

## ***Dissertation Seminar*** **FINANCIAL DISTRESS**

*Academic Year:* **2017/2018**

*Semester:* **1st**

*Instructor(s):* **Ricardo Ferreira Reis**

*Max. Number of Students:* **8**

### *Seminar Description:*

This seminar is about understanding how firms and managers deal with extreme financial problems. The recent financial crisis together turns Portugal into an interesting laboratory on this particular topic. Many companies experienced an exogenous shock that lead them to close down or restructure quickly. We are now recovering from these years, and this turns the current date the ideal timing to analyze and study financial distress.

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### *Seminar Content:*

I am open to all research methodologies (case study, analytical approach, survey, empirical data analysis,...), though you are expected to be able to do empirical statistical analysis both on large and on small samples. You are free to focus on individual companies in distress, but be advised that individual case studies will be less cooperative, given the touchiness of the topic.

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### *Seminar Objectives:*

This seminar aims at studying how firms get to financial distress situations, how to tell that this is happening and what can be done about it.

It is primarily a corporate finance seminar, with a strong emphasis on valuation and financial statement analysis.

We will rely a lot on the bankruptcy prediction literature, so we will have one or two sessions to study the main papers in the field, in particular the seminal Altman Z pioneering prediction model and how this model has been improved upon, evolved and has been applied in several instances.

The issue of firms in financial distress can hence be analyzed from the firm's value loss perspective, but it can also include banking, corporate governance and law, and financial instruments approaches.

You are encouraged to look at national and international samples, but one of the topics I am really interested in seeing explored is the notion that in Portugal firms ask for help and acknowledge distress too late. Measuring how much value is lost by this late decision is, in



my opinion, a topic that urges to be studied and several approaches to this are conceivable.

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Bibliography / Recommended Textbook(s) / Additional Readings:

For starters, take a look at the following review of literature on the topic:

- **Altman et al., 2014**, Distressed Firm and Bankruptcy prediction in an international context: a review and empirical analysis of Altman's Z-Score Model, mimeo. ([link](#))

I will provide further suggested readings on the topics, but for now do *google scholar*, *jstor*, *webofscience* searches on topics such as:

- “financial distress”,
- “bankruptcy prediction models”,
- “chapter 11”, etc. or
- combinations thereof.

I have a few suggestions that I will share with you on the first sessions, but I urge you to spend 45mins to an hour gathering more...

When you gather the info from the searches, along with saving the pdf, please do the following table (use [link for excel example](#)):

Author(s)	Year	Title	Publication	Cited in:	Search:
Head, K. and Ries, J.	2010	<i>Do trade missions increase trade?</i>	Canadian Journal of Economics	10	“trade mission” on google scholar
...					

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Biography:

Visiting Assistant Professor at CLSBE

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Contact(s) and Office Hours:

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Schedule:

Attendance is mandatory (remote attendance will be allowed only in accordance to program restrictions). Mandatory attendance will likely be waived after the first two sessions, if you report appropriately:

Date	Time	Objective
7 <sup>th</sup> September	5pm-6.30pm	Introduction and Rules of the Game and Review of Bankruptcy Prediction Literature
14 <sup>th</sup> September	5pm-6.30pm	Topic Selection Deadline or discussion
7 <sup>th</sup> October	8pm Deadline	Literature Review and Methodology Outline
10 <sup>th</sup> November	5pm-6.30pm	1-2 chapters



30 <sup>th</sup> November	5pm-6.30pm	Results discussion
20 <sup>th</sup> of December	8pm Deadline	Hand in final version for supervisors revisions – after this deadline, I reserve the right to use calendar restrictions as grounds for not submission in January.
Official January Deadline	Final deadline	Hand in to Students' Affairs following MSc Program's procedures.
8 <sup>th</sup> of March	20:00 Late Deadline	Hand in final version for supervisors revisions – after this deadline, I reserve the right to use calendar restrictions as grounds for not submission in April.
Official March Deadline	Final Submission	Hand in to Students' Affairs following MSc Program's procedures.

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Deadlines:

The full list of dates and deadlines can be consulted [here](#).