

Review of: "An accuracy test of Altman and Zmijewski accounting-based bankruptcy models"

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The paper assesses Altman and Zmijewski's accounting-based bankruptcy models in Portugal. It presents an intriguing subject matter but falls short in addressing crucial aspects that could significantly enhance its comprehensiveness.

One notable limitation of the paper is its failure to adequately explain the differentiation between Altman and Zmijewski. Although the authors embark on evaluating the accuracy of both models, they do not delve into the distinct characteristics and underlying assumptions of each model. This omission is essential, as an in-depth comparison would provide readers with a clearer understanding of the strengths and weaknesses inherent in each model, thereby contributing to a more nuanced assessment.

Moreover, the paper neglects to investigate potential variations in accounting practices specific to Portugal. Accounting standards and practices can vary significantly across different countries, impacting financial reporting and, consequently, the applicability of bankruptcy prediction models. A thorough exploration of any disparities in accounting practices would have added depth to the analysis.

Additionally, the absence of an examination of bankruptcy laws in Portugal is a notable oversight. Legal frameworks play a pivotal role in shaping corporate financial distress, and understanding the nuances of Portuguese bankruptcy laws is crucial for accurately evaluating the models' predictive capabilities in this specific context.

Furthermore, the paper falls short by not testing or controlling for the individual components of the bankruptcy score. Altman and Zmijewski models consist of multiple variables, and an in-depth analysis of each component would have provided valuable insights into which factors contribute most significantly to the models' accuracy. This granular approach would have allowed for a more nuanced interpretation of the results, potentially uncovering specific weaknesses or strengths.

In conclusion, the paper falls short of providing a comprehensive analysis by overlooking critical elements such as the differentiation between the models, variations in accounting practices in Portugal, and the influence of local bankruptcy laws.