BANKRUPTCY PREDICTION ANALYSIS FOR GO PUBLIC MANUFACTURE COMPANIES IN CHINA BY USING THE MODEL OF ALTMAN Z-SCORE

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ABSTRACT

This study aims to test the prediction of bankruptcy in several go public manufactures companies in China. It is due to the manufacture company plays an important role in China's economy. This study used the method of Altman Z-Score to predict how big the probability of bankruptcy in 2009-2011 periods by counting the bankrupt prediction on 20 manufacture companies in China. The data used in this study is the manufacture company's financial report from the company official website. The analysis used is the predictive model of Altman Z-Score bankruptcy which applies five variables representing liquidity ratios X1, X2, and X3 profitability, activity X4 and X5. It has the formula Z-Score = 1.2 X1 + 1.4 X2 + 3.3 X3 + 0.6 X4 + 1.0 X5 within the Z-Score assessment criteria> 2.99 is categorized as a very healthy company. 1.81 <Z-score <2.99 are in grey areas so that the chances were saved and the possibility of bankruptcy as much depends on the company's management policy decisions as decision makers. Z-score <1.81 is categorized as a company that has enormous financial difficulties and at high risk so that the possibility of bankruptcy is very large. During the observations we point out that there are still in a state of bankruptcy for the research data as many as 20 public manufactures companies. In 2009, 30% of the manufactures companies had predicted bankruptcy and 45% are in the grey area. In 2010, there are some manufactures companies that have improved financial conditions in the presence of 35% of manufactures companies which are in a healthy condition, 25% tense bankrupt and 40% are in grey areas. In 2011, it has decreased to a healthy condition that is 20%, 30% grey areas and the rest are in a bankrupt condition.

Keywords: *Altman Z-Score, Predicted Bankruptcy*