ABSTRACT

Financial Distress or financial difficulty is a situation when a company has difficulty in paying off its long-term obligations. Which if not immediately resolved, financial distress can cause a bankruptcy in the company. It is important to identify financial distress conditions to maintain the company to keep going concern.

A method used by companies to help determine the condition of financial difficulties is through bankruptcy predictions and financial ratios. This study uses the Altman Z Score method as the dependent variable and the financial ratio as the independent variable.

The financial ratios used are liquidity ratios with current ratio as indicators, solvency ratios by debt to equity ratio, profitability ratios by return on assets (ROA), and activity ratios by total assets turnover.

The sample method of this study uses purposive sampling method, namely companies that always publish financial and annual reports for six periods starting from 2012 to 2017. So as to obtain a sample of 9 companies with the number of observation data as many as 54 units of analysis. The analytical method used in this study is multiple linear regression.

The results of this study indicate that partially the current ratio and total assets turnover have no effect while the debt to equity ratio has a significant negative effect and return on assets has a significant positive effect on financial distress. Simultaneously, the current ratio, debt to equity ratio, return on assets, and total assets turnover are affect to financial distress.

Keywords : Financial distress, Financial Ratio, Current Ratio, Debt to Equity Ratio, Return on Assets, and Total Assets Turnover