Abstract

Objectives: This research is conducted to acknowledge and evaluate whether the financial report for the past three years 2006-2008, enable to show the condition of the public companies listed in Indonesia Stock Exchange. For the past two times of crisis, that is in 1997 and 2001, there are many companies that went bankrupt. Hence it is important to investors to know the capability of the companies in coping with the competition in the industry that it operates in.

Methods: The object of this research, after taking into account the availability of data of the 2006-2008 published annual financial reports, there are 184 public companies listed in Indonesian Stock Exchange that are qualified in the analysis procedure. The hypothesis use was Altman (1993) way of analyzing which is divided into three zones being stated into safe zone, grey zone and distress zone. This derive from the Z-score formula used in the analysis

Result and Conclusion: This research resulted that most of the companies in Indonesia are belonged in the grey zone, whereas the best industry to invest in is in the Mining Industry and the worse is the Infrastructure Industry. Hence investors should put more caution when investing in Indonesia. There are also some reasons that might result in the poor performance in industries.

Key words: Altman, Z-Score Test, Safe Zone, Grey Zone, Distress Zone, Indonesian Stock Exchange.