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## **THE SPECIALITY OF BANKRUPTCY OF HUNGARIAN COMPANIES IN FOOD INDUSTRY**

### **Abstract:**

The number of bankruptcy of the enterprises has been increased extraordinary in the past few years in Hungary. Very important for all the members of the economics to monitor the forecast of the companies' bankruptcy, especially in the current financial crisis.

We could find analysis in the literature which monitor mostly only the large companies, which operate on Stock Exchange. Those databases are relatively homogene and therefore could be more exact than the sector of the heterogen companies. In these Hungarian economic structure the number of the small enterprises are dominated, which means, they take the 90% of the companies of the market, with extensive activities.

Considering the differences of the companies, - as we mentioned above - it could be very useful to make the analyses only for the selected sector. In this study we analyse the structure of Hungarian food companies and the development of the industrial structure of the enterprises. The main part of this study is to analyze the reasons of bankruptcy of the small food enterprises in Hungary.

The effectiveness and liquidity of the companies can be determined by the Annual Report. By analyze the data of the Annual Report we can conclude the financial, income and profit status. These analyses are not able to ensure the future data - because we analyze from the information of the previous year - anyhow if there was no any other information, than the company's future status can be estimated by the appropriately selected financial ratios. It has to be mentioned that the use of the financial ratios contains contradiction, because different sector of industries are not comparable. Therefore the financial ratios has to be construe globally with additional information of the company (Rate of return, competition, velocity, economic cycles).

The main goal of this study is to analyse the financial index of the food companies which are taken from their Annual Reports, and by using particular indexes, to be able to find the significant indexes to separate the enterprises into solvent and insolvent companies.

### **Keywords:**

bankruptcy, food industry, small enterprises analysis

**JEL Classification:** G17, C53, L89