

Small Business

News & Views

Small Business Failures

A small business firm can go out of business for a variety of reasons, including merging into another firm, retirement of the owner, a failure with no loss to creditors, and failure with losses to creditors. Usually only business failures with losses to creditors are picked up and tabulated by credit reporting firms, such as Dun and Bradstreet.

The Dun and Bradstreet (D&B) publishes annual statistics on business failures and these are usually a combination of court recorded bankruptcy petitions, plus information on business dissolution by field reporters of D&B. In October 1981, for example, D&B reported 1,337 business failures yielding an annual figure of approximately 15,000 failures.

The probability of a business surviving is directly related to the size and age of the business. A new business establishment with under 20 employees has only a 37 percent chance of surviving four years in business and a nine percent chance of surviving for 10 years. A business with 21 to 50 employees has a 53 percent chance of lasting four years and a 26 percent chance of being in business for 10 years.

The number of business failures reported by D&B is a valuable indicator of business distress. The increase in reported business failures between 1980 and 1981 ranged from 32 percent in wholesale trades to 49 percent in construction. Other increases in business failures included services 47 percent, retail trades 41 percent and manufacturing at 37 percent.

The Bankruptcy Reform Act of 1978 which became effective in October 1979, permits businesses to use new and simplified alternatives to liquidation in closing and may encourage many small firms to file for bankruptcy.

Chapter 11 of the Reform Act simplifies the proceedings and reduces delays for firms that want to reorganize and stay in business. Chapter 11 gives many small businesses a means to survive until the recession or other financial problems recede and conditions for

financing their businesses improve. In addition, Chapter 13 of the Act opens alternatives to sole proprietors that formerly were available only to wage earners. Now any person with unsecured debts of less than \$100,000, or secured debts of \$350,000 or less and who has sufficient income for a repayment plan, can retain his firm's assets and develop a re-

covery plan under court supervision and protection. Since the majority of bankruptcies are voluntary these new reforms may modify the trend of filing for straight bankruptcy under Chapter 7. Chapter 7 provides for liquidation of the firm's assets under court supervision.

In general, large firms over 500 employees do not simply fail, they tend to reduce operations and later cease to exist. Many smaller firms already operating at marginal levels, however, simply fail if they enter a downturn period.

If you are considering a reorganization and redirection under the Bankruptcy Reform Act, you should seek competent legal advice before taking any action.

For additional information contact the Economic Development Division, Center for Improving Mountain Living, Western Carolina University, Cullowhee, NC 28723.

The Dukes Of Hazzard

It's Sadie Hogg Day in Hazzard and Daisy gets set up by Boss Hogg for the job of Honorary County Treasurer during the time the bank funds are to be audited, on a rebroadcast of "The Dukes of Hazzard," Friday, May 14 at 8 p.m. on WBTV, Channel 3.

Boss' wife, Lulu, gets the job of Honorary Boss, Rosco's Aunt Clara becomes sheriff for the day with Miz Tisdale as her deputy and Daisy's stint at the bank starts with a robbery, for which her cousins, Luke and Bo, are naturally blamed.

Theatre Group To Present "Retreat" At Mint Museum

Playwrights' Forum, a local theatre group formed last year to hear original plays read, will present a free performance of "Retreat," a play written by Phil Hines of Charlotte, on Saturday, May 15, at 2:30 p.m. in the Golden Circle Theatre at the Mint Museum, 501 Hempstead Place. The public is cordially invited.

For "reader's theatre" productions, the playwright furnishes the script, and the performers have one rehearsal before presenting the play - lines are read, not memorized. The audience participates by critiquing the play, with the author present.

"Retreat," a serio-comic play

directed by Jim Falconi, is set in a small southern town. Ten people are reunited at the funeral of one of the town's leading citizens. The play deals with the ritual of a southern funeral while examining the conflicts between family members. The cast of "Retreat" includes Lie Steele, Duke Ernsber-

ger and Bob Pierce.

Playwrights' Forum plans free monthly performances in the Mint's Golden Circle Theatre. The next play is scheduled for Saturday, June 12 at 1:30 p.m.

For additional information about Playwrights' Forum, call Phil Hines at 377-0841.

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