ABSTRACT

This study examines the financial distress prediction about using model Altman Z-Score cut off 1995 with theories from Brigham and Houston, as well as research on the influence of variable ratio of Net Working Capital to Total Assets (X 1), Retained Earning to Total Assets (X 2), Earning Before Interest and Tax to Total Assets (X 3), and the Book Value of Equity to Total Liability (X 4) towards the prediction of financial distress for companies that are experiencing distress and financial distress prediction for companies that are experiencing non distress. Analysis of Z-Score itself is a means of prediction of bankruptcy made by Dr. Edward i. Altman in 1968. This method uses the ratio-the ratio of a specific in order to predict the risk of bankruptcy of a company. This method also has undergone modifications in 1995, by changing some variables in the Z-Score formula.

Variables used in this research is the ratio-ratio model of Altman Z-Score Modification (1995). As for the components of the ratio-ratio model of Altman Z-Score Modification (1995) is the Net Working Capital to Total Assets, the Retained Earnings to Total Assets, Earning Before Interest and Tax to Total Asset, and the Book Value of Equity to Total Liabilities. The population in this research is the manufacturing company go public listed on the Indonesia stock exchange. Methods of sampling used is purposive sampling. The sample in this study is 88 manufacturing company go public listed on the Indonesia stock exchange in 2008 up to the year 2010.

Methods of analysis in this study i.e. by doing the calculations using the method of Altman Z-Score Modification (1995) and discriminant analysis. According to calculations, predictions already done that there are 10 companies experiencing distress and 78 companies having non-distress. From the results of processing using SPSS, yielding the equation $Z = -0,175 + 0,059\ X_1 + 0,846\ X_2 + 3,777\ X_3 + 0,069\ X_4$. *Then, the value of the level of classification for corporate distress truth of 73,3% and the value of a number of error level 26,7%. Whereas the classification level value to the company a non truth distress of 86,2% error rate and value a number of 13,8%. In this research the variable ratio of Net Working Capital to Total Assets (X 1), Retained Earning to Total Assets (X 2), Earning Before Interest and Tax to Total Assets (X 3), and the Book Value of Equity to Total Liability (X 4) positive effect against financial distress.*

Keywords : financial distress, discriminant analysis, financial ratio Altman Z-Score model Modification (1995).