CONCEPT

Supplier Financial Evaluation: Solvency Ratios, Red Flags and Contract Securities

4 – 8 January 2027
Paris - Right Bank business hotel



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Ref: 909_21245 **Date:** 4 – 8 January 2027 **Location:** Paris - Right Bank business hotel **Fees:** 23500 SAR

Introduction:

Supplier financial evaluation is often skipped or left to finance, yet when a key supplier runs out of cash the buyer loses advance payments, tooling, stock and months of output. Procurement and contract staff usually see the warning signs first but lack the confidence to read accounts or question a weak balance sheet. This Core Concept course teaches non-accountants to read supplier financial statements in plain terms, measure solvency and dependency, and apply guarantees, bonds and payment terms. Participants build a Supplier Financial Risk Scorecard and Mitigation Plan for a critical supplier case.

Course Objectives:

- Quantify the money, materials and output at stake if a supplier becomes insolvent during a contract
- Interpret a supplier's balance sheet, income statement and cash flow statement without an accounting background
- Calculate and explain liquidity, leverage, profitability and efficiency ratios together with a composite distress score
- Set financial pass marks and weightings for supplier prequalification and tender evaluation
- Select parent company guarantees, performance bonds and payment terms that match the financial exposure
- Build a supplier financial risk scorecard with a monitoring calendar and a distress response plan

Target Audience:

- Procurement and category managers who award and renew contracts with critical suppliers
- Supplier quality managers who approve and review suppliers for recurring supply
- Contract managers who administer payments, securities and variations during delivery
- Sourcing and tender committee members who score commercial and financial submissions
- Vendor management leads who maintain supplier records and risk ratings

Course Outline:

Day 1: Why Supplier Financial Failure Matters to Buyers

- Supplier Insolvency Impact Chain: Stoppage, Stranded Advances and Replacement Cost
- Financial Exposure Map: Advances, Tooling, Consigned Stock and Open Orders
- Accounting Basics for Buyers: Assets, Liabilities, Equity and the Accruals Principle
- Supplier Financial Information Sources: Filed Accounts, Management Accounts and Financial Questionnaires
- Current-State Review of Financial Checks in the Buying Organisation

Day 2: Reading Supplier Financial Statements in Plain Terms

- Balance Sheet Walkthrough: Current Assets, Borrowings and Shareholders' Funds
- Income Statement Walkthrough: Revenue, Gross Margin, Operating Profit and Net Profit
- Cash Flow Statement Walkthrough: Operating, Investing and Financing Cash
- Auditor's Report, Going Concern Notes and Late Filing as Signals
- Profit Versus Cash: Receivables, Stock and Payables Build-Up in a Fast-Growing Supplier

Day 3: Solvency Ratios, Distress Scores and Dependency Measures

- Liquidity Ratios: Current Ratio, Quick Ratio and Cash Ratio
- Leverage Ratios: Debt to Equity and Times Interest Earned
- Profitability and Efficiency Ratios: Gross Margin, Return on Assets, Stock Turnover and Cash Conversion Cycle
- Altman Z-Score Safe, Grey and Distress Zones Alongside Commercial Credit Reports
- Mutual Dependency Test: Buyer Spend as a Share of Supplier Revenue

Day 4: Red Flags, Financial Securities and Supplier Distress

- Financial and Behavioural Red Flags: Payment Delays, Management Turnover and Quality Slippage
- Financial Pass Marks and Weightings in Prequalification and Tender Evaluation
- Parent Company Guarantees, Performance Bonds and Advance Payment Guarantees
- Payment Terms, Milestone Payments and Retention as Exposure Controls
- Distressed Supplier Response Playbook: Triage, Support Options, Title to Materials and Fallback Sourcing

Day 5: Case Work: Supplier Financial Risk Scorecard and Mitigation Plan

- Critical Supplier Case File: Three Years of Accounts and Credit Report Data
- Ratio Spreadsheet Build and Trend Interpretation for the Case Supplier
- Scorecard Design: Indicators, Weights and Rating Bands
- In-Contract Monitoring Calendar and Mitigation Plan Drafting
- Scorecard Presentation to a Mock Sourcing Committee

Skills You Will Gain:

- Supplier Financial Statement Reading
- Solvency Ratio Interpretation
- Distress Signal Detection
- Supplier Dependency Analysis
- Financial Tender Criteria Setting
- Contract Security Selection
- Supplier Financial Monitoring
- Distressed Supplier Handling

Why Attend This Course:

- Return with a Supplier Financial Risk Scorecard and Mitigation Plan for a critical supplier, tested before a mock sourcing committee
- Challenge a supplier's accounts with confidence instead of passing every financial question to finance
- Spot a weakening supplier months earlier and act before stock, advances or tooling are lost
- Compare supplier financial checks with procurement and contract peers from manufacturing, construction, services and public entities

Conclusion:

A supplier's financial strength is part of what a buyer purchases, and it can change during the contract. The course moves from the cost of supplier failure and the basics of accounts, through plain-language reading of the three financial statements, to solvency ratios, distress scores and dependency, and then to red flags, guarantees, bonds, payment terms and distress response. The final day brings these steps together on a critical supplier case, producing a Supplier Financial Risk Scorecard and Mitigation Plan ready for use at work.