Curiel1987

O'Neill [6] discusses several division methods in such situations. He proposes the method of recursive completion. Aumann and Maschler [ Aumann1985 ] study three examples of bankruptcy from the Babylonian Talmud and extend the solution given there to all bankruptcy problems. Another way of dividing the estate is the proportional method which divides the estate proportionally to the claims. This method is widely used. However, contrary to the two methods mentioned above it is not a game theoretic method. Especially, it is not invariant under strategic equivalence. suggest a method which arises from the proportional method by making some modifications in order to achieve strategic equivalence and to obtain a game theoretical method. This new method is called the adjusted proportional method

Crampton1985

A fundamental problem in economics is determining how agreements are reached in situations where the parties have some market power. I explore these questions in the context of bilateral monopoly, in which a buyer and a seller are bargaining over the price of an object. Two features of my analysis, which are important in any bargaining setting, are information and impatience. The bargainers typically have private information about their preferences and will suffer some delay costs if agreement is postponed. Information asymmetries between bargainers will often lead to inefficiencies

* General bargaining mechanisms. Not bankruptcy
* Some authors have examined the bargaining problem in a static context, focusing solely on the role of incomplete information and ignoring the sequential aspects of bargaining. Myerson and Satterthwaite (1983) analyze bargaining as a direct revelation game. In this game, the players agree to a pair of outcome functions: one that maps the players’ statements of their types into an expected payment from buyer to seller, and one that maps the players’ statements into a probability of trade
* Chatterjee and Samuelson (1983) analyze a strategic game in which both players make offers simultaneously, and trade occurs at a price between the two offers if the seller’s offer is less than the buyer’s offer
* In situations where the bargainers are unable to make binding agreements, it is unrealistic to use a bargaining mechanism that forces them to walk away from known positive gains from trade. Such mechanisms violate a broad interpretation of sequential rationality as discussed by Selten (1976) (in terms of subgame perfection), and later by Kreps and Wilson (1982),
* When there is uncertainty about whether or not gains from trade exist, any static game will violate sequential rationality. The players must have time to learn through each other’s actions whether gains are possible
* Bargainers who anticipate large gains from trade (low-cost sellers and high-valuation buyers) will be unwilling to delay agreement, and so will propose attractive terms of trade that the other is likely to accept early in the bargaining process. On the other hand, high-cost sellers and low-valuation buyers will prefer to wait for better terms of trade

Baird & Picker 1991

* THE traditional view of bankruptcy law begins with the idea that diverse general creditors of a firm face a collective action problem when their corporate debtor becomes insolvent. These general creditors now are the firm's residual owners. Under the traditional view, bankruptcy law is designed in the first instance to allow them to act collectively
* bankruptcy serves principally to frame the negotiations between this senior creditor and the firm's manager-shareholder. A bankruptcy proceeding is needed largely because these negotiations cannot be entirely the province of private contracting
* If the firm is worth less than what the most senior creditor is owed, the general creditors should receive nothing, but some mechanism, perhaps a judicial one, is needed to decide whether this condition holds, as the manager-shareholder and the senior creditor cannot be relied on to protect the rights of third parties. Before a court can extinguish the claims of the junior creditors, it must be satisfied that these creditors are in fact entitled to nothing. In the case of a closely held firm, bankruptcy does not solve a collective action problem that the general creditors of a firm face when they are its residual owners. Rather, bankruptcy is best understood as a forum in which two parties negotiate with each other. Bankruptcy's rules have a dual function: to enforce the agreement between these parties and to ensure that this agreement does not compromise the rights of any third parties.

White2007

* Bankruptcy is the legal process whereby financially distressed firms, individuals, and occasionally governments resolve their debts. The bankruptcy process for firms plays a central role in economics, because competition drives inefficient firms out of business, thereby raising the average efficiency level of those remaining. The main economic function of corporate bankruptcy is to reduce the cost of default by having a government-sponsored procedure that resolves all debts simultaneously

Corneli1997

This paper suggests a framework to analyze the efficiency properties of bankruptcy procedures, distinguishing between ex-ante and ex-post efficiency. Ex-post efficiency consists in maximizing the ex-post value of the insolvent firm, whereas ex-ante efficiency consists in maximizing the proceeds to creditors from the reorganization of the firm and providing incentives for the creditors to monitor the firm. We show that the definition of creditors' ownership rights over the company and the protection of the creditors' seniority, are crucial to assess the ex-ante efficiency of a bankruptcy procedure.

Korol2019

* Though the first law on bankruptcy was already written in 1542 in England during the reign of King Henry VIII, the first studies on forecasting bankruptcies took place in the 1960s, started by [Beaver](https://www.mdpi.com/1911-8074/12/4/185#B13-jrfm-12-00185) ([1966](https://www.mdpi.com/1911-8074/12/4/185#B13-jrfm-12-00185)) and [Altman](https://www.mdpi.com/1911-8074/12/4/185#B5-jrfm-12-00185) ([1968](https://www.mdpi.com/1911-8074/12/4/185#B5-jrfm-12-00185)). There are two main distinct strands of models that have been used to predict bankruptcy—statistical and artificial intelligence models.
* Since the estimation of the pioneering model of multivariate discriminant analysis by Altman, numerous research studies have been carried out with the use of a wide variety of statistical methods (e.g., [Alaka et al. 2018](https://www.mdpi.com/1911-8074/12/4/185" \l "B4-jrfm-12-00185" \o "); [Bandyopadhyay 2006](https://www.mdpi.com/1911-8074/12/4/185#B11-jrfm-12-00185); [Barboza et al. 2017](https://www.mdpi.com/1911-8074/12/4/185#B12-jrfm-12-00185); [Delen et al. 2013](https://www.mdpi.com/1911-8074/12/4/185" \l "B23-jrfm-12-00185); [Giannopoulos and Sigbjornsen 2019](https://www.mdpi.com/1911-8074/12/4/185#B30-jrfm-12-00185); [Ho et al. 2013](https://www.mdpi.com/1911-8074/12/4/185" \l "B32-jrfm-12-00185" \o "); [Hosmer et al. 2013](https://www.mdpi.com/1911-8074/12/4/185#B34-jrfm-12-00185); [Jackson and Wood 2013](https://www.mdpi.com/1911-8074/12/4/185#B35-jrfm-12-00185); [Kieschnick et al. 2013](https://www.mdpi.com/1911-8074/12/4/185" \l "B43-jrfm-12-00185" \o "); [Kumar and Ravi 2007](https://www.mdpi.com/1911-8074/12/4/185#B45-jrfm-12-00185); [Laitinen 2007](https://www.mdpi.com/1911-8074/12/4/185" \l "B46-jrfm-12-00185" \o "); [Lukason and Hoffman 2014](https://www.mdpi.com/1911-8074/12/4/185" \l "B51-jrfm-12-00185" \o "); [Lyandres and Zhdanov 2013](https://www.mdpi.com/1911-8074/12/4/185" \l "B52-jrfm-12-00185" \o "); [Mihalovic 2016](https://www.mdpi.com/1911-8074/12/4/185" \l "B55-jrfm-12-00185" \o "); [Orsenigo and Vercellis 2013](https://www.mdpi.com/1911-8074/12/4/185" \l "B58-jrfm-12-00185" \o "); [Psillaki et al. 2010](https://www.mdpi.com/1911-8074/12/4/185" \l "B60-jrfm-12-00185" \o ")). The most popular statistical techniques as noted by [Balcaen and Ooghe](https://www.mdpi.com/1911-8074/12/4/185" \l "B10-jrfm-12-00185) ([2006](https://www.mdpi.com/1911-8074/12/4/185#B10-jrfm-12-00185)) are multivariate discriminant analysis and logistic regression models.

Cressy2006

A model is developed to explain why most firms die in the first few years of trading. A risk averse entrepreneur with initial capital endowment faces a Brownian motion in net worth over time. To balance return (profits growth) and risk (variance of profits) she adopts a portfolio strategy, choosing market positioning to achieve an optimal combination of risk and return at each instant, given her financial and human capital endowments and attitude towards risk. Failure occurs when the firm’s value falls below the opportunity cost of staying in business. The resulting distribution of failure is Inverse Gaussian, implying, for specific parameter values, a positively skewed failure curve of the type observed in practice. In addition the model presents a novel-measure of management human capital (MHC) which implies that high MHC entrepreneurs will have higher absolute and marginal profits growth than low MHC entrepreneurs at given levels of risk.

IBC Code 2016

Preamble: *An Act to consolidate and amend the laws relating to reorganisation and insolvency*

*resolution of corporate persons, partnership firms and individuals in a time*

*bound manner for maximisation of value of assets of such persons*

*4. (1) This Part shall apply to matters relating to the insolvency and liquidation of*

*corporate debtors where the minimum amount of the default is one lakh rupees:*

* <<On the increased provisioning, Bhattacharya said, “… In all of these accounts we have pretty large provisions. So yes, we have to make a little more but it should not very badly impact the numbers.” She added that in case a new buyer bids to buy one of the loans, the declared provisions would reduce the value of the asset. “Only problem is that when you already make so much of provision and if there is somebody coming in order to take over that account, they will immediately take that as the lowest level of write off or hair-cut. So to that extent, we may have realised better value if we have not exactly pin pointed the amount of provisioning that we were making,” the SBI chief said.>>
* <https://www.moneycontrol.com/news/business/economy/sbi-takes-3-of-the-12-accounts-to-bankruptcy-court-for-resolution-2313215.html>

Mokal2005

* a rational scheme of fair co-operation would not tolerate waste. Such arguments also cohere with the rather simplistic pre-theoretical intuition that secured creditors are ‘obviously’ treated better than unsecured ones, which is unfair to the latter. The chapter uses economic theory and empirical data to find that these arguments are at best unproved, and more likely, false. It concludes by demonstrating that, taking into account the actual conditions under which security is demanded and offered, its priority over unsecured claims in the debtor's insolvency would in fact be part of a rational scheme of fair co-operation amongst equ

IMF1999

The second objective of an insolvency law is *to protect and maximize value for the benefit of all interested parties and the economy in general*. This objective is most obviously pursued during rehabilitation, where value is maximized by continuing a viable enterprise. But it is also a primary objective of procedures that liquidate enterprises that cannot be rehabilitated. The achievement of the value maximization objective is often furthered by the fulfillment of the objective of equitable risk allocation. For example, the nullification of fraudulent transactions that occurred before an insolvency proceeding ensures that creditors are treated equitably and also enhances the value of the debtor’s assets. However, there can also be tension between these objectives. For example, the nullification of prior transactions also extends to nonfraudulent transactions, which can undermine the objective of predictability. Similarly, during the insolvency proceedings, many countries give the liquidator or the administrator (depending on the nature of the proceedings) the authority to interfere with the terms of a contract previously entered into between the debtor and a counterparty. While the exercise of this authority provides an important means of maximizing the value of the assets of the debtor, it also undermines the predictability of contractual relations, which is critical to making investment decisions.

Some of the key policy choices to be made when designing an insolvency law relate to how the above objectives are balanced against each other. In addition, choices need to be made on who will be the beneficiaries of the value that is maximized: while some countries view rehabilitation procedures as providing a way to enhance the value of creditors’ claims through the going-concern value of the enterprise, other countries also view it as a means of providing a “second chance” to the shareholders and the management of the debtor. Still others view the continuation of the enterprise as primarily benefiting the employees. The protection of employees raises the larger issue of when reliance on the insolvency law should be avoided altogether so that certain public policy objectives can be achieved. For instance, to limit unemployment or rescue enterprises that are engaged in important national activities, the authorities may prefer to address the problems of a troubled company through various measures that will involve an extensive use of public funds and give the beneficiaries a substantial advantage over their less-favored competitors.