

## Altman's Z''-Score to Predict Accounting Based Financial Distress of Municipalities: Bankruptcy Risk Map for Metropolitan Municipalities in Turkey

Ali KABLAN  <sup>a</sup>

<sup>a</sup>Trakya Üniversitesi, U.U.B.Y.O, Edirne, Türkiye. [alikablan@trakya.edu.tr](mailto:alikablan@trakya.edu.tr)

ARTICLE INFO	ABSTRACT
<p><b>Keywords:</b> Financial Distress Altman Z''-Score Accounting-Based Prediction Models Municipalities Financial Ratios</p> <p>Received 12 January 2020 Revised 29 February 2020 Accepted 6 March 2020</p> <p><b>Article Classification:</b> Research Article</p>	<p><b>Purpose</b> – The aim of the current study is to assess the financial distress risk of the metropolitan municipalities in Turkey from 2012 to 2017 using Altman's Z''-Score, an accounting-based financial distress prediction model.</p> <p><b>Design/methodology/approach</b> – Altman Z''-Score model was applied to the data from 2012 to 2017 for 30 metropolitan municipalities in Turkey. Microsoft Excel Program was used to calculate the four financial ratios, place them in the model and find the Z''-Score values. Paintmap application was used to create the risk map for the Turkish metropolitan municipalities based on the results.</p> <p><b>Findings</b> – The results showed that four of the metropolitan municipalities gradually moved to the red zone based on the 2012-2017 data. However, only two of these municipalities were placed in the red zone based on the mean. Similarly, ten of the municipalities moved to the grey zone over time, but only one of these municipalities were in the grey zone with respect to the mean whereas all the other metropolitan municipalities were in the safe zone.</p> <p><b>Discussion</b> – The results of the current study show that the fiscal performance of the metropolitan municipalities in Turkey seems to be better than expected. The effects of accounting errors in Audit Court Reports on statements and analysis of statements, which can be quite misleading, may be investigated in future research.</p>

### Suggested Citation

Kablan, A. (2020). Altman's Z''-Score to Predict Accounting Based Financial Distress of Municipalities: Bankruptcy Risk Map for Metropolitan Municipalities in Turkey, *Journal of Business Research-Turk*, 12 (1), 498-509.