Variables

SigmAE(+). The standard deviation of annual return. This describes the pretention annual change of a company. Higher SigmAE means the firm has higher “speed” to reach the default boundary.

AnnRet(-). The annually return of a company. Higher AnnRet means the company is doing well and is less likely to default.

CurrentRatio(-). Current ratio is current asset divided by current liability. So higher current ratio indicates either higher assets or lower liability, both of which are negative correlated with probability of default.

ReturnOnAsset(-). Net income divided by total asset. Higher ROA indicates higher net income. The companies with higher net income are less likely to default.

LT/AT(+). Total liability divided by total asset. Less liability means higher default boundary and higher probability of default.

R(-). Risk free rate. Higher risk free rate indicates better macro economy and lower default possibility. Risk free rate should be negatively correlated with default probability. However in the result of logistic regression they were positively correlated.

LogAT(-). Logarithm of total asset. Larger companies should be less likely to bankrupt. However the result showed a positive correlation between total asset and probability of default.

TotalAssetTurnover(-). Revenue divided by total asset. Higher TAT indicates revenue is good and less probability of bankrupt. But the result was on the contrary.

NI/AT(-). Net income divided by total asset. Companies with higher net income are less likely to default. But result indicated is had a positive correlation with default.