

Report on Bachelor / Master Thesis

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

Student:	Jiří Brada
Advisor:	PhDr. Martina Pěkná
Title of the thesis:	Prediktabilita výnosnosti akcií pomocí poměrových finančních ukazatelů na Burze cenných papírů Praha

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The thesis at hand investigates the predictability of several BCP listed stocks returns using financial ratios as predictors. The results are presented in the context of rich existing research. My comments are the following.

Chapter 1 provides an introduction into the investigated topic and a literature survey. I appreciate that the literature survey is presented in a structured form, the language used is descriptive and precise at the same time. Sometimes, however, the reader has to think twice. For example, on p. 8 the author notes that Chen & Chimerda (1981) found that financial ratios can be divided into groups with respect to their meaning. Moreover, including more ratios from the same group is counterproductive. This statement is immediately followed by the choice of P/E, M/B, D/Y and company size as predictors and the reader misses the connection of these variables to the previously cited research. Overall, I think the choice of these four variables is poorly argued in the text. I have no objections against the use of these four, however, in light of the rich literature review with diverse conclusions of different papers, the reader wonders why other financial ratios were not used.

Chapter 2 and 3 provide motivation and a historical view on the Prague stock exchange, in order to provide context. I have no comments here.

Chapter 4 contains the econometric part. The explanatory as well as explained variables are meticulously described, which I appreciate. Also, the data collection process is described in detail. I would like to see in subchapter 4.3 some summary of the investigated data. The subchapter 4.4.2 on methodology should, in my view, contain a more detailed description of methods used to alleviate e.g. heteroskedasticity. Saying that "appropriate corrective measures were undertaken" does not allow the reader to check that the corrective measure used was proper and does not allow the reader to replicate the author's results.

Overall, this thesis is very nicely written, the hypothesis is clear. Throughout the whole text the author proves a thorough understanding of the topic, the conclusions of the thesis are relevant and well discussed. Despite the text being rather short, this is a good thesis and thus deserves a good grade.

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

CATEGORY		POINTS
<i>Literature</i>	<i>(max. 20 points)</i>	20
<i>Methods</i>	<i>(max. 30 points)</i>	27.5
<i>Contribution</i>	<i>(max. 30 points)</i>	27.5
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	20
TOTAL POINTS	<i>(max. 100 points)</i>	95
GRADE	(1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Daniel Benčík

DATE OF EVALUATION: 23.05.2015



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