Even if an overtrading business operates profitably, it could face failure due to liquidity issues.

Appropriate solutions to address this problem of overtrading.

(a) Shareholders could inject new capital into the company.

(b) Improved control could be implemented for inventories and accounts receivable.

(c) The company could postpone ambitious plans for increased sales and additional non-current asset purchases until it has had sufficient time to consolidate its position and strengthen its capital base through retained profits.