OVERVIEW OF SELECTED BANKRUPTCY PREDICTION MODELS APPLIED IN V4 COUNTRIES

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Abstract: Bankruptcy prediction models are often an applied tool for detecting unfavourable development of the financial situation of the company. The prediction of financial health of business entities is the most important information because of dynamic development of the business environment. Many prediction models are known nowadays. They are different by their reliability (predictive ability), the composition of used variables, trade union orientation, the degree of consideration of domestic market conditions etc. It is clear from this that it is not possible to create a universal, unified prediction model that would be able reliably and with sufficient time to indicate unfavourable company financial development leading to bankruptcy applied in all sectors or regions. Introductory part of contribution is devoted to the literature review of issues and the definitions of the concept of bankruptcy based on the so-called non-prosperity indicators (profit, total liquidity and equity/liabilities ratio), that take into account the current legislation of this issue in the Slovak republic. Then the contribution discusses the role and significance of prediction models in corporate practice, compares the advantages and disadvantages of models containing accounting and market indicators. The authors also devoted the space to identifying restrictions on the usability of known foreign bankruptcy models in economic conditions of V4 countries and to define a set of the most frequently applied models taking into account specific economics conditions in these countries.

Key words: Bankruptcy Prediction Models, Financial Health, V4, financial ratios

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