

Report on Rigorous Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Mgr. Martin Dozsa
Advisor:	Prof. Ing. Karel Janda M.A., Dr., Ph. D.
Title of the thesis:	Debt Contracts and Stochastic Default Barrier

OVERALL ASSESSMENT

The currently evaluated thesis is based on the successfully defended diploma thesis for which I had a pleasure to be Martin's advisor. The thesis is focused on the debt contract barrier modeling in the framework of structural models assessing value of corporate debt. The thesis is competently written; standard theory is appropriately described and explained with many references to the current literature. The theoretical background is strong and brings the main contribution of the thesis – a creation of EBIT based model with stochastic interest rate and default barrier, which enhances structural models framework and enables better understanding of assessing value of corporate assets in macroeconomic setup. The form of the manuscript is exemplary and highlights the quality of the thesis.

All relevant comments given by the supervisor were incorporated into the text during the process of writing. The value added over the diploma thesis is contained in the attached paper, which is based on the 4th chapter of the submitted thesis.

The paper is a theoretical one, so it is much harder to achieve a clear defined contribution than in the applied papers dealing with data analysis. But the model gives a possibility for future extensions in the direction of data applications and it already dealing with extensive numerical simulations.

Small remark: it is mentioned in the paper, that “a promising idea is to model the earnings as a difference of two correlated GBM (representing revenues and expenses).” What are the technical difficulties, problems, with this approach? Why this approach was not used in the literature already?

Based on the high quality of the submitted thesis, I recommend accepting the thesis with **excellent** evaluation and awarding **any possible distinctions, entry into any possible competitions etc.** I am not aware whether there is any prize or award for rigorous theses at the Charles University level (or FSV level or national level), but if the case there is any, I recommend to submit this thesis for this competition. (By this I am not saying that this is a paper for Journal of Finance or Econometrica, but as far as our rigorous theses are concerned, it is a pretty good paper with a good promise of forming a solid base for good PhD dissertation chapter publishable in a decent journal.)

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	29
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	20

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TOTAL POINTS	<i>(max. 100 points)</i>	95
GRADE	<i>(1 – 2 – 3 – 4)</i>	1

NAME OF THE REFEREE: Karel Janda

DATE OF EVALUATION: March 6, 2011

Karel Janda _____
Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě