

Report on Master Thesis

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

Student:	Matej Kosturák
Advisor:	Petr Gapko
Title of the thesis:	The prediction of corporate bankruptcy and credit risk

The author focused his research on a practically widely used problem – the estimation of a company's default, or, more particularly in the author's thesis, a company's bankruptcy. As this problem was already examined and extensively described in the modern, as well as historical economic research, the author decided to describe the evolution of the research and then create a model of estimating bankruptcy probability of Czech companies on his own.

I really appreciate author's effort put into data collection and treatment. The usual shortcoming of research papers in this area is the insufficient data preparation (e.g. treatment of missing values, mistakes, etc.). From this point of view, the author's empirical calculations were performed correctly and the results are of a high reliability.

However, on the second hand, the thesis faces sever issues that will be described in the following paragraphs.

First, author's research question is not formulated clearly at the beginning of the text. This makes the thesis a bit more difficult to understand and follow.

Second, the review of literature is a bit too extensive. The author should have focused more on inclusion of some empirical papers on a similar dataset he uses, i.e. the Czech commercial sector, and possibly discuss their findings in the literature overview and not putting these references to the methodology overview.

Then, the Logit and Probit models are well known and established econometric methods, thus the author should not have described them and focus a bit more on the use of these methods specific to his purposes.

Finally, it is not clear how the correlations of variables that are used in the empirical part are calculated. This should be explained more in detail as the correlation analysis is essential for the choice of final variables.

Despite these shortcomings, the thesis definitely fulfills all requirements and therefore I recommend the thesis for its defense with grading 2 (good).

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	16
<i>Methods</i> (max. 30 points)	18
<i>Contribution</i> (max. 30 points)	18
<i>Manuscript Form</i> (max. 20 points)	12
TOTAL POINTS (max. 100 points)	64
GRADE (1 – 2 – 3 – 4)	2

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NAME OF THE REFEREE: Petr Gapko

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Referee Signature