Bankruptcy prediction is a study for measuring financial problems of the firms. The bankruptcy of any company has potentially significant consequences not only for itself, but also for those ones doing business with it. The consequences of a large company’s bankruptcy can be especially devastating, because it affects not only many other businesses and individuals, but it also affects its suppliers and other business associates.

It is possible to point out some key indicators that can be used in predicting corporate bankruptcy: 1) net income to total assets; 2) total liabilities to total assets; 3) quick ratio; 4) retained earnings to total assets; 5) working capital to total assets; 6) debt to equity, etc.

Financial and operating deficiencies pointing to financial distress include: 1) significant decline in stock price; 2) inability to obtain further financing; 3) inability to meet past-due obligations; 4) movement into business areas unrelated to the company’s basic business; 5) a high degree of competition, etc.

There are various models developed by economists which can help you in predicting the financial well-being of firms. These models provide early warning signals so that a potentially disastrous situation can be averted. Discriminant analysis is the most important instrument for early warning of bankruptcy and method of predicting bankruptcy. There are univariate (model Bivar, Weibel and others) and multivariate discriminant analysis (Altman, Lis, Tafler, Springate, Fulmer, Tereshchenko, and others). In Ukraine they use multiple analysis techniques, but most of these methods are meaningless, as they do not take into account industry characteristics and do not contain the appropriate “keys” of interpretation.

The ways to avoid financial problems include: 1) merging with another financially stronger similar company; 2) selling off unproductive assets; 3) deferring the payment of bills; 4) increasing fundraising efforts and contributions; 5) applying for grants, etc.

Today the process of bankruptcy prediction is accelerated with the use of modern technology. Data that would have taken weeks or even months to assemble can now be collected in a matter of hours or days. But financial health prediction and risk assessment are still beyond of the reach of most companies. The task of predicting financial stability is extremely difficult even using the most sophisticated systems and technologies.

The number of the known companies which positions seemed unshakable has become bankrupt during the last years. Why did it happen? Usually the reason was that their management had no prediction gift in general. A lot of people have overslept the internet and "figure" arrival, some simply did not understand that it is impossible to continue working as before. As an example, we can name a few major international companies which went bankrupt: Borders (2011), Kodak (2012) and Elpida (2012).

In conclusion we can say that bankruptcy prediction is a helpful tool for a business operation. By using criteria similar to ones used by lenders, it is possible to determine if the business is moving in a direction increasing potential for bankruptcy. Analyzing the data used for the prediction can help any company develop new operational strategies that minimize the potential for bankruptcy, and ultimately allow the business to remain profitable for a long time.