

POTENȚIALUL INDICATORILOR CAPACITĂȚII DE PLATĂ ÎN ANTICIPAREA FALIMENTULUI CORPORATIV

THE POTENTIAL OF CASH BASED RATIOS IN PREDICTING CORPORATE BANKRUPTCY

Daniel BRINDESCU-OLARIU
Universitatea de Vest Timișoara

Abstract: The current study evaluates the potential of the 3 cash based financial ratios in predicting corporate bankruptcy. Correlations between the targeted financial ratios calculated based on the financial statements of the company and the probability of bankruptcy 2 years after the date of the financial statements were suspected. All tests were performed over 2 paired samples of 1176 Romanian companies. The methodology employed in evaluating the predicting potential of the ratios was based on the Area Under the ROC Curve and the general accuracy. The results suggest limited practical utility of the ratios in the prediction of bankruptcy.

Keywords: corporate finance; risk; failure; financial ratios; classification accuracy