

# Institut ekonomických studií

## Fakulta sociálních věd, Karlova universita Praha

### Referee report on the Bachelor/Master Thesis submitted to State Exam

<b>Student Name:</b>	Lenka Hádlová
<b>Thesis Supervisor Name:</b>	Karel Janda
<b>Thesis Title:</b>	Recovery Rates and the Absolute Priority Rule

#### Overall Evaluation:

The diploma thesis nicely connects the literature dealing with defaults in the context of Basel II with the literature dealing with defaults in the context of Corporate Finance and Law and Economics. The thesis also provides the empirical, institutional and theoretical points of view dealing with these problems of defaults. The thesis was originally intended to be a part of bigger project dealing with theoretically well founded econometric estimation of loss given default. Unfortunately, other participants in the project did not sufficiently advance in their topics, therefore the presented diploma thesis was not fully developed and integrated into this bigger project.

Out of empirical parts of the paper, the discussion of the very recent World Bank database data on Czech bankruptcies seems the most interesting to me. The empirical evidence in chapter 7.3 dealing with APR violations is taken from the literature and is rather out of date. The most recent data provided on APR are from 1993. The finding of the existence of partial priority of secured creditors in old Czech bankruptcy code (as opposed to the new one) looks to me as an interesting empirical fact, which could be connected with some literature on optimal credit contracts.

The work with literature could be improved. For example the statement on p. 44 "...the banks usually use the PDF of beta distribution..." should have a reference for the source(s) on which this statement is based. There is a number of similar non-documented statements in the thesis.

**I recommend the thesis for the defense and suggest grade B ("velmi dobře").**

**SUMMARY OF POINTS AWARDED (for the explanation of categories and scale, please, see below):**

<b>CATEGORY</b>	<b>POINTS</b>
Quality of Research	29
Clarity and Readability	8
Content/Quality of Ideas	30
Organization & Development	10
Manuscript Form	3
<b>TOTAL POINTS</b>	<b>80</b>
<b>LETTER GRADE</b>	<b>B</b>

(Signature – D

Karel Janda

Evaluated on: June 11, 2007

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#### Explanation of categories and scale:

**QUALITY OF RESEARCH:** The thesis demonstrates the author's full understanding and command of current literature and he/she uses it competently. The topic of the thesis is well structured and methods used are proper and relevant to the research question being investigated. A full and accurate analysis of thesis statement, from both a theoretical and applied perspective, is provided.

Strong			Middle				Weak		
30	27	24	21	18	15	12	8	4	0

**CONTENT/QUALITY OF IDEAS:** A range and depth of exposition; an appropriate sense of complexity of the topic; appropriate analysis of the thesis statement; and an accurate understanding of theoretical concepts is demonstrated. A full discussion of applicable and relevant theories stylized data is included. Original, creative thought is provided and evident. Demonstrates critical thinking and analysis with application of theory and student's ability to draw conclusions based on their knowledge, skills and research.

Strong			Middle				Weak		
40	36	32	28	24	20	15	10	5	0

**ORGANIZATION AND DEVELOPMENT:** The paper demonstrates a logical and clear arrangement of ideas; an effective use of transitions; a unity and coherence of paragraphs; and a clear development of ideas through supporting detail and evidence. The reader is successfully oriented to the subject, purpose, methodology, and structure of the report; an overview of the whole is included; the reader's attention and interest is engaged. The thesis statement is clearly and definitively stated without ambiguity. The conclusion is strong and reflective of the work as a whole.

Strong			Middle				Weak		
15	13	12	10	8	6	4	2	0	

**CLARITY AND READIBILITY:** Ease of readability; appropriate use of language and style for the rhetorical content; clarity of sentences (reader doesn't get lost; minimum need for slowing down or re-reading) is appropriately demonstrated. Professional level of English expression is evident (limited amount of non-native language to English translation is detectable).

Strong			Middle				Weak		
10	9	8	7	6	5	3	2	1	0

**MANUSCRIPT FORM:** The appropriate manuscript form and style for the rhetorical content; a professional image; an appropriate use of headings and sub-headings; an appropriate format for graphs and tables; an effective referencing of graphs and tables in the text; complete and accurate bibliography documented to support the applied research; and the overall impact of document design is considered.

Strong		Middle		Weak	
5	4	3	2	1	0