situation of crisis.

2.2 The business continuity

In the obligations of art. 375 of the CCII, but also according to IAS 570 and the OIC11 it has to be conducted an analysis about the business continuity according to the checklist below, including financial indicators, managerial indicators, and other indicators, that may help to define the risk of crisis for the company.

1. Indicatori finanziari, eventi o circostanze che possono rilevare o comportare rischi per l'impresa e possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

4.1.1. Situazione di deficit patrimoniale - No

4.1.1. Capitale circolante netto negativo - No

4.1.2 Prestiti a scadenza fissa e prossimi alla scadenza senza che vi siano prospettive verosimili di rinnovo o di rimborso oppure eccessiva dipendenza da prestiti a breve termine per finanziare attività a lungo termine

☐ Si ☒ No

4.1.3 Indizi di cessazione del sostegno finanziario da parte dei creditori

☐ Si ☒ No

4.1.4 Bilanci storici o prospettici che mostrano flussi di cassa negativi

☐ Si ☒ No

4.1.5 Principali indici economico-finanziari negativi

☐ Si ☒ No

4.1.6 Consistenti perdite operative

☐ Si ☒ No

4.1.6 Significative perdite di valore delle attività utilizzate per generare i flussi di cassa, innescate dalla limitata prospettiva del loro impiego

☐ Si ☒ No

4.1.7 Difficoltà nel pagamento di dividendi arretrati o discontinuità nella distribuzione di dividendi

☐ Si ☒ No

4.1.8 Incapacità di pagare i debiti alla scadenza

☐ Si ☒ No

4.1.9 Incapacità di rispettare le clausole contrattuali dei prestiti.

☐ Si ☒ No

4.1.10 Cambiamento delle forme di pagamento concesse dai fornitori, dalla condizione "a credito" alla condizione "pagamento alla consegna"

☐ Si ☒ No

4.1.11 Incapacità di ottenere finanziamenti per lo sviluppo di nuovi prodotti ovvero per altri investimenti necessari

☐ Si ☒ No

1. Financial indicators, events or circumstances which may reveal or entail risks for the undertaking and may give rise to doubts as to the going concern basis:

- Is there a situation of negative equity? No
- Is the operating capital negative? No
- Fixed-term loans close to maturity with no likely prospect of renewal or repayment or over-reliance on short-term loans to finance long-term activities?
No
- Evidence of cessation of financial support by creditors? No
- Historical or prospective financial statements showing negative cash flows? No
- Are some main economic-financial ratios negative? No
- Consistent operative losses? No
- Are there significant value losses of assets used to generate cash flows triggered by the limited prospect of their use? No
- Are there difficulties in the payment of arrears of dividends or discontinuity in the distribution of dividends? No
- Is there an inability to pay the debts at the due date? No
- Is there an inability to respect the contractual clauses of loans? No
- Has there been a change in the forms of payment granted by the suppliers, from the condition "on credit" to the condition "payment on delivery"? No
- is there an inability to obtain funding for the development of new products or other

2. Indicatori gestionali, eventi o circostanze che possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

4.2.1 Intenzione della direzione di liquidare l'impresa o di cessare le attività

☐ Si ☒ No

4.2.2 Perdita di membri della direzione con responsabilità strategiche senza una loro sostituzione

☐ Si ☒ No

4.2.3 Perdita di mercati fondamentali, di clienti chiave, di contratti di distribuzione, di concessioni o di fornitori importanti

☐ Si ☒ No

Perdita di venditori (agenti, procacciatori, ecc...)

☐ Si ☒ No

4.2.4 Difficoltà con il personale.

☐ Si ☒ No

Perdita di dipendenti dell'area produzione che presentano un ruolo critico all'interno del processo produttivo e di difficile sostituibilità

☐ Si ☒ No

4.2.5 Scarsità nell'approvvigionamento di forniture importanti

☐ Si ☒ No

4.2.6 Comparsa di concorrenti di grande successo

☐ Si ☒ No

2. Managerial indicators, events or circumstances that may give rise to doubts regarding the business continuity assumption:

- Does the management intend to liquidate the project or cease operations? No
- Has there been a loss of management members with strategic responsibilities without their replacement? No
- Has there been a loss of sales agents? No
- Have there been difficulties with the employee? No
- Has there been a loss of employee in the production area that may represent a critical role inside the production process and that are difficult to substitute? No
- Is there a scarcity in the supply of critical assets? No
- Is there been an appearance of very successful competitors? No

3. Altri Indicatori , eventi o circostanze che possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

Rilevanti perdite per danni ambientali

☐ Si ☒ No

Controversie giudiziarie che coinvolgono la società qualora, in caso di soccombenza, possono comportare richieste di risarcimento cui l'impresa probabilmente non è in grado di far fronte

☐ Si ☒ No

Controversie giudiziarie che coinvolgono i vertici della società che possono arrecare gravi pregiudizi alla società

☐ Si ☒ No

Contenzioso tributario che, in caso di soccombenza, possono comportare somme da pagare a cui l'impresa non è in grado di far fronte

☐ Si ☒ No

Contenzioso con gli enti previdenziali ed assistenziali che, in caso di soccombenza, possono comportare somme da pagare a cui l'impresa non è in grado di far fronte;

☐ Si ☒ No

Profondi dissidi nella proprietà

☐ Si ☒ No

Dissidi tra il management

☐ Si ☒ No

Dissidi tra il management ed il board aziendale o la proprietà

☐ Si ☒ No

Dissidi con dipendenti dell'area produzione che ricoprono mansioni critiche all'interno del processo produttivo e di difficile sostituibilità

☐ Si ☒ No

Dissidi con i fornitori di prodotti e servizi critici per l'impresa

☐ Si ☒ No

Elevata concentrazione del fatturato su uno o pochi clienti

☒ Si ☐ No

Mutamenti sfavorevoli della legislazione di settore

☐ Si ☒ No

Movimenti culturali sfavorevoli alla mission aziendale

☐ Si ☒ No

Eventi catastrofici: guerra, attacchi terroristici, eventi naturali

☒ Si ☐ No

Recessione da COVID-19

3. Other indicators, events or circumstances that may give rise to doubts regarding the going concern assumption about Business Continuity:

- Were there any significant losses due to environmental damage? No
- there have been legal disputes involving the company where, in the event of failure, may lead to claims for compensation which the company is likely to be unable to meet? No
- Have there been legal disputes involving top management in society which could seriously harm society? No
- Has there been a tax dispute which, in the event of failure, could seriously harm society? No
- there has been a dispute with the social security and welfare events which, in the event of failure, may involve sums to be paid which the company is unable to meet? No
- Are there deep disagreements in the property? No
- Are there disagreements in the management? No
- Are there disagreements between the management and the ownership? No
- Are there problems with employees in the production area who perform critical tasks in the production process and are difficult to replace? No
- Are there problems with suppliers of products and services that are critical to the enterprise? No
- Is there a high concentration of turnover on one or a few customers? Yes
- There have been unfavourable changes in the sector's legislation? No
- Were there cultural movements unfavourable to the company mission? No
- there have been catastrophic events (i.e., war, terrorist attacks, natural events)?
Yes: COVID-19 recession

Report continuità

1. Indicatori finanziari, eventi o circostanze che possono rilevare o comportare rischi per l'impresa e possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

2. Indicatori gestionali, eventi o circostanze che possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

3. Altri Indicatori , eventi o circostanze che possono far sorgere dubbi riguardo il presupposto della continuità aziendale:

Elevata concentrazione del fatturato su uno o pochi clienti

Altro indicatore, evento o circostanza che può far sorgere dubbi riguardo al presupposto della continuità aziendale

Eventi catastrofici: guerra, attacchi terroristici, eventi naturali

Altro indicatore, evento o circostanza che può far sorgere dubbi riguardo al presupposto della continuità aziendale

Recessione da COVID-19

Dinamiche settoriali: aumento dell'intensità della concorrenza, calo della domanda, overcapacity, spostamento della competizione sul prezzo, affievolimento delle barriere all'entrata, ecc.

Altro indicatore, evento o circostanza che può far sorgere dubbi riguardo al presupposto della continuità aziendale

La recessione da COVID-19 potrebbe spostare la competizione sul prezzo. Alla fine del periodo di vigenza dei bonus i materiali più pregiati potrebbero subire una contrazione delle vendite.

Contratti/contrattualistica commerciale d'impresa

La mancata predisposizione di contratti/contrattualistica potrebbe esporre l'azienda a controversie giudiziarie

Contratti/contrattualistica con i fornitori

La mancata predisposizione di contratti/contrattualistica potrebbe esporre l'azienda a controversie giudiziarie

Polizze assicurative stipulate a tutela del patrimonio aziendale

Verificare la necessità/opportunità di stipulare polizze assicurative a tutela del patrimonio aziendale

Qualora siano stati rilevati indicatori, eventi o circostanze che fanno intravedere "significative incertezze" in merito alla capacità dell'impresa di continuare a costituire un complesso economico funzionante destinato alla produzione di reddito per un prevedibile arco temporale futuro relativo ad un periodo di almeno 12 mesi dalla data di riferimento del bilancio, nella stesura del bilancio di esercizio tenere conto di quanto segue:

- Fornire nella nota integrativa le informazioni relative ai "fattori di rischio."
- Fornire nella nota integrativa le informazioni relative alle "assunzioni effettuate" (decisioni intraprese per far fronte ai fattori di rischio rilevati).
- Fornire nella nota integrativa le informazioni relative alle "incertezze identificate."
- Indicare nella nota integrativa anche le ragioni che qualificano tali incertezze come "significative" ed infine le ricadute che possono determinare sulla continuità aziendale.
- Fornire nella nota integrativa le informazioni relative ai "piani aziendali futuri" volti a fronteggiare tali incertezze.

There are some critical points of the business continuity report that has to be assessed.

It is important to consider any possible thread to the business continuity since the company trades high quality products and with elevate prices:

- High customer concentration of the income (in particular on one or few clients),
- Catastrophic events: wars, terroristic attacks, natural events (COVID-19 recession may move the competition onto the pricing activity),
- Sectorial dynamics: increasing the intensity of competition, falling demand, overcapacity, shifting competition on price, weakening entry barriers, etc. (presence of tax benefits in the Italian housebuilding market).

Considering what has been just said, currently in Italy there are some tax benefits to the housebuilding market. One of those tax benefits that is helping the sector of housebuilding is the “*Bonus Ristrutturazioni*” (the Restructuring Bonus) that provides for a tax deduction of 50% to taxpayers who carry out ordinary and extraordinary maintenance work in condominiums or individual buildings, until 31 December 2021.¹⁴⁰

Therefore, is critical to consider both what has just been mentioned and that a great part of the business volume is based on few clients, this means that the company has a high customer concentration level.¹⁴¹

3. The planning activity for the firm

After conducting the analysis of the structure and the monitoring of business continuity, for the reasons widely debated during the thesis, it is necessary to implement the planning activity and in particular the predictive analysis of the income and prognostic cash flows required, moreover, by the new guidelines of the EBA regarding the granting and monitoring of loans.

Managers’ investment decisions affect the firm’s cost structure, or the relative proportion of variable-to-fixed costs that a firm incurs from production. Cost structure decisions are one of the most important decisions that managers make because they directly affect firm profitability, with more rigid cost structures (i.e., higher proportions of fixed costs) leading to greater reductions in profits when sales decline, but higher profits when sales increase.¹⁴² The traditional view of cost structure strategy is that firms take steps to offset increased operating and environmental risk by adopting less rigid cost structures to minimize the potential downside risk associated with fluctuations in sales (Banker et al. 2014).

In their work, “Customer Concentration, Cost Structure, and Performance”, Professor Hsihui Chang and his assistants, Curtis M. Hall, and Michael T. Paz found out that suppliers making relationship-specific investment with more flexible cost structures (a greater degree of variable-to-fixed costs) outperform those making more rigid relationship-specific investments. Moreover, they also found that suppliers’ competitive

¹⁴⁰ <https://fiscomania.com/bonus-casa/>

¹⁴¹ Customer concentration refers to the number and relative size of customers that contribute to a firm’s revenues. As a higher proportion of overall revenues is contributed by a firm’s major (i.e., largest) customers, that firm is said to exhibit a higher level of customer concentration (Patatoukas 2012)

¹⁴² H. Chang, C. M. Hall, M.T. Paz, Customer Concentration, Cost Structure, and Performance, April 2017

environment has no effect on the relative profitability of their relationship-specific cost structure decisions, but that suppliers in more competitive industries make less flexible relationship-specific investments, which may exacerbate the risk associated with higher customer concentration.

This study was conducted by analysing cost data for a sample of U.S. manufacturing firms from 1993-2012.

3.1 The simplified DSCR calculation

I decided to opt for the calculation of the simplified DSCR as indicated by the § 5.3. (CNDCEC, *indici di allerta*, 20 October 19) recalling OIC9, to be applied to smaller companies that can estimate the prognostic flows necessary for the determination of the value of assets through the use of economic quantities only.

The simplified DSCR shall be calculated according to the following calculation procedure:

In the numerator: the result of the period + non-monetary costs - non-monetary revenues
As denominator: repayment of principal (interests payable were indicated in the numerator, reducing the result of the period, and should therefore not be indicated in the denominator)

The simplified DSCR does not consider the cash flows generated, for example, by changes in receivables, payables, inventories, which could limit the informative value of the data, especially in our case, being faced with a booming company where credit vs customers can be expected to increase, inventories which, although they are part of a logic of physiological relationships, could trigger a decline in cash flow calculated by using only economic quantities.

The choice, however, is to be considered, at least in part, conditioned by the accounting regime adopted by the company.

In consideration of what has already been said, we can say that the containment of the risk of crisis there is the need to invest on the relationships with the external environment. In this regard it is intended to intervene by enhancing the promotional capacity of the company through the use of the indirect sales force. In Italy the figure of the agent of commerce is particularly widespread. They are professionals with a strong technical background or a specific knowledge of the channel.

High presence of multi-agent agents who have every interest in representing more complementary companies that can guarantee a valid offer of products and services on

the same target audience. The occasional promotion of architects, surveyors and engineers has often been found on the market.

Eventually, these investments have to be put to budget for the promotion activity, also considering the agents' fees in the predictive balance sheet.

With this intervention, the company aims to mitigate the concentration of turnover on some customers and to enhance the company's ability to intercept the target segment, in order to limit the effects expected from the cessation of tax incentives on the construction sector.

In the remainder of this section, the most significant stages in the drafting of the plan are described:

1. Choice of the method of determining the cost of the products. The "direct cost" cost configuration was chosen, considering only the direct costs of the materials covered by EMMEDIA's commercial activity.

The direct cost limits its scope of analysis to the calculation of direct variable costs only, thus allowing the analysis of the contribution, in the case at hand, of the different product categories (which share the same mark-up or mark-up) through their ability to produce margins to cover the period costs,¹⁴³ without forgetting the latter, which together with the contribution margin, constitute the central point of the adopted scheme.

This latter approach makes it possible to reach short-term decisions such as, for example, setting prices (in this case by attributing a mark-up or mark-up), analysis from the break-even point, make or buy choices and the evaluation of business areas.

2. choice of the plan reference period for calculating the DSCR (prognostic cash flows). The plan start date is 30.06.2021. The reference period for the plan is 01 January 2021 – 31 December 2021.

The company in question certainly has an excellent margin and therefore an adequate profitability. However, the simplified DSCR, although in line with what is indicated in the document "*Indici di Allerta*" of the CNDCEC of 20 October 2021, where it was expressly provided for the possibility of using this methodology of calculation of the

¹⁴³ The period costs are reported among the general costs in the document "Company economics" while the contribution margins of the individual product categories are detectable in the document "Direct Product Profitability-DPP" which detects the different margins of the products with respect to direct costs.

DSCR for micro-enterprises in this case, has a number of limits which have already been anticipated and which are even more evident following the drafting of the plan.

The increase of the sales regarding the same period of the previous year has involved a different configuration of the minimal stock of warehouse (that it is previewed will increase of beyond 20.000,00 €) resulted in an absorption of financial resources that will impact cash flows to the same extent.

In addition to that, there is also the physiological increase in credits vs customers which, with the simplified DSCR cannot be estimated.

These two changes in working capital will result in at least a partial illiquidity of the economic flow determined, on the company economics page, in € 152,919.80 (net profit + non-monetary costs).

Hence the need, in the short term, to adopt a different system of calculation of the DSCR (first or second approach) in order to take due account of changes in customer receivables and inventories as well as the mitigating effect on cash flows of the physiological increase in debts to suppliers due to increased purchases.

Finally, as regards the observations contained in the Continuity Report on the recession by COVID-19 and the high concentration of turnover on some customers were budgeted gross and net costs of the indirect sales force and measured the impact on the contribution margin (row Producer 1 on each product category).

3.2 The plan

Right down here it is possible to observe the plan elaborated for the company through the business intelligence software MPHIM+, for each product/service offered by the company.

ALUK Accessories:

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:43:03

Product Name: ACCESSORI ALUK

Product Code: 7

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 14.00

Mark Up: €0,1400

Target Price: €1,1400

Price List: €1,1400

Percentage of General Expenses on Revenues: 14.81%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,1400	128637	146,646,1800	0,0000	0,0000	0,0000	0,0000	0,0000	18,009,1800
										0,000%	0,000%	0,000%	12,28%
										0,000%	0,000%	0,000%	--
										0,000%	0,000%	0,000%	--
Producer 1	0%	0%	0%	0.00%	1,1400	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6.181%	2.649%	0,000%	0,00%
										0,000%	0,000%	0,000%	--
										5.005%	2.145%	0,000%	--

Total multiplier: 128637

Product/Service Turnover: 146,646,1800

Total profit: 18,009,1800

Margin of Profit: 12.28%

Agency Service:

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:58:59

Product Name: AGENZIA

Product Code: 27

Cost: Direct Cost

Amount: 0,0000

Mark Up %: 0.00

Mark Up: €0,0000

Target Price: €0,0000

Price List: €10,027,0000

Custom Price List: €10,027,0000

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Min. Order	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Quantity	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
											Agent	Manager	Director	
Producer	1	0%	0%	0%	0.00%	10.027,0000	1	10.027,0000	0,0000	0,0000	100.00	0.00	0.00	10.027,0000
											0,0000	0,0000	0,0000	100.00%
											0,0000	0,0000	0,0000	--
											0,0000	0,0000	0,0000	--

Total quantity: 1
Product/Service Turnover: 10.027,0000
Total profit: 10.027,0000
Margin of Profit: 100.00%
Total turnover - direct cost (amount): --
Total turnover - direct cost (%): --

Fixtures Commands:

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:48:35

Product Name: COMANDI

Product Code: 17

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 17.95

Mark Up: €0,1795

Target Price: €1,1795

Price List: €1,1795

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC , § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
Producer	0%	0%	0%	0.00%	1,1795	1474	1.738,5830	0,0000	0,0000	70.00	30.00	0.00	264,5830
										0,0000	0,0000	0,0000	15.22%
										0,0000	0,0000	0,0000	--
										0,0000	0,0000	0,0000	--
Producer 1	0%	0%	0%	0.00%	1,1795	0	0,0000	0,0000	0,0000	6.181%	2.649%	0,0000	0,0000
									8.83	0,0000	0,0000	0,0000	--
										5.005%	2.145%	0,0000	--

Total multiplier: 1474
Product/Service Turnover: 1.738,5830
Total profit: 264,5830
Margin of Profit: 15.22%

Fundermax (HPL panels):

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 15:01:10
Product Name: FUNDERMAX (PANNELLI IN HPL)
Product Code: 14
Cost: Direct Cost
Amount: 1,0000
Mark Up %: 40.24
Mark Up: €0,4024
Target Price: €1,4024
Price List: €1,4024

Percentage of General Expenses on Revenues: 14.98%
«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»
Verso il nuovo codice della crisi, CNDCEC e FNC , § 6.1.3 - 14 giugno 2019.
Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,4024	13504	18.938,0098	0,0000	0,0000	0,0000	0,0000	0,0000	5.434,0098
										0.000%	0.000%	0.000%	28.89%
										0,0000	0,0000	0,0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,4024	0	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
									8.83	8.181%	2.649%	0.000%	0.00%
										0,0000	0,0000	0,0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 13504
Product/Service Turnover: 18.938,0098
Total profit: 5.434,0098
Margin of Profit: 28.89%

Other categories:

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:43:58
Product Name: GEZE (PORTE AUTOMATICHE INCLUSO SERVIZI)
Product Code: 11
Cost: Direct Cost
Amount: 1,0000
Mark Up %: 61.95
Mark Up: €0,6195
Target Price: €1,6195
Price List: €1,6195

Percentage of General Expenses on Revenues: 14.98%
«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»
Verso il nuovo codice della crisi, CNDCEC e FNC , § 6.1.3 - 14 giugno 2019.
Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1.6195	17737	28.725,0715	0.0000	0.0000	0.0000	0.0000	0.0000	10.988,0715
										0.000%	0.000%	0.000%	38.25%
										0.0000	0.0000	0.0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1.6195	0	0.0000	0.0000	0.0000 8.83	0.0000	0.0000	0.0000	0.0000
										6.181%	2.649%	0.000%	0.00%
										0.0000	0.0000	0.0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 17737
Product/Service Turnover: 28.725,0715
Total profit: 10.988,0715
Margin of Profit: 38.25%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:49:18

Product Name: GUARNIZIONI

Product Code: 19

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 27.79

Mark Up: €0,2779

Target Price: €1,2779

Price List: €1,2779

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

/verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,2779	10619	13.570,0201	0.0000	0.0000	0.0000	0.0000	0.0000	2.951,0201
										0.000%	0.000%	0.000%	21.75%
										0.0000	0.0000	0.0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,2779	0	0.0000	0.0000	0.0000 8.83	0.0000	0.0000	0.0000	0.0000
										6.181%	2.649%	0.000%	0.00%
										0.0000	0.0000	0.0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 10619
Product/Service Turnover: 13.570,0201
Total profit: 2.951,0201
Margin of Profit: 21.75%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:44:56

Product Name: HOPPE MANIGLIE

Product Code: 12

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 31.72

Mark Up: €0,3172

Target Price: €1,3172

Price List: €1,3172

Percentage of General Expenses on Revenues: 14.98%

Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,3172	19227	25,325,8044	0,0000	0,0000	0,0000 0.000%	0,0000 0.000%	0,0000 0.000%	6,098,8044 24.08%
										0,0000 0.000%	0,0000 0.000%	0,0000 0.000%	--
										0,0000 0.000%	0,0000 0.000%	0,0000 0.000%	--
Producer 1	0%	0%	0%	0.00%	1,3172	0	0,0000	0,0000	0,0000 8.83	0,0000 6.181%	0,0000 2.649%	0,0000 0.000%	0,0000 0.00%
										0,0000 5.005%	0,0000 2.145%	0,0000 0.000%	--

Total multiplier: 19227

Product/Service Turnover: 25,325,8044

Total profit: 6,098,8044

Margin of Profit: 24.08%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:44:17

Product Name: IMBALLAGGI

Product Code: 20

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 49.94

Mark Up: €0,4994

Target Price: €1,4994

Price List: €1,4994

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										100.00	0.00	0.00	
Producer	0%	0%	0%	0.00%	1,4994	358	536,7852	0,0000	0,0000	0,0000	0,0000	0,0000	178,7852
										0.000%	0.000%	0.000%	33.31%
										0,0000	0,0000	0,0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,4994	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										8.830%	0.000%	0.000%	0.00%
										0,0000	0,0000	0,0000	--
										7.150%	0.000%	0.000%	--

Total multiplier: 358

Product/Service Turnover: 536,7852

Total profit: 178,7852

Margin of Profit: 33.31%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:35:54

Product Name: MAICO FERRAMENTA

Product Code: 9

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 19.28

Mark Up: €0,1928

Target Price: €1,1928

Price List: €1,1928

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,1928	61249	73.045,5574	0,0000	0,0000	0,0000	0,0000	0,0000	11.798,5574
										0.000%	0.000%	0.000%	16.15%
										0,0000	0,0000	0,0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,1928	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6.181%	2.649%	0.000%	0.00%
										0,0000	0,0000	0,0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 61249

Product/Service Turnover: 73.045,5574

Total profit: 11.798,5574

Margin of Profit: 16.15%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:55:40

Product Name: METALGLASS

Product Code: 21

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 21.33

Mark Up: €0,2133

Target Price: €1,2133

Price List: €1,2133

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, Ss§ 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,2133	6199	7.521,2467	0,0000	0,0000	0,0000	0,0000	0,0000	1,322,2467
										0,000%	0,000%	0,000%	17,58%
										0,0000	0,0000	0,0000	--
										0,000%	0,000%	0,000%	--
Producer 1	0%	0%	0%	0.00%	1,2133	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										8,181%	2,849%	0,000%	0,00%
										0,0000	0,0000	0,0000	--
										5,005%	2,145%	0,000%	--

Total multiplier: 6199

Product/Service Turnover: 7.521,2467

Total profit: 1.322,2467

Margin of Profit: 17.58%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:47:22

Product Name: MITSUBISHI (PANNELLI IN ALLUMINIO)

Product Code: 15

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 0.00

Mark Up: €0,0000

Target Price: €1,0000

Price List: €1,0000

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,0000	0	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
										0.000%	0.000%	0.000%	0.00%
										0,0000	0,0000	0,0000	--
										0.000%	0.000%	0.000%	--

Total multiplier: 0

Product/Service Turnover: 0,0000

Total profit: 0,0000

Margin of Profit: 0.00%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:56:48

Product Name: PALLAZZO

Product Code: 23

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 12.66

Mark Up: €0,1266

Target Price: €1,1266

Price List: €1,1266

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,1266	4692	5,286,0072	0,0000	0,0000	0,0000	0,0000	0,0000	594,0072
										0,000%	0,000%	0,000%	11.24%
										0,0000	0,0000	0,0000	--
										0,000%	0,000%	0,000%	--
Producer 1	0%	0%	0%	0.00%	1,1266	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6.181%	2.649%	0,000%	0.00%
										0,0000	0,0000	0,0000	--
										5.005%	2.145%	0,000%	--

Total multiplier: 4692

Product/Service Turnover: 5,286,0072

Total profit: 594,0072

Margin of Profit: 11.24%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:56:26

Product Name: PIRNAR

Product Code: 22

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 52.88

Mark Up: €0,5288

Target Price: €1,5288

Price List: €1,5288

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,5288	1668	2.550,0384	0,0000	0,0000	0,0000 0.000% 0,0000 0.000%	0,0000 0.000% 0,0000 0.000%	0,0000 0.000% 0,0000 0.000%	882,0384 34.59% -- --
Producer 1	0%	0%	0%	0.00%	1,5288	0	0,0000	0,0000	0,0000 8.83	0,0000 6.181% 0,0000 6.181%	0,0000 2.649% 0,0000 2.649%	0,0000 0.000% 0,0000 0.000%	0,0000 0.00% -- --

Total multiplier: 1668

Product/Service Turnover: 2.550,0384

Total profit: 882,0384

Margin of Profit: 34.59%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:45:35

Product Name: PRACAL TAPPARELLE AVVOLGIBILI

Product Code: 13

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 19.36

Mark Up: €0,1936

Target Price: €1,1936

Price List: €1,1936

Percentage of General Expenses on Revenues: 14.98%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,1936	8249	9.846,0064	0,0000	0,0000	0.0000	0.0000	0.0000	1.597,0064
										0.000%	0.000%	0.000%	16.22%
										0.0000	0.0000	0.0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,1936	0	0,0000	0,0000	0,0000 8.83	0.0000	0.0000	0.0000	0.0000
										6.181%	2.649%	0.000%	0.00%
										0.0000	0.0000	0.0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 8249

Product/Service Turnover: 9.846,0064

Total profit: 1.597,0064

Margin of Profit: 16.22%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:42:41

Product Name: Media Profili incluso finiture

Product Code: x

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 43.98

Mark Up: €0,4398

Target Price: €1,4398

Price List: €1,4398

Percentage of General Expenses on Revenues: 14.61%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,4398	510000	734.298,0000	0,0000	0,0000	0,0000	0,0000	0,0000	224.298,0000
										0,000%	0,000%	0,000%	30,55%
										0,0000	0,0000	0,0000	--
										0,000%	0,000%	0,000%	--
Producer 1	0%	0%	0%	0.00%	1,4398	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6,181%	2,649%	0,000%	0,00%
										0,0000	0,0000	0,0000	--
										5,005%	2,145%	0,000%	--

Total multiplier: 510000

Product/Service Turnover: 734.298,0000

Total profit: 224.298,0000

Margin of Profit: 30.55%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 16:43:46

Product Name: SOUDAL ISOCHÉMIE SILICONE E CHIMICA

Product Code: 10

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 26.91

Mark Up: €0,2691

Target Price: €1,2691

Price List: €1,2691

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,2691	22808	28,945,6328	0,0000	0,0000	0,0000	0,0000	0,0000	6,137,6328
										0.000%	0.000%	0.000%	21.20%
										0,0000	0,0000	0,0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,2691	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6.181%	2.649%	0.000%	0.00%
										0,0000	0,0000	0,0000	--
										5.005%	2.145%	0.000%	--

Total multiplier: 22808

Product/Service Turnover: 28,945,6328

Total profit: 6,137,6328

Margin of Profit: 21.20%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:47:50

Product Name: TELAIO

Product Code: 16

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 97.49

Mark Up: €0,9749

Target Price: €1,9749

Price List: €1,9749

Percentage of General Expenses on Revenues: 14.98%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
Producer	0%	0%	0%	0.00%	1,9749	9288	18.303,3732	0.0000	0.0000	0.0000	0.0000	0.0000	9.035,3732
										0.000%	0.000%	0.000%	49.38%
										0.0000	0.0000	0.0000	--
										0.000%	0.000%	0.000%	--
Producer 1	0%	0%	0%	0.00%	1,9749	0	0.0000	0.0000	0.0000 8.83	0.0000	0.0000	0.0000	0.0000
										6.181%	2.649%	0.000%	0.00%
										0.0000	0.0000	0.0000	--
										6.181%	2.649%	0.000%	--

Total multiplier: 9288

Product/Service Turnover: 18.303,3732

Total profit: 9.035,3732

Margin of Profit: 49.38%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:58:08

Product Name: VITI

Product Code: 25

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 26.86

Mark Up: €0,2686

Target Price: €1,2686

Price List: €1,2686

Percentage of General Expenses on Revenues: 14.96%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
Producer	0%	0%	0%	0.00%	1,2686	606	768,7716	0,0000	0,0000	70.00	30.00	0.00	162,7716 21.17%
										0.0000	0.0000	0.0000	
										0.0000%	0.0000%	0.0000%	
										0.0000	0.0000	0.0000	
Producer 1	0%	0%	0%	0.00%	1,2686	0	0,0000	0,0000	0,0000 8.83	6.181%	2.649%	0.000%	0.0000 0.00%
										0.0000	0.0000	0.0000	
										5.005%	2.145%	0.000%	

Total multiplier: 606

Product/Service Turnover: 768,7716

Total profit: 162,7716

Margin of Profit: 21.17%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:33:31

Product Name: WAREMA FRANGISOLE

Product Code: 8

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 22.81

Mark Up: €0,2281

Target Price: €1,2281

Price List: €1,2281

Percentage of General Expenses on Revenues: 14.98%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,2281	29287	35.908,7907	0.0000	0.0000	0.0000	0.0000	0.0000	6.821,7907
									0.00	0.0000	0.0000	0.0000	18.44%
									0.0000	0.0000	0.0000	0.0000	--
									0.0000	0.0000	0.0000	0.0000	--
Producer 1	0%	0%	0%	0.00%	1,2281	0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
									8.83	6.181%	2.849%	0.000%	0.00%
									0.0000	0.0000	0.0000	0.0000	--
									5.005%	2.145%	0.000%	0.000%	--

Total multiplier: 29287

Product/Service Turnover: 35.908,7907

Total profit: 6.821,7907

Margin of Profit: 18.44%

Pricing & Organization System

Product Info

Last Updated: 22-09-2021 14:58:43

Product Name: ZANZARIERE

Product Code: 26

Cost: Direct Cost

Amount: 1,0000

Mark Up %: 37.48

Mark Up: €0,3748

Target Price: €1,3748

Price List: €1,3748

Percentage of General Expenses on Revenues: 14.98%

«Sulla base delle ipotesi e delle scelte commerciali e di marketing, il Piano può, inoltre, includere previsioni di vendita, utilmente suddivise per mercato, prodotto, canale o cliente»

Verso il nuovo codice della crisi, CNDCEC e FNC, § 6.1.3 - 14 giugno 2019.

Tale schema è inoltre di supporto all'attività di comprensione del sistema di controllo interno del revisore, in quanto permette di analizzare i risultati economici lordi per linea di attività, prodotto ecc.

Customer	Discount 1	Discount 2	Discount 3	Final Discount	Sales Price	Turnover Multiplier	Total Amount	Network Management Amount & %	Sales Network: Amount & %	Sales Network Roles: Gross & Net Amount & %			Sales Price Margin Amount & %
										Agent	Manager	Director	
										70.00	30.00	0.00	
Producer	0%	0%	0%	0.00%	1,3748	10290	14.146,6920	0,0000	0,0000	0,0000	0,0000	0,0000	3.856,6920
										0,000%	0,000%	0,000%	27.26%
										0,0000	0,0000	0,0000	--
										0,000%	0,000%	0,000%	--
Producer 1	0%	0%	0%	0.00%	1,3748	0	0,0000	0,0000	0,0000 8.83	0,0000	0,0000	0,0000	0,0000
										6.181%	2.649%	0,000%	0,00%
										0,0000	0,0000	0,0000	--
										5.005%	2.145%	0,000%	--

Total multiplier: 10290

Product/Service Turnover: 14.146,6920

Total profit: 3.856,6920

Margin of Profit: 27.26%

Let's take a look then at the “Direct Product Profitability” (DPP):

Direct Product Profitability

x - Media Profili incluso finiture

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	43.98%	1,4398	0.00%	54.904,00	0,00	54.904,00	0,00	21.72%
Producer	43.98%	734.298,0000	0.00%	54.904,00	0,00			30.55%

7 - ACCESSORI ALUK

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	14.00%	1,1400	0.00%	37.173,70	0,00	37.173,70	0,00	3.45%
Producer	14.00%	146.646,1800	0.00%	37.173,70	0,00			12.28%

8 - WAREMA FRANGISOLE

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	22.61%	1,2261	0.00%	-278,73	0,00	-278,73	0,00	9.61%
Producer	22.61%	35.908,7907	0.00%	-278,73	0,00			18.44%

9 - MAICO FERRAMENTA

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	19.26%	1,1926	0.00%	4.321,75	0,00	4.321,75	0,00	7.32%
Producer	19.26%	73.045,5574	0.00%	4.321,75	0,00			16.15%

Direct Product Profitability

10 - SOUDAL ISOCHEMIE SILICONE E CHIMICA

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	26.91%	1,2691	0.00%	9.700,54	0,00	9.700,54	0,00	12.37%
Producer	26.91%	28.945,6328	0.00%	9.700,54	0,00			21.20%

11 - GEZE (PORTE AUTOMATICHE INCLUSO SERVIZI)

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	61.95%	1,6195	0.00%	-0,94	0,00	-0,94	0,00	29.42%
Producer	61.95%	28.725,0715	0.00%	-0,94	0,00			38.25%

12 - HOPPE MANIGLIE

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	31.72%	1,3172	0.00%	12.290,68	0,00	12.290,68	0,00	15.25%
Producer	31.72%	25.325,8044	0.00%	12.290,68	0,00			24.08%

13 - PRACAL TAPPARELLE AVVOLGIBILI

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer 1	19.36%	1,1936	0.00%	50,19	0,00	50,19	0,00	7.39%
Producer	19.36%	9.846,0064	0.00%	50,19	0,00			16.22%

14 - FUNDERMAX (PANNELLI IN HPL)

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	40.24%	18.938,0096	0.00%	3.967,01	0,00	3.967,01	0,00	28.69%
Producer 1	40.24%	1,4024	0.00%	3.967,01	0,00			19.86%

15 - MITSUBISHI (PANNELLI IN ALLUMINIO)

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	0.00%	1,0000	0.00%	-1,00	0,00	-1,00	0,00	0.00%

16 - TELAIO

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	97.49%	18.303,3732	0.00%	3.520,31	0,00	3.520,31	0,00	49.36%
Producer 1	97.49%	1,9749	0.00%	3.520,31	0,00			40.53%

17 - COMANDI

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	17.95%	1.738,5830	0.00%	941,61	0,00	941,61	0,00	15.22%
Producer 1	17.95%	1,1795	0.00%	941,61	0,00			6.39%

18 - MAICO ELICENT

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	0.00%	1,0000	0.00%	-1,00	0,00	-1,00	0,00	0.00%

19 - GUARNIZIONI

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	27.79%	13.570,0201	0.00%	4.379,04	0,00	4.379,04	0,00	21.75%
Producer 1	27.79%	1,2779	0.00%	4.379,04	0,00			12.92%

Direct Product Profitability

20 - IMBALLAGGI

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	49.94%	536,7852	0.00%	596,12	0,00	596,12	0,00	33.31%
Producer 1	49.94%	1,4994	0.00%	596,12	0,00			24.48%

21 - METALGLASS

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	21.33%	7.521,2467	0.00%	199,27	0,00	199,27	0,00	17.58%
Producer 1	21.33%	1,2133	0.00%	199,27	0,00			8.75%

22 - PIRNAR

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	52.88%	2.550,0384	0.00%	454,59	0,00	454,59	0,00	34.59%
Producer 1	52.88%	1,5288	0.00%	454,59	0,00			25.76%

23 - PALLAZZO

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	12.66%	5.286,0072	0.00%	9.383,00	0,00	9.383,00	0,00	11.24%
Producer 1	12.66%	1,1266	0.00%	9.383,00	0,00			2.41%

24 - SKYGLASS

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	0.00%	0,0000	0.00%	0,00	0,00	0,00	0,00	0.00%

25 - VITI

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	26.86%	768,7716	0.00%	1.865,02	0,00	1.865,02	0,00	21.17%
Producer 1	26.86%	1,2686	0.00%	1.865,02	0,00			12.34%

26 - ZANZARIERE

Customer	Mark Up	Total Amount	Discount	Closing Inventories	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	37.48%	14.146,6920	0.00%	142,37	0,00	142,37	0,00	27.26%
Producer 1	37.48%	1,3748	0.00%	142,37	0,00			18.43%

27 - AGENZIA

Customer	Minimum Order	Discount	Discounted Price	Receivables from Customer	Closing inventories of finished goods	Closing inventories of raw materials, supplies and merchandise	Sales Price Margin
Producer	1	0.00%	10.027,0000	0,00	0,00	0,00	100.00%

4. A comparison with other companies

In order to verify the findings of the discussion I conducted a survey on 4 companies operating in different sectors of the economy with a turnover of between 60,000,00 € and 3,000,000 € that fully represent the average structure of Italian companies.

Therefore, the medium and large enterprises that used the device were not considered, as the aim of this survey is to assess the impact of the computer system "MPHIM+" on micro-and small- Italian companies, that is to say in companies with limited resources and on which the literature has found the most critical.

The interview was composed by four different parts plus the personal data of the company.

Data of the interviewed subject:

Company name

Corporate position

Name and Surname

Number of Employees

Sales

Current Market

Main Activity

Website

1st part: Risk Management/Administrative arrangements (Code of the Crisi)

1. Did your company draw up a separate product base?
2. Does the company have interim financial reports? Do you check profitability during the year?
3. Does the company prepare the forecast sales plan on a semi-annual/annual basis?
If yes:
4. Does the plan allow the prospective profit to be analysed on a semi-annual/annual basis?
5. Does the plan allow to analyse prospective cash flows on a half-yearly/annual basis?

2nd part: Risk Management/Regulatory compliance (Code of Crisis)

6. Is the Commission aware of the legislation on business crisis?
7. By whom have you been informed about your regulatory obligations regarding the Business Crisis? (Accountant, press, employment consultant, lawyer, others)

3rd part: Risk Management/Digitalisation

8. Does the Business Intelligence software MPHMIM+ support you?
9. How long have you been using the Business Intelligence Software MPHMIM+?
10. What are the reasons that led him to use MPHMIM+ software?
11. What are the problems that the software has been able to give concrete answers to?
12. What are the concrete results that you have achieved through the use of MPHMIM+?

4th part: Risk management/Hybrid organisational system

13. How do you view the assistance of MPHMIM+ Advisor?
14. In what terms and to what extent is the MPHMIM+ Advisor able to influence company performance?

4.1 The Interviews

Azienda AGRIFARM INCARIA SAS

Posizione aziendale AMMINISTRATORE (Director)

Nome GAETANO

Cognome BUCARO

N° dipendenti 1,5

Fatturato 60.000 €

Mercato attuale ITALIA

Attività principale BIRRIFICIO (Beer Production)

Sito web WWW.BIRRADEIVESPRI.IT

Prima parte: risk management/assetti amministrativi (Codice della crisi)

- 1. La sua azienda ha elaborato la distinta base dei prodotti? SI*
- 2. L'azienda predispone situazioni contabili infrannuali? Verifica la redditività durante l'anno? SI*
- 3. L'azienda predispone il piano previsionale delle vendite su base semestrale/annuale? SI*

Se hai risposto affermativamente alla 3

- 4. Il piano permette di analizzare l'utile prospettico su base semestrale/annuale? SI*
- 5. Il piano permette di analizzare i flussi di cassa prospettici su base semestrale/annuale? SI*

Seconda parte: risk management/compliance normativa (Codice della crisi)

- 6. È a conoscenza della normativa sulla Crisi d'impresa? SI*
- 7. Da chi è stato informato sugli obblighi normativi sulla Crisi d'impresa? (Commercialista, stampa, consulente del lavoro, avvocato, altri) CONSULENTE AZIENDALE*

Terza parte: risk management/digitalizzazione

- 8. Si avvale del supporto del software di Business Intelligence MPHIM+? SI*
- 9. Da quanto tempo utilizza il business intelligence software MPHIM+? 4 ANNI*
- 10. Quali sono le motivazioni che lo hanno spinto ad utilizzare il software MPHIM+? CONOSCENZA DELLA REDDITIVITA' PER OGNI TRATTATIVA*
- 11. Quali sono le problematiche a cui il software è riuscito a dare risposte concrete? VISIONE DETTAGLIATA DELLA STRUTTURA DEI COSTI E DEI RICAVI PRODOTTO PER PRODOTTO, POSSIBILITA DI CAMBIARE STRATEGIA E OFFERTE CON COGNIZIONE.*
- 12. Quali sono i risultati concreti che è riuscito a raggiungere mediante l'utilizzo di MPHIM+? VELOCITA', IMMEDIATEZZA E PRONTEZZA DEL CONTROLLO DEI RISULTATI IN QUALSIASI MOMENTO.*

Quarta parte: risk management/sistema organizzativo ibrido

- 13. Come giudica l'assistenza dell'Advisor MPHIM+? ECCELLENTE*
- 14. In che termini e in quale misura l'Advisor MPHIM+ riesce a incidere sulle performance aziendali? MI HA PERMESSO DI OTTIMIZZARE LA REDDITIVITA'*

- 1. Yes*

2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. By the Company advisor
8. Yes
9. 4 Years
10. For the knowledge of profitability for each negotiation
11. A detailed view of the structure of costs and revenues produced by product, the possibility of changing strategy and offers in full knowledge.
12. Speed, immediacy, and readiness of results check in any moment
13. Excellent
14. It allowed me to optimize the profitability

Azienda SICILFORMAGGI srl

Posizione aziendale SOCIO (Stakeholder)

Nome TOMMASO

Cognome PALMERI

N° dipendenti 22

Fatturato 3.000.000

Mercato attuale ITALIA/EUROPA

Attività principale PRODUZIONE E COMMERCIALIZZAZIONE FORMAGGI TIPICI
(production and selling of typical Sicilian Cheese)

Sito web www.sicilformaggi.it

Prima parte: risk management/assetti amministrativi (Codice della crisi)

1. *La sua azienda ha elaborato la distinta base dei prodotti? SI*
2. *L'azienda predispone situazioni contabili infrannuali? Verifica la redditività durante l'anno? SI*
3. *L'azienda predispone il piano previsionale delle vendite su base semestrale/annuale? SI*

Se hai risposto affermativamente alla 3

4. *Il piano permette di analizzare l'utile prospettico su base semestrale/annuale? SI*
5. *Il piano permette di analizzare i flussi di cassa prospettici su base semestrale/annuale? SI*

Seconda parte: risk management/compliance normativa (Codice della crisi)

6. *È a conoscenza della normativa sulla Crisi d'impresa? SI*

7. *Da chi è stato informato sugli obblighi normativi sulla Crisi d'impresa? (Commercialista, stampa, consulente del lavoro, avvocato, altri) CONSULENTE DEDICATO (R. Di Cristina)*

Terza parte: risk management/digitalizzazione

8. *Si avvale del supporto del software di Business Intelligence MPHIM+? SI*
9. *Da quanto tempo utilizza il business intelligence software MPHIM+? 3 ANNI*
10. *Quali sono le motivazioni che lo hanno spinto ad utilizzare il software MPHIM+? LA NECESSITA' DI CONTINUARE A FARE IMPRESA IN MANIERA CONSAPEVOLE.*
11. *Quali sono le problematiche a cui il software è riuscito a dare risposte concrete? CAPACITA' DI CONTROLLO DEI RISULTATI IN TEMPO REALE.*
12. *Quali sono i risultati concreti che è riuscito a raggiungere mediante l'utilizzo di MPHIM+? MAGGIORE UTILE E MAGGIORE LIQUIDITA'. L'AZIENDA HA RAGGIUNTO PERFORMANCE SUPERIORI*

Quarta parte: risk management/sistema organizzativo ibrido

13. *Come giudica l'assistenza dell'Advisor MPHIM+? IMPECCABILE*
14. *In che termini e in quale misura l'Advisor MPHIM+ riesce a incidere sulle performance aziendali? È MIGLIORATO DI PARECCHIO L'ASSETTO AZIENDALE; SIAMO PIU' COMPETITIVI NEL MERCATO; SI ATTUANO STRATEGIE DI VENDITA MOLTO PIU' INCISIVE RISPETTO AL PASSATO DOVE NON SI RAGGIUNGEVANO I RISULTATI SPERATI*

1. Yes
2. Yes
3. Yes
4. Yes
5. Yes
6. Yes
7. By the Company advisor
8. Yes
9. 3 Years
10. The need to keep practicing the entrepreneurial activity consciously
11. The ability to check the results real-time
12. Higher Profits and higher liquidity. The company reached superior performances
13. Impeccable
14. The corporate arrangements have improved significantly: it is much more competitive on the market

Azienda Società a Responsabilità Limitata con sede a Milano

Posizione aziendale Consulente di Direzione della società (Managerial advisor of the company)

Nome Roberto

Cognome Sala

N° dipendenti 1

Fatturato 900.000 €

Mercato attuale Mercato farmaceutico, territorio nazionale (Pharmaceutical market, national territory)

Attività principale Attività di vendita di prodotti propri (integratori) e di altre case farmaceutiche (Selling of own products and from other pharmaceutical producers)

Sito web n.d.

Prima parte: risk management/assetti amministrativi (Codice della crisi)

1. La sua azienda ha elaborato la distinta base dei prodotti? Sì
2. L'azienda predispone situazioni contabili infrannuali? No. Più precisamente la Contabilità è gestita da uno Studio esterno, tuttavia, l'azienda utilizza prospetti di controllo di gestione elaborati internamente ma non basati su dati contabili. Verifica la redditività durante l'anno? Sì, ma non adotta alcun sistema di alert nel caso di redditività insufficiente
3. L'azienda predispone il piano previsionale delle vendite su base semestrale/annuale? Sì

Se hai risposto affermativamente alla 3

4. Il piano permette di analizzare l'utile prospettico su base semestrale/annuale? Sì
5. Il piano permette di analizzare i flussi di cassa prospettici su base semestrale/annuale? No. Sembra anzi che i flussi di cassa prospettici non siano percepiti come priorità
6. È a conoscenza della normativa sulla Crisi d'impresa? No, l'argomento è stato affrontato con me per la prima volta
7. Da chi è stato informato sugli obblighi normativi sulla Crisi d'impresa? (Commercialista, stampa, consulente del lavoro, avvocato, altri) vedi punto 6, da nessuno prima del mio intervento. Il Commercialista sostiene la tesi che il Codice della Crisi deve ancora entrare in vigore

Seconda parte: risk management/compliance normativa (Codice della crisi)

8. Si avvale del supporto del software di Business Intelligence MPHIM+? Sì
9. Da quanto tempo utilizza il business intelligence software MPHIM+? 5 mesi nell'azienda oggetto del questionario

Terza parte: risk management/digitalizzazione

10. Quali sono le motivazioni che lo hanno spinto ad utilizzare il software MPHIM+?
L'imprenditore ha valutato la facilità di lettura e comprensione del software. Viceversa, lamentava difficoltà di interpretazione nei prospetti interni di controllo abitualmente utilizzati fino a questo momento
11. Quali sono le problematiche a cui il software è riuscito a dare risposte concrete?
 - L'individuazione e la misurazione dei Costi Generali che fino ad allora non avevano un perimetro ben definito

- *L'impatto sulle rimanenze finali delle scelte commerciali, che era del tutto sconosciuto*
- *L'approccio con gli Istituti di Credito, basato ora su un bilancio previsionale a 6/12 mesi in sostituzione del semplice bilancio di esercizio*

12. *Quali sono i risultati concreti che è riuscito a raggiungere mediante l'utilizzo di MPHIM+?*

- *Aver consegnato all'azienda uno strumento di controllo di gestione fondamentale, fino a ora mancante*
- *Aver ottenuto un risparmio notevole in termini di tempi e impegno delle risorse interne. Si calcola che il 50% del tempo della figura assunta in azienda era assorbito dall'elaborazione di complicati e ridondanti schemi di controllo costruiti internamente e poco interpretabili dall'imprenditore.*
- *Aver messo l'imprenditore nelle condizioni di prevedere e misurare facilmente l'impatto delle scelte commerciali*

13. *Come giudica l'assistenza dell'Advisor MPHIM+? Non mi sono avvalso di alcuna assistenza da parte di MPHIM+ in quanto ho erogato personalmente la consulenza direzionale*

14. *In che termini e in quale misura l'Advisor MPHIM+ riesce a incidere sulle performance aziendali?*

- *Mediante un'adeguata misurazione delle politiche commerciali l'imprenditore può valutare preventivamente e in ottica prospettica l'impatto del reddito e della cassa*
- *Attraverso una corretta analisi dei costi generali e un adeguato calcolo dei costi variabili (spesso gonfiati da elementi non variabili), consente di misurare correttamente la marginalità dei prodotti e di trovare le giuste risorse per gestire con efficienza l'organizzazione interna*

1. Yes

2. No, more precisely, the Accounting is managed by an external Firm, however, the company uses management control prospectuses processed internally but not based on accounting data. Does the company verify the profitability during the year? Yes, but it does not adopt any alert system in case of insufficient profitability.

3. Yes

4. Yes

5. No. Indeed, it seems that prospective cash flows are not perceived as a priority

6. No, the subject was addressed with the advisor for the first time

7. From no one before the intervention of the advisor. The accountant argues that the Crisis Code has yet to enter into force

8. Yes

9. 5 Months

10. The entrepreneur evaluated the ease of reading and understanding the software. On the other hand, it complained of difficulties in interpreting the internal control tables which had been used hitherto

11. • The identification and measurement of General Costs that until then did not have a well-defined perimeter,

- The impact on final inventories of commercial choices, which was entirely unknown,
- The approach with credit institutions, now based on a budget forecast at 6/12 months instead of the simple financial statements

12. • Having delivered to the company a fundamental management control tool, so far missing

- To have obtained a remarkable saving in terms of times and engagement of the inner resources. It is estimated that 50% of the time of the figure employed in the company was absorbed by the elaboration of complicated and redundant control schemes built internally and little interpreted by the entrepreneur.

- Having put the entrepreneur in a position to easily predict and measure the impact of commercial choices

13. The consultant did not avail himself of any assistance from MPHIM+ as he personally provided management advice.

14. • Through an appropriate measurement of commercial policies, the entrepreneur can assess the impact of income and cash

- Through a proper analysis of general costs and an adequate calculation of variable costs (often inflated by non-variable elements), it allows to correctly measure the margin of products and to find the right resources to efficiently manage the internal organization.

Azienda Ro.Se. srl

Posizione aziendale Responsabile amministrativo e finanziario (CFO and CEO)

Nome Maria Luisa

Cognome Romano

N° dipendenti 15

Fatturato € 2.771.259,14

Mercato attuale: Sicilia

Attività principale Produzione e commercializzazione di detersivi per la pulizia della casa (production and selling of detergents for domestic cleaning)

Sito web www.detergentirose.it

Prima parte: risk management/assetti amministrativi (Codice della crisi)

1. *La sua azienda ha elaborato la distinta base dei prodotti?*
Si
2. *L'azienda predispone situazioni contabili infrannuali? Verifica la redditività durante l'anno?*
Si, predisponiamo sia di situazioni contabili infrannuali sia verifichiamo la redditività durante l'anno
3. *L'azienda predispone il piano previsionale delle vendite su base semestrale/annuale?*
Predisponiamo di un piano previsionale di vendite semestrale, anche se dipende dal periodo, possiamo rivederlo anche trimestralmente, come ad esempio quest'anno, visto l'aumento incontrollato dei prezzi delle materie prime

Se hai risposto affermativamente alla 3

4. *Il piano permette di analizzare l'utile prospettico su base semestrale/annuale? Si*
5. *Il piano permette di analizzare i flussi di cassa prospettici su base semestrale/annuale? Si*

Seconda parte: risk management/compliance normativa (Codice della crisi)

6. *È a conoscenza della normativa sulla Crisi d'impresa?*
Si
7. *Da chi è stato informato sugli obblighi normativi sulla Crisi d'impresa? (Commercialista, stampa, consulente del lavoro, avvocato, altri)*
Da nostro advisor Roberto Di Cristina, membro Mphim+

Terza parte: risk management/digitalizzazione

8. *Si avvale del supporto del software di Business Intelligence MPHIM+? Si*
9. *Da quanto tempo utilizza il business intelligence software MPHIM+? 4 anni*
10. *Quali sono le motivazioni che lo hanno spinto ad utilizzare il software MPHIM+?*
Non riuscivamo a capire dov'erano le falle all'interno della ns bilancio
11. *Quali sono le problematiche a cui il software è riuscito a dare risposte concrete?*
Siamo riusciti a capire che ogni prodotto contribuisce in maniera diversa a realizzare l'utile di impresa, e soprattutto a capire quanti margini rimangono in azienda, e quanti ne rimangono agli agenti, in base alla loro scala provvigionale
12. *Quali sono i risultati concreti che è riuscito a raggiungere mediante l'utilizzo di MPHIM+?*
Siamo riusciti a chiudere trattative con i clienti, avendo contezza dei margini che rimanevano in azienda, e a colmare dei deficit di bilancio che prima non attenzionavamo

Quarta parte: risk management/sistema organizzativo ibrido

13. *Come giudica l'assistenza dell'Advisor MPHIM+? Ottima*
14. *In che termini e in quale misura l'Advisor MPHIM+ riesce a incidere sulle performance aziendali?*
L'Advisor MPHIM+ ci monitora, sia attivamente sia su nostra richiesta, cercando sempre di trovare la soluzione giusta per noi azienda, senza sottovalutare il margine degli agenti, né la convenienza dei nostri clienti ad acquistare da noi. Inoltre, cerca di trovare insieme ai vertici aziendali come migliorare alcune voci di bilancio.

1. Yes
2. Yes, the company prepares both the accountings mid-year and verifies the profitability throughout the year
3. the company prepares a half-yearly forecast sales plan, even if it depends on the period. It can be revised also quarterly, as for example this year, given the uncontrolled rise in raw material prices
4. Yes
5. Yes
6. Yes
7. By the company advisor
8. Yes
9. 4 Years
10. The company could not understand where the flaws were in its balance sheet
11. The company has been able to understand that each product contributes in a different way to realize the profit of enterprise, and above all to understand how many margins remain in the company, and how many remain to the agents, based on their provigional scale
12. The society has succeeded to close negotiations with the customers, having count of the margins that remained in the company, and to fill of the deficit of budget that before we did not care
13. Great
14. The Advisor MPHIM+ monitors the company, both actively and on demand, always trying to find the right solution for the company, without underestimating the margin of agents, nor the convenience of our customers to buy from the company. In addition, he tries to find together with business leaders how to improve some budget items.

4.2 A comment on the interviews

The typical criticalities of the small Italian company have emerged, especially on the operational marketing choices and on the control of the results (Banterle, 2010 - Fortezza, 2006) and they have represented the most important motivation on the choice to adopt MPHIM+.

In this regard, all respondents stated that they have implemented the analytical accounting and to develop the prognosis of cash flows and that is the data that presents the highest level of information to give economic rationality to all strategic choices of the company

including choices on the marketing mix, giving full evidence to the adequacy of the administrative arrangements (first part of the questionnaire).

Almost all respondents have been using the device for at least 3 years, therefore, the new obligations imposed by d.lgs. 14/2019 have not played a major role in the decision to adopt the use of the device.

It should be noted that the accountant, in the cases examined, did not have an informative role regarding the new regulatory obligation (the organisational arrangements are in force since 16 March 2019). In fact, all the respondents stated that they had been informed by the business or management advisor even in the case of the Milan company that has been using the device for about 5 months.

From this it can be inferred that not even the major media, in the face of a far-reaching legislative innovation, have had the right impact on the subject, especially in view of the very harmful effects it may have on the directors of companies in the event of capital losses.

In particular, all respondents note that the use of MPHIM+ has allowed to achieve the following results:

- MPHIM+ has fostered business growth by providing business intelligence tools and management tools capable of gathering, manipulating, and analysing large amounts of data in a fully instantaneous manner, while achieving competitive advantages and leading to a very positive change in the business model (De Luca, 2017),
- The MPHIM+ advisor has managed to integrate the knowledge, insights, and relationships of the entrepreneur, translating them into more effective and efficient programs, procedures, and instruments, supporting the gradual emergence of a hybrid organizational structure (Ferrero, 2013).

Conclusion

1. The organizational arrangements and planning

1.1 Hybrid organization and digitalization to mitigate the recessive effects from COVID-19

The extraordinary moment we are experiencing requires a certain strategic ability to match the organizational arrangements and the ability of the entrepreneur to launch industrial plans capable of supporting cash flow.

Recent facts have shown that companies able to put in place immediate, innovative, and often even radical responses, were the first to find those solutions to mitigate the effects of the pandemic or even by-pass the consequences of the lockdown without infringing the restrictions laid down in the decrees referred to in the foreword.

Examples of these are:

- the farm dedicated to the cultivation of ancient durum wheat for the subsequent processing into flour for pizzerias that has realized a new blend for bakeries,
- the producer of craft beer that operates on the hotel, restaurant, and catering channel (Ho.re.Ca), which has created a new label for the large-scale distribution channel (large, organized food distribution),
- the restaurant with home delivery (food delivery),
- the appliance store that has continued to operate promoting itself through e-commerce sites,
- the company of packaging ceremonial dresses that has been converted to the production of surgical masks,
- the vocational training institution which has enhanced distance learning.

The problem now facing us is how to avoid the extinction of a significant part of the plethora of micro-enterprises that constitute the economic framework of our country: millions of companies that must find immediate and often radical solutions.

To this end, it seems necessary for small and medium-sized enterprises to resort to a partial decentralisation of decision-making activities, combining them with digital transformation processes¹⁴⁴, aspects already widely debated in the literature.

¹⁴⁴ According to the Desi Index published by the European Commission, Italy ranks 25th in the ranking of the digitisation of the economy and society out of 28 EU Member States.

This approach is all the more necessary in view of the limitations typical of family-run businesses, the prevailing business model in our country, which are represented by low managerial skills, a tendency to undercapitalisation, difficulties in finding financial resources from banks and specialised investors, poor formalisation of internal roles and inadequate means of control.¹⁴⁵

With the decentralisation of the strategic function, the entrepreneur entrusts, even partially, the strategic function to third parties as managers or professionals with specific skills, in order to respond in a timely manner to environmental changes, being supported by people who are fully aware of the situation that has to be faced.

Within the limits of the available resources, the entrepreneur must support the gradual emergence of a hybrid organizational structure in which his knowledge, insights and relationships are translated, with the help of one or a few specialist managers, in more effective and efficient programmes, procedures and instruments.¹⁴⁶

Digital transformation, on the other hand, means "a set of changes initially technological, but subsequently organizational and cultural, which, starting from the adoption of new technologies, leads to offer radically new services, goods and experiences."¹⁴⁷

The concept of digitisation of the company must be understood as an organisational model that allows the company to manage in an integrated, effective, and collaborative manner, all functional areas and in particular those most affected by strategic decisions, including but not limited to:

- general management for strategic decisions on the level of the company's capital base, on the closure of a department, on the use of cash flow,
- marketing and sales for the strategic choice to implement an e-commerce solution instead of proposing your product only through traditional channels or to support entry into a new sales channel.

In all this, the activity of the function of administration, planning, finance and control is essential, which must ensure a priori verification of sustainability, from the economic, financial and equity points of view, the strategic choices made by the Directorate-General

¹⁴⁵ According to the Italian National Accountants' Foundation, the accountant should act above all to help the company overcome these limits. The data, now digitized, with appropriate adaptations and training by the professional organization can become new exclusive subject of the profession, precisely for the pursuit of this purpose. Already in 2015, a survey conducted by the National Foundation of Accountants, 79% of the sample identified corporate consulting, management control and management consulting as the main area of professional development. *Fondazione Nazionale Commercialisti, Come cambia la professione. Indagine statistica*, Rome 2015.

¹⁴⁶ G. Ferrero, *Marketing e creazione del valore*, Turin 2013

¹⁴⁷ Kotler, K. Keller, F. Ancarani, M. Costabile, *Marketing management*, Milan 2017, p. 935

and the marketing and sales department, through the use of computer systems capable of implementing a what-if or sensitivity activity.

Particular reference is made to the business intelligence or DSS (Decision Support System) tools through which entrepreneurs, management, marketing managers and their consultants, use information that can support strategic decisions¹⁴⁸ at such a delicate time where error margins are virtually zero due to the precarious economic and financial balances in which companies find themselves, deeply tried by the recession by COVID-19.

2. The conclusions of the paper

2.1 Change management to survive the COVID-19 recession

According to analysts' estimates, confirmed by the data on the loss of jobs that are made known on a daily basis by the governments of all continents committed to facing the pandemic of COVID-19, we are in the throes of the worst crisis since the Great Depression of 1929.

Italy was the first of the EU states to order the closure of the country, a kind of perfect storm for our nation struggling with a record-breaking public debt, that dramatically narrows the scope of government action and an entrepreneurial system with many critical elements.

The scale of the pandemic phenomenon and its social and economic effects require a strong response not only from the government but also from the European institutions, with plans for economic support to citizens who have lost their jobs, in order to support the demand, and companies that have suffered drastic reductions in turnover to support their liquidity.

In this apocalyptic scenario, even entrepreneurs must play their part, aware that following the pandemic, they will find a profoundly different market that will force them to reengineer the business model and optimize the available resources, among which can be counted the distinctive skills that have always characterized Italian companies in the world.

¹⁴⁸ Camussone (1998) and Martinez (2004) suggest, in particular, the use of DSS model-oriented information systems (generally defined as DSS I), set on logical models and algorithms of cause-relations effect between dependent and independent variables representing company quantitative phenomena. They facilitate the what-if or sensitivity analysis and the advantage that derives from it is the possibility of these systems to manage at the same time a large number of variables to reach an optimized result. A. Francesconi, *I sistemi informativi nell'organizzazione d'impresa*, Giuffrè Editore 2011, p. 153

But it will not be enough to rely only on the characteristics of the products, those who want to overcome the recession by COVID-19, will have to add to the specific skills acquired over time, a new business model, start a process of digital transformation and draw on the tools of risk management prepared by our legal system, among which are particularly important, the organizational set-up instrumented by the CNDCEC with the DSCR.

Distinctive skills, strategic capacity, organizational structure, and digitization of the company, represent the cocktail of drugs for the treatment of the business crisis by COVID-19 in Italian SMEs.

Such a combination could also inspire an economic policy strategy to support the agricultural and manufacturing sector, at national or regional level, in favour of those companies that risk being completely distorted in their role in the markets, especially international, and who are suffering huge losses.

This is the shock therapy to treat, at the same time, the economic effects of COVID-19, the chronic pathologies of our entrepreneurial fabric and defend the positions acquired by Italian companies in international markets, provided that time is not wasted.

The virus has taught us that timely diagnosis and treatment of the disease is crucial, especially in patients with multiple diseases.

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