

CHECKLIST

Spotting early warning signs of business difficulties

Financial, operational and relationship indicators to monitor before the situation becomes irreversible

Prevention and restructuring procedures work best when initiated early. Yet difficulties rarely show through a single event: they build up through an accumulation of weak signals, financial, operational and relational, which no dashboard brings together on its own.

This list sets out those signals. Three or more signals from different families warrant an in-depth diagnosis and a review of the prevention mechanisms provided for by the applicable law.

1. Cash and financing

- ☐ Recurring cash shortages, growing use of overdrafts or short-term credit lines.
- ☐ Late payments to suppliers, tax authorities or social security bodies.
- ☐ Refusal or reduction of bank facilities; requests for additional security.
- ☐ Loan instalments deferred or renegotiated.
- ☐ Short-term financing used to cover long-term needs.

2. Profitability and financial structure

- ☐ Repeated losses or continuous margin decline.
- ☐ Equity fallen, as a result of recorded losses, below the legal threshold set by reference to the share capital (in Morocco, one quarter of the share capital: Law No. 17-95, Article 357, for public limited companies; Law No. 5-96, Article 86, for limited liability companies; the question of early dissolution must be submitted to the shareholders for decision within three months of the approval of the accounts showing those losses).
- ☐ Lengthening of the customer collection period.
- ☐ Inventory rising without a matching increase in sales.
- ☐ Dependence on one client or contract accounting for a predominant share of revenue.

3. Operations and organisation

- ☐ Loss of a strategic client, market or supplier.
- ☐ Departure of key staff or deteriorating labour relations.
- ☐ Production or delivery delays, rising complaints.
- ☐ Investments repeatedly postponed.
- ☐ No cash forecast or up-to-date dashboard.

4. Legal and institutional signals

- ☐ Formal notices, payment orders, attachments.
- ☐ Tax, customs or social security audit with significant reassessments.
- ☐ Qualifications or alert procedure by the statutory auditor.
- ☐ Dispute between shareholders or deadlock of decision-making bodies.
- ☐ Annual accounts not approved or not filed on time.

5. Response

Signals identified and date observed:

Alert level retained: number of signals and families concerned:

Diagnosis to be carried out: financial, operational, legal:

Parties to involve: bank, accountant, adviser, competent court:

Prevention mechanism envisaged under the applicable law:

Decision and timetable:

Notes for use

- Thresholds, competent bodies and procedures (alert, conciliation, safeguard) vary from country to country; check them before taking any step.
- The earlier the step is taken, the more amicable and confidential options remain open.

References

- Morocco: Law No. 73-17 repealing and replacing Book V of Law No. 15-95 on the Commercial Code, on business difficulties; Law No. 17-95 on public limited companies and Law No. 5-96 (limited liability companies), as amended and supplemented.
- European Union: Directive (EU) 2019/1023 on preventive restructuring frameworks.
- France: Commercial Code, Book VI. Spain: consolidated Insolvency Act (Royal Legislative Decree 1/2020), as amended by Law 16/2022.