

Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha

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

Student Name:	Martin Peška
Thesis Supervisor Name:	Magda Pečená
Thesis Title:	The Applicability of Merton's Credit Risk Model in the Czech Republic

Overall Evaluation:

The thesis provides a thorough analysis of the Merton's credit risk model. After theoretical description of the model and discussions of its strong and weak features it provides an application of the model to the Czech data. This Czech application is discussed based on the actual situation of the real companies and the Czech results of the Merton's model are econometrically tested and compared with alternative approaches.

The thesis is well organized and written in good English. Sometimes small mistakes like "Counting the DP" instead of "Computing the DP" in the title of section 5.2.2 are made, but they are rare and do not decrease the good readability of the paper. The handling of the literature sources is done on a very good level. On the page 43, some more recent references to the testing of the efficiency of the Czech stock market could be included (for example Divis and Těplý (Finance a Uver, 2005)).

Author correctly mentions that the actual usefulness of his estimations of Merton's model should not be overestimated since the proprietary Moody's KMV model has in general better properties and outperforms the Merton's model.

Since the empirical choice of the default point is the crucial and difficult matter in the real-life application of the Merton-style credit risk models, the author could provide some additional explanation for his choice of default point, as mentioned on the page 53.

I recommend the thesis for the defense and suggest grade A ("výborně").

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

CATEGORY	POINTS
Quality of Research	29
Clarity and Readability	10
Content/Quality of Ideas	36
Organization & Development	15
Manuscript Form	5
TOTAL POINTS	95
	A

(Signature – Defense Opponent)

Karel Janda

Evaluated on: January 22, 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