

"Detecting Financial Distress of Companies listed on Amman Stock Exchange Using the Models of Altman and Jones"

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Abstract

This study aimed to test the capabilities of Emerging Market Score model to predict financial distress and the modified Jones model developed to detect earnings management on bankrupt manufacturing companies listed on Amman stock exchange before their bankruptcy, and to discover the correlation of the predictive ability of financial distress between the two models. In order to achieve the objectives of the study, the study was applied to public shareholding industrial companies on the Amman Stock Exchange that were liquidated during the period "between": (2003-2019). Descriptive statistical methods appropriate to the study variables were used, and the hypotheses were tested by using logistic regression analysis. The study found a number of results, the most prominent of which is the existence of a statistically significant effect of the previous year's EMS in explaining the financial distress of healthy industrial companies, And the existence of a statistically significant effect of the managed earnings in the previous year in explaining the financial distress of bankrupt companies in the current year. Also the results showed that there was no correlation between managed earnings and the EMS in the previous year in explaining the financial distress of bankrupt companies in the current year. Among the most important recommendations of the study is the need to find new methods by decision makers to protect the rights of users of financial statements to ensure that they obtain reliable information with high credibility, and the need to issue a standard about financial distress and forecasting to guide companies and help them take the necessary precautions to avoid financial distress.

Key words: financial distress, Emerging Market Score model, managed earnings, failed companies, healthy companies.