

# Detailed Report: Key Insights and Recommendations

## 1. Debt Ratio % and Bankruptcy

- Debt Ratio % exhibits the highest positive correlation with bankruptcy, indicating that as this ratio increases, the likelihood of bankruptcy also rises.
- **\*\*Actionable Insight:\*\*** It is critical to closely monitor and manage the Debt Ratio %. Implementing stringent debt management policies and ensuring that debt remains sustainable relative to assets and income are essential strategies.

## 2. Net Income to Total Assets and Bankruptcy

- Net Income to Total Assets shows the strongest negative correlation with bankruptcy. Lower values of this ratio suggest higher risks of bankruptcy.
- **\*\*Actionable Insight:\*\*** Prioritize initiatives aimed at improving profitability relative to total assets. Strategies may include optimizing costs, enhancing revenue streams, and maximizing asset efficiency.

### **3. Return on Assets (ROA) and Bankruptcy**

- Both ROA(A) and ROA(B) before interest and taxes demonstrate negative correlations with bankruptcy risk. Lower ROA values indicate higher bankruptcy risks.
- **\*\*Actionable Insight:\*\*** Enhance operational efficiency and profitability metrics. Focus on optimizing resource allocation, refining operational processes, and diversifying revenue sources to mitigate bankruptcy risks.

### **4. Current Liability to Assets**

- Higher values of Current Liability to Assets are associated with increased bankruptcy risk, reflecting higher short-term obligations relative to total assets.
- **\*\*Actionable Insight:\*\*** Effectively manage short-term liabilities by negotiating favorable terms with creditors, optimizing working capital, and ensuring adequate cash flow for debt obligations.

## **Recommendations for Financial Risk Management**

### **1. Strengthen Financial Health Monitoring**

- Regularly monitor key financial health indicators such as Debt Ratio %, Net Income to Total Assets, and ROA. Establish threshold values and implement alert mechanisms for timely intervention.

## 2. Develop Robust Risk Mitigation Strategies

- Tailor risk mitigation strategies to identified risk factors. Establish contingency plans for managing debt levels during economic downturns or adverse market conditions.

## 3. Enhance Financial Modeling and Forecasting

- Utilize advanced financial modeling techniques to forecast critical financial ratios and their impact on bankruptcy risk. Conduct scenario analysis to assess business resilience under varying economic conditions.

## 4. Diversification and Revenue Management

- Explore diversification strategies to reduce reliance on specific revenue sources or markets. Diversification can help mitigate risks associated with market fluctuations and sector-specific challenges.

## 5. Foster Continuous Improvement and Adaptation

- Foster a culture of continuous improvement in financial management practices. Regularly review and adapt strategies based on evolving market dynamics, regulatory changes, and internal performance insights.