Title		Code:
Corporate Failures: Reasons, Prediction and Prevention		4.1.0110

ECTS points: 2	Hours: 15	Semester: winter	Status: Elective	Language: English

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Course description:

1. Meaning of a corporate failure. Bankruptcy vs. failure. Bankruptcy alternatives. Economical insolvency, technical insolvency, legal insolvency. Classification of failures. The primary purpose of the laws of bankruptcy. Bankruptcy fraud. Attributes of corporate success.
2. Reasons for corporate failures. Classification of reasons for corporate failures. Internal and external factors. Categories of internal failure causes: decline as a natural and predictable process due to the industry and organizational life-cycles, decline as a result of past success patterns and organizational rigidity.
3. Failure as a process. Identifying the approach of failure from within the organization. The process of organizational decline.
4. Financial statements frauds. Reasons for financial statement frauds. Revenue/accounts receivable frauds. Inventory/cost of goods sold frauds. Understating liability/expense frauds. Overstating asset frauds. Examples of frauds.
5. Enron's case study
6. Symptoms of failures. Recognising the symptoms of failures. Methods of predicting the likelihood of a corporate failure. Quantitative and qualitative features of a failure. Sample early warning systems. Common faults in decision–making.
7. Conclusions and implications. Developing environmental learning mechanisms. Generating new and relevant knowledge. Organizational creativity. Managing crisis and failure.

Reading list:

E.K. Laitinen, O. Lukason, A. Suvas, Behaviour of Financial Ratios in Firm Failure Process: An International Comparison, International Journal of Finance and Accounting 2014, 3(2): 122-131.
D. Van Caillie, Business Failure Prediction Models : What is the Theory looking for?, Paper presented at the 2nd International Conference on Risk and Crisis Management 'From day to day risks to crisis'
Liège (Belgium) 1999.
A. Gepp, K. Kumar, Business failure prediction using statistical techniques: A review, (2012). Bond Business School Publications. Paper 675. http://epublications.bond.edu.au/business_pubs/675
E.I. Altman, E. Hotchkiss, Corporate Financial Distress and Bankruptcy, Wiley 3e 2006
Koralun-Bereźnicka, J., Corporate Performance. A Ratio-Based Approach to Country and Industry Analyses, Springer 2013.

Grading:

The final grades are based on the score according the University terms of study:
50% or less - 2,0 (fail)
>50% - 3,0 (pass)
>60% - 3,5 (pass +)
>70% - 4,0 (good)
>80% - 4,5 (good+)
>90% - 5,0 (very good)

Prerequisities:

There are no pre-requisites for this course