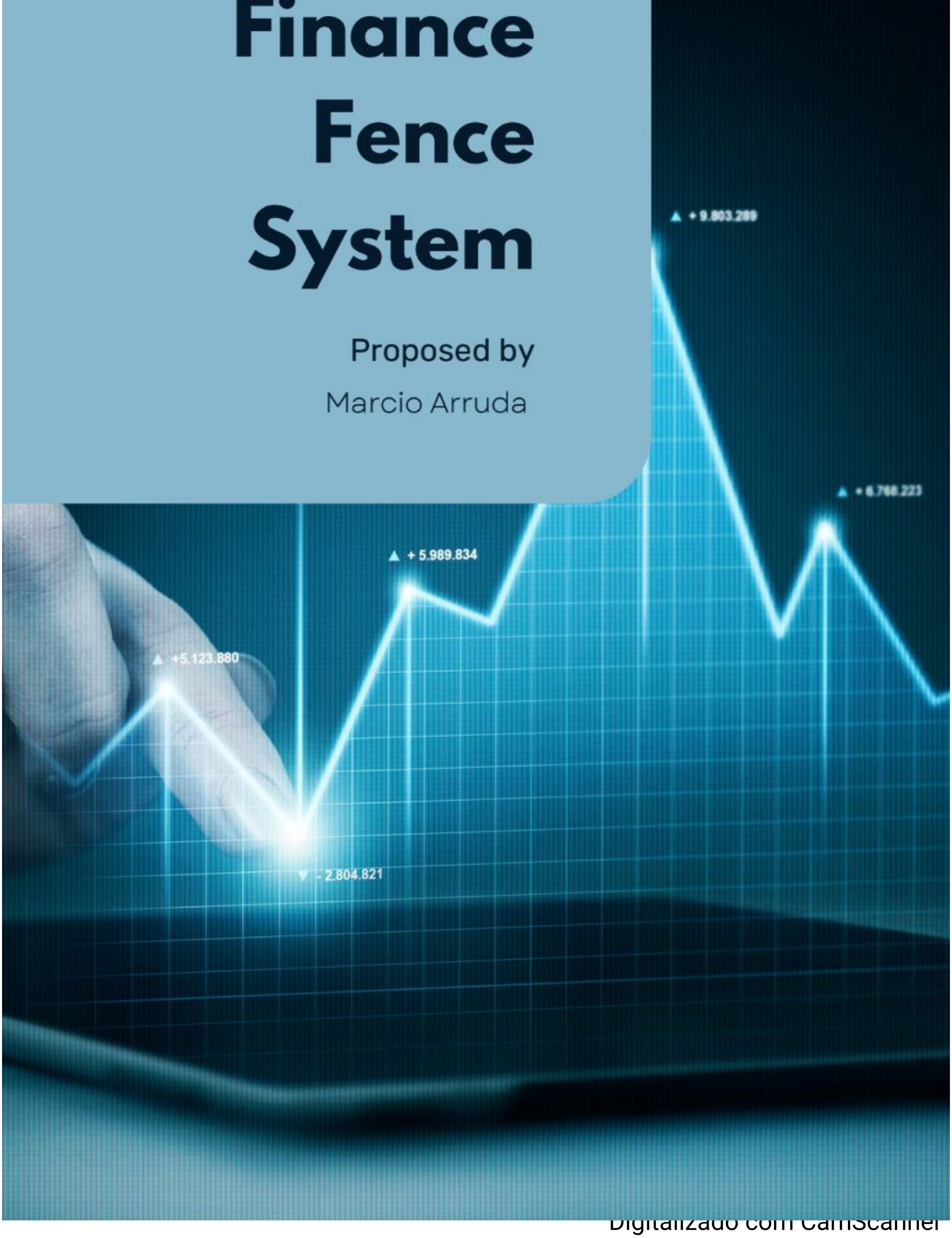
Finance Fence System

Proposed by

Marcio Arruda



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The Endeavor

Finance Fence System is an innovative technology that utilizes Artificial Intelligence and machine learning algorithms to evaluate the financial well-being of businesses with a focus on maintaining their risk management and financial health at adequate levels and avoiding bankruptcy. By analyzing various data points and patterns, our system will effectively detect early indicators of financial distress, such as potential losses in investments, mergers, acquisitions, and joint ventures. Our primary objective is to mitigate the risk of bankruptcy and ensure the stability of companies across the US.

Our innovative system aims to bring substantial benefits to the United States, particularly in terms of promoting market best practices, ensuring compliance, enhancing corporate security, fostering technological advancements, and driving economic growth. By collaborating with governmental bodies and regulatory authorities, Finance Fence System facilitates improved monitoring and oversight of businesses. This proactive approach will help to prevent market crises, safeguarding the nation's economic stability and contributing to its overall development.

Moreover, the implementation of Finance Fence System holds will help to generate significant positive outcomes for the American nation. Identifying financial risks at an early stage, our system will allow for timely interventions and corrective measures, protecting companies from potential failure. As a result, we will help to preserve jobs, ensure the continuity of company's operations, and promote sustainable economic growth. The prevention of bankruptcies also contributes to social welfare by preserving livelihoods and supporting the well-being of communities.

Additionally, Finance Fence System operates in alignment with market compliance regulations and corporate governance principles. By leveraging advanced technologies like Artificial Intelligence and machine learning, we will enable efficient and accurate monitoring of financial indicators, identifying potential vulnerabilities and irregularities. This proactive monitoring contributes to a stronger and more resilient business environment, fostering trust and confidence among investors, stakeholders, and consumers.

With the implementation of Finance Fence System, we will bring a comprehensive approach to promoting economic prosperity and social well-being. By leveraging technological advancements and collaborating with government agencies, we will ensure the stability of American businesses, foster market growth, create employment opportunities, generate income, and support the overall development of the nation.

To learn more about the technologies applied to financial monitoring in order to avoid bankruptcy in American companies, please read the attached article entitled “An Artificial Intelligence Approach Towards Investigating Corporate Bankruptcy”.

National Importance

JULY 09, 2021

FACT SHEET: Executive Order on Promoting Competition in the American Economy

BRIEFING ROOM › STATEMENTS AND RELEASES

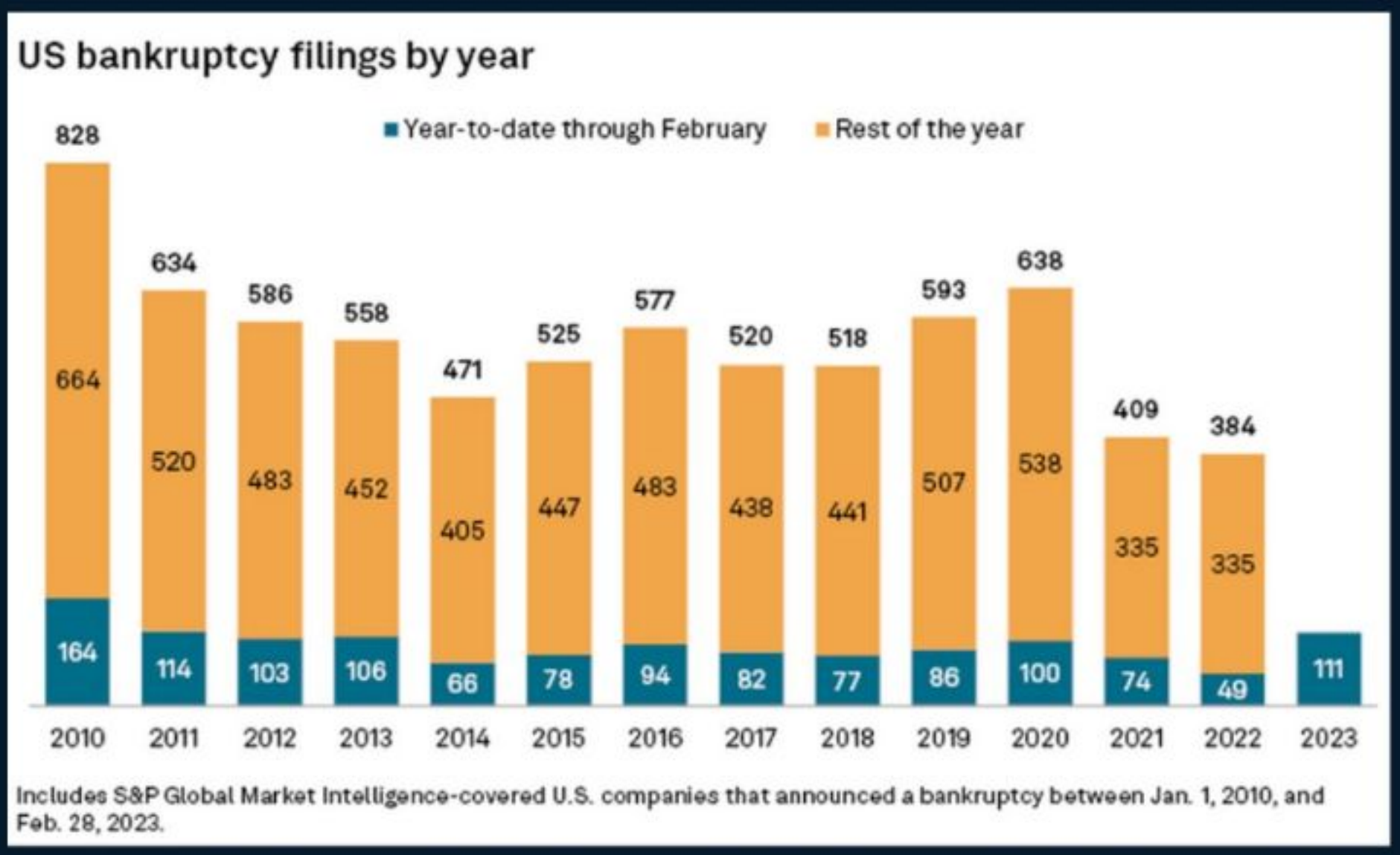
President Biden's leadership has led to a thriving economy, with over three million jobs created since he took office, the highest number for any presidency in recent history. To build on this success, the President has signed an Executive Order aimed at promoting competition in the American economy. This order will result in lower prices for families, higher wages for workers, and a boost in innovation, driving even faster economic growth.

In recent decades, corporate consolidation has been on the rise, with a smaller number of large companies dominating over 75% of industries, including healthcare, finance, and agriculture. This lack of competition has resulted in increased prices for consumers, as fewer players control the market, leading to higher markups. Moreover, workers face lower wages due to limited job options and the prevalence of non-compete agreements. These barriers hinder economic growth, and innovation, and disproportionately impact marginalized communities, widening income and wealth inequality.

Recognizing the detrimental effects of insufficient competition, President Biden's administration is taking cues from past leaders like Teddy Roosevelt and FDR, who confronted corporate power by breaking up monopolies and intensifying antitrust enforcement. By promoting competition, the administration aims to unleash sustained, inclusive economic growth, increase business innovation, and address the rising inequalities in income and wealth across the nation.

Considering the US Government's actions, enhancing the competitiveness of businesses and ensuring proper control of their financial data are crucial aspects in today's rapidly evolving economic landscape. With the advent of new monitoring technologies, the U.S. government has gained a powerful tool to effectively oversee and regulate companies, particularly those with significant market control, in order to prevent their potential bankruptcy and mitigate systemic risks that could impact the entire economy. By implementing advanced monitoring solutions, such as Finance Fence System, the government will proactively identify early warning signs, assess financial health, and take necessary actions to safeguard the stability of key players, thus safeguarding the overall economic ecosystem.

Bankruptcy poses significant risks to the American economy, with potentially far-reaching impacts. When businesses face financial distress and ultimately go bankrupt, it can lead to widespread job losses, reduced consumer spending, and a decline in overall economic activity. The ripple effects of bankruptcies can be felt across various sectors and industries, as suppliers, employees, and creditors are affected. Moreover, bankruptcies can disrupt supply chains, create market uncertainties, and erode investor confidence. The resulting economic instability can hinder growth, impede innovation, and exacerbate income inequality, underscoring the importance of effective measures to prevent bankruptcy and ensure the stability of businesses for the overall health and prosperity of the nation.

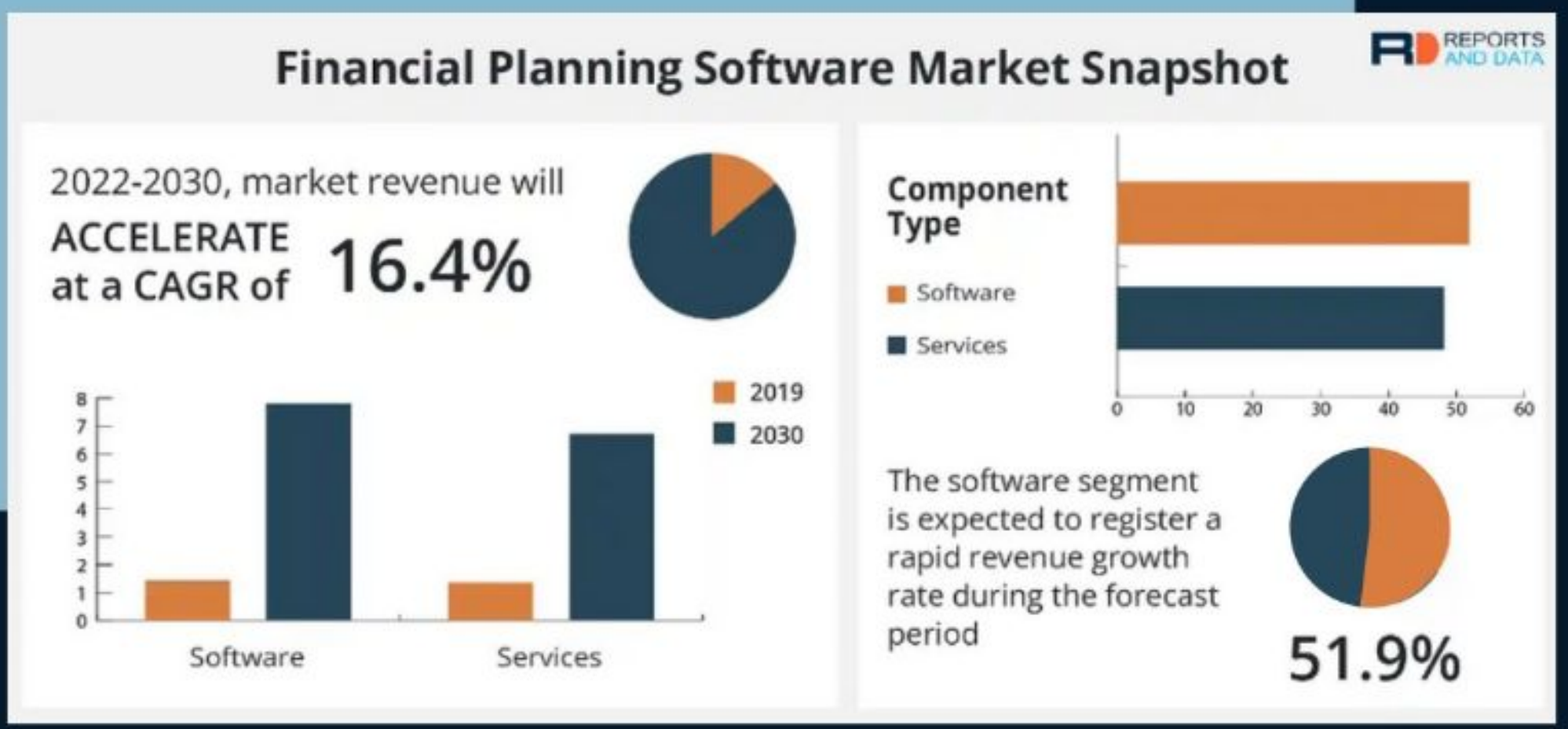


The benefits derived from Finance Fence System extend far beyond individual businesses, creating substantial national advantages. By ensuring adequate control over the financial data of companies with extensive market influence, the government will effectively manage systemic risks and prevent potential domino effects that could lead to economic crises. The stability and resilience of the economy as a whole are strengthened, fostering investor confidence and attracting new business opportunities. Additionally, this enhanced control enables the government to detect and address anti-competitive practices, fostering fair market conditions and leveling the playing field for businesses of all sizes. This promotes healthy competition, encourages innovation, and fuels economic growth, ultimately benefiting the nation as a whole.

The implementation of our technology represents a vital step toward an era of improved governance and regulatory oversight. With better control over financial data and enhanced monitoring capabilities, the government will be able to swiftly respond to emerging challenges and ensure the long-term sustainability of key economic sectors. This proactive approach allows for timely interventions, such as targeted support, regulatory adjustments, or even preventive measures, to mitigate risks and maintain a stable economic environment. By effectively managing potential threats to businesses' financial health, the government will avert disruptive consequences, protect jobs, and foster an environment conducive to sustainable economic development and social progress.

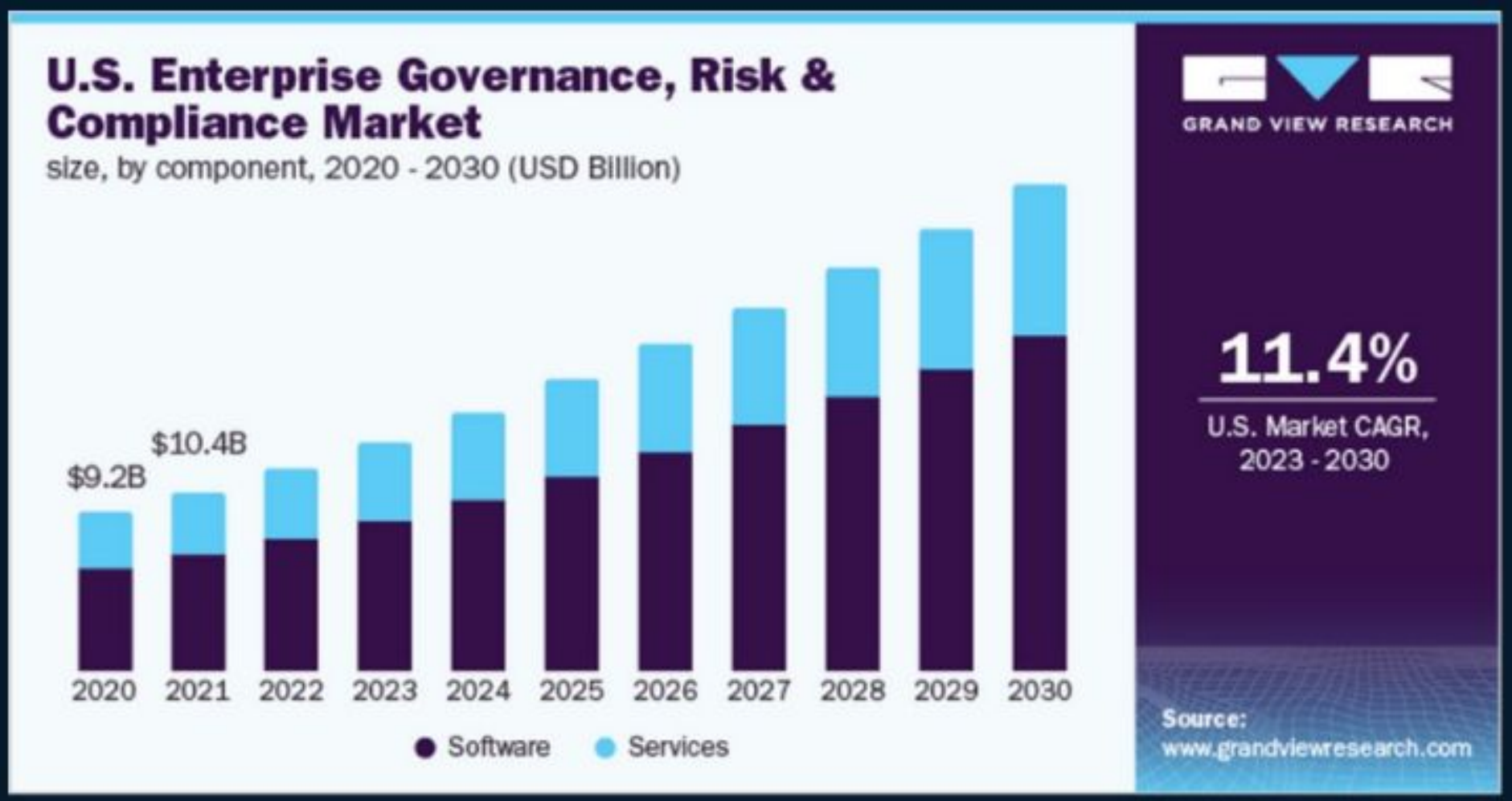
Industry Impact

The implementation of Finance Fence System in the US will pose a significant industrial implication, in a beneficial way. As the demand for risk monitoring and financial planning tools continues to grow, our company is well-positioned to tap into a thriving market. The compound annual growth rate (CAGR) of the risk monitoring and financial planning market indicates a lucrative opportunity for Finance Fence System's products.



By offering an innovative solution to address the critical issue of bankruptcy prevention, Finance Fence System will anticipate strong market adoption, leading to increased revenues and potential expansion. This growth trajectory not only benefits us but also stimulates job creation, as it will require a skilled workforce to develop, implement, and support our software. Furthermore, by effectively reducing the risk of bankruptcy for businesses, our system will contribute to a more stable economic environment, promoting confidence among investors, attracting capital investments, and fostering sustainable economic growth.

The industrial impact of Finance Fence System extends beyond job creation and market growth. By empowering companies with robust risk monitoring and financial planning capabilities, our software will help enhance overall business performance and competitiveness. It enables businesses to proactively identify and mitigate potential financial risks, make informed decisions, and implement strategic measures to prevent bankruptcy.



This, in turn, leads to improved operational efficiency, increased profitability, and strengthened financial stability for companies across various industries. Our software's ability to assist businesses in avoiding bankruptcy not only safeguards jobs and preserves livelihoods but also contributes to a more resilient and prosperous economy. The ripple effects of this enhanced financial resilience extend to suppliers, customers, and stakeholders, fostering a positive economic ecosystem where businesses will be able to thrive, investments will flourish, and the nation as a whole will reap the benefits of sustained economic growth.

Vision, Values and Mission

Mission:

Revolutionize financial assessment and risk management for businesses using AI and machine learning to prevent bankruptcy.

Vision:

Be the global leader in AI-driven financial evaluation solutions, enabling businesses to thrive and maintain stability.

Values:

Innovation, Excellence, Integrity, Collaboration, Customer Focus.

Project Timeline

1st Year: Launch and Initial Adoption

- Develop and refine Finance Fence System.
- Conduct extensive testing and validation to ensure accuracy and effectiveness.
- Collaborate with early adopters and pilot clients to gather feedback and make necessary improvements.
- Launch our technology to the market, targeting businesses across industries.
- Establish strategic partnerships and alliances to expand market reach and accelerate adoption.

2nd Year: Market Expansion and Refinement

- Continuously enhance Finance Fence System based on user feedback and emerging industry trends.
- Scale up marketing and sales efforts to reach a wider customer base.
- Strengthen partnerships with financial institutions and industry experts to gain credibility and expertise.
- Expand Finance Fence System's capabilities to cover a broader range of financial metrics and risk factors.
- Conduct case studies and share success stories to demonstrate the value and impact of the technology.

3rd Year: Integration and Customization

- Collaborate with major financial software providers to integrate the technology into their platforms.
- Offer customization options to cater to specific industry needs and regulatory requirements.
- Conduct targeted marketing campaigns to increase awareness among key stakeholders and decision-makers.
- Monitor user satisfaction and make iterative improvements to enhance user experience.
- Expand the team to ensure efficient customer support and implementation services.

4th Year: Global Reach and Strategic Partnerships

- Explore international market opportunities and establish a global presence.
- Forge strategic partnerships with international financial institutions and industry leaders.
- Adapt our technology to comply with different legal and regulatory frameworks.
- Leverage customer success stories to drive global adoption and establish thought leadership.
- Continuously invest in research and development to stay ahead of market demands.

5th Year: Industry Leadership and Continuous Innovation

- Consolidate Finance Fence System's position as a leader in AI-driven financial evaluation solutions.
- Continuously innovate and enhance our technology to address emerging challenges and trends.
- Foster a culture of continuous learning and improvement within the organization.
- Expand the customer base and deepen relationships with existing clients.
- Explore new avenues for growth and diversify the product offering based on market needs and feedback.

Financial Outline

We will invest $10,000.00 to start our operations. Although the initial amount is modest, it will be enough to initiate the development of our solutions in the American market. In addition to this initial investment, we will seek investors and partners to increase the availability of resources.

ALLOCATION		USD TOTAL
ADMIN COSTS	$	750.00
DEVELOPMENT COSTS	$	5,000.00
MARKETING COSTS	$	1,500.00
SERVER AND DOMAIN	$	750.00
WORKING CAPITAL	$	2,000.00
TOTAL	**$**	**10,000.00**

Furthermore, we will conduct thorough financial planning and execution, implementing a strategy of reinvesting our profits to maintain steady and healthy growth. This approach will ensure the achievement of our financial projections and the fulfillment of our business objectives.

Profit and Loss Projection

The first projection, Profit and Loss, plays a crucial role in our financial planning and performance. It provides a clear picture of our revenue, expenses, and ultimately, its profitability. By analyzing the P&L statement, we will be able to identify areas of strengths and weaknesses, make informed decisions, and devise strategies to maximize profits and minimize losses. It serves as a fundamental tool for measuring Finance Fence's financial health, guiding investment decisions, and ensuring the overall success and growth of our company.

Profit and Loss Projection	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales	910,000	1,820,000	3,094,000	4,641,000	6,033,300
Sales Cost	72,800	127,400	309,400	464,100	603,330
Sales Tax	72,800	145,600	247,520	371,280	482,664
Total Cost of Sales	145,600	273,000	556,920	835,380	1,085,994
Gross Margin	764,400	1,547,000	2,537,080	3,805,620	4,947,306
Expenses					
Staff Cost	440,000	880,000	1,320,000	1,760,000	2,200,000
Server and Domain Costs	7,000	12,500	12,500	15,000	15,000
Marketing and Other Sales Expenses	22,750	29,575	44,363	66,544	86,507
System Development + Update Costs	35,000	80,000	95,000	150,000	150,000
Utilities	20,000	20,000	20,000	20,000	20,000
Office Space	12,500	12,500	12,500	20,000	20,000
Other	100,000	100,000	100,000	100,000	100,000
Total Operating Expenses	637,250	1,134,575	1,604,363	2,131,544	2,591,507
Profit Before Interest and Taxes	127,150	412,425	932,718	1,674,076	2,355,799
EBITDA	127,150	412,425	932,718	1,674,076	2,355,799
Interest Expense	0	0	0	0	0
Taxes Incurred	6,994	22,684	51,300	92,075	129,570
Net Profit	**120,156**	**389,741**	**881,417**	**1,582,001**	**2,226,229**
Net Profit/Sales	**13%**	**21%**	**28%**	**34%**	**37%**

Balance Sheet Projection

The second projection, the Balance sheet, is a fundamental financial statement that provides a clear overview of our current financial position, as well as its evolution over time. It presents a summary of Finance Fence System's assets, liabilities, and shareholders' equity. The balance sheet is crucial for assessing the overall financial health and stability of our endeavor. The Balance Sheet shows the total of assets, such as cash, inventory, and property, which represent its resources, Liabilities, such as loans and accounts payable, reflect our obligations as well as Shareholders' equity, which represents the net worth of our business. By analyzing the balance sheet, we will evaluate our liquidity, leverage, and solvency, therefore making informed decisions and attracting investors.

Balance Sheet Projection	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Assets					
Cash	15,620	66,287	180,871	386,531	675,941
Accounts Receivable	50,766	215,431	587,830	1,256,226	2,196,808
Inventory					
Other Current Assets	3,905	16,572	45,218	96,633	168,985
Total Current Assets	70,291	298,290	813,919	1,739,389	3,041,734
Long-term Assets	11,715	49,715	135,653	289,898	506,956
Total Assets	82,006	348,005	949,572	2,029,288	3,548,689
Liabilities and Capital	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Accounts Payable	21,628	70,153	158,655	284,760	400,721
Current Borrowing	0	0	0	0	0
Other Current Liabilities	8,411	27,282	61,699	110,740	155,836
Total Current Liabilities	30,039	97,435	220,354	395,500	556,557
Long-term Liabilities	12,016	38,974	88,142	158,200	222,623
Total Liabilities	42,055	136,409	308,496	553,700	779,180
Paid-in Capital	6,008	58,461	132,213	237,300	333,934
Retained Earnings	114,148	331,280	749,205	1,344,701	1,892,295
Total Earnings	120,156	389,741	881,417	1,582,001	2,226,229
Total Liabilities and Capital	**162,211**	**526,150**	**1,189,913**	**2,135,702**	**3,005,410**

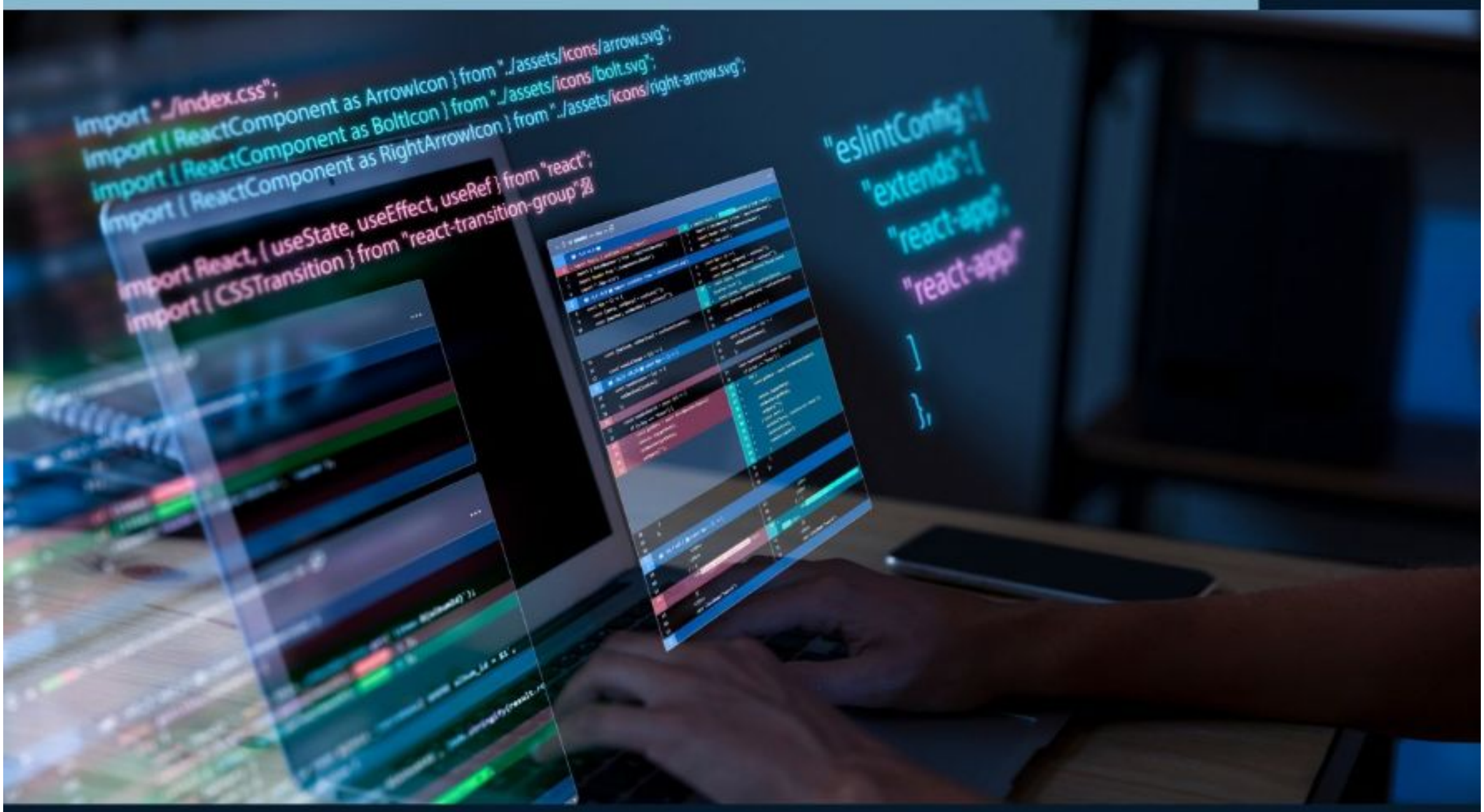
Cash Flow Projection

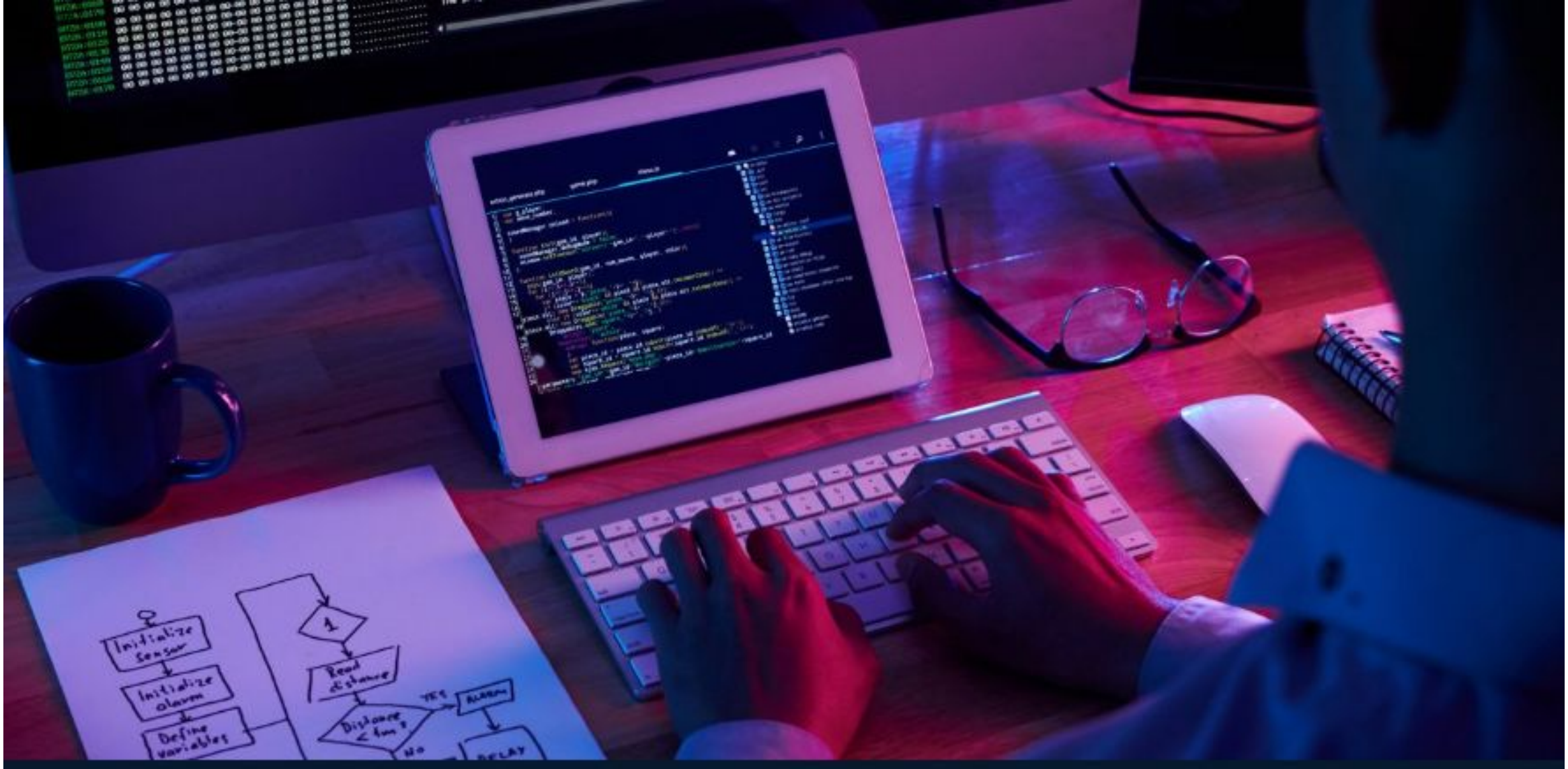
Finally, Cash Flow Projections are a vital component of financial management for Finance Fence System. It represents the movement of money into and out of a company over a specific period. Understanding the cash flow enables us to monitor the availability and timing of cash, ensuring the smooth operation of day-to-day activities, paying bills, and meeting financial obligations. It also helps us to identify potential cash shortages or surpluses, allowing proactive measures to be taken. With this effective cash flow management we will maintain liquidity, make strategic investments, and navigate through challenging periods, ultimately ensuring the long-term sustainability and success of our company.

Cash Flow Projection	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cash from Receivables	764,400	1,547,000	2,537,080	3,805,620	4,947,306
Subtotal Cash from Operations	764,400	1,547,000	2,537,080	3,805,620	4,947,306
Current Liabilities	30,039	97,435	220,354	395,500	556,557
Long-term Liabilities	12,016	38,974	88,142	158,200	222,623
Sales of Current Assets	0	0	0	0	0
Sales of Long-term Assets	0	0	0	0	0
New Investment Received	0	0	0	0	0
Subtotal Cash Received	722,345	1,410,591	2,228,584	3,251,920	4,168,126
Expenditures	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Cash Spending	552,500	992,500	1,432,500	1,880,000	2,320,000
Bill Payments	84,750	142,075	171,863	251,544	271,507
Subtotal Spent on Operations	637,250	1,134,575	1,604,363	2,131,544	2,591,507
Additional Cash Spent	0	0	0	0	0
Tax Payments	6,994	22,684	51,300	92,075	129,570
Principal Repayment of Current Borrowing	0	0	0	0	0
Current Liabilities Repayment	0	0	0	0	0
Long-term Liabilities Repayment	0	0	0	0	0
Purchase Current Assets	0	0	0	0	0
Purchase Long-term Assets	0	0	0	0	0
Dividends	0	0	0	0	0
Subtotal Cash Spent	644,244	1,157,259	1,655,663	2,223,619	2,721,077
Net Cash Flow	**78,101**	**253,332**	**572,921**	**1,028,301**	**1,447,049**
Cash Balance	**78,101**	**331,433**	**904,354**	**1,932,655**	**3,379,704**

Jobs Creation

In order to support our growth based on our financial plan, we will implement a strategy focused on creating a multifunctional team, providing opportunities for our employees to develop and grow with us. This strategy will be vital to achieving our goals and attaining success. According to our organizational chart, we will employ approximately 5 to 7 new employees each year within our 5-year projection, reaching about 25 to 30 employees by the end of the fifth year, supporting our growth plan from these initial 5 years.





Year 1:

- CEO - Marcio Arruda
- CTO - Chief of Technology
- AI Data Scientist
- Machine Learning Engineer
- Software Developer (AI and ML)

Year 2:

- CMO - Chief of Marketing
- Financial Analyst
- Risk Management Specialist
- Data Engineer
- Business Development Manager

Year 3:

- User Experience (UX) Designer
- Sales Representative
- Customer Success Manager
- Project Manager
- Quality Assurance Analyst

Year 4:

- Data Analyst
- Implementation Consultant
- Marketing Specialist (AI and ML)
- Research Scientist (Financial AI)
- Compliance Officer

Year 5:

- Technical Support Engineer
- Administrative Analyst
- Software Developer
- Accountant
- Lawyer

Marketing Plan

We will conduct our marketing strategies using digital marketing, which offers a powerful platform for reaching and engaging with the target audience cost-effectively and efficiently. For a company developing innovative AI and machine learning technology for financial evaluation, digital marketing can be instrumental in creating awareness, driving customer acquisition, and showcasing the unique benefits of the solution.

Through various digital channels and strategies, Finance Fence System will position itself as a thought leader, build credibility, and attract businesses looking to enhance their risk management and financial health.

Content Marketing:

Create informative and valuable content, such as blog posts, whitepapers, and case studies, that highlight the importance of financial evaluation and the benefits of AI-driven technology. Share insights and industry trends to establish Finance Fence System as an authority in the field.

Search Engine Optimization (SEO):

Optimize our website and content to rank higher in search engine results for relevant keywords. Implement on-page SEO techniques, build backlinks, and ensure the website is user-friendly and mobile-responsive to improve organic visibility and attract targeted traffic.

Social Media Marketing:

Leverage social media platforms to engage with the target audience, share industry news, promote thought leadership content, and drive brand awareness. Run targeted ad campaigns to reach businesses interested in financial health and risk management solutions.

Pay-Per-Click (PPC) Advertising:

Utilize PPC advertising platforms, such as Google Ads and social media ads, to target specific keywords, demographics, and interests. Craft compelling ad copies highlighting the unique value proposition of the AI-driven technology and driving traffic to relevant landing pages.

Email Marketing:

Build an email subscriber list and send regular newsletters, product updates, and educational content to nurture leads and maintain customer relationships. Personalize emails based on user interests and behavior to improve engagement and conversion rates.

Influencer Marketing:

Collaborate with industry influencers, thought leaders, and experts in finance and technology to promote Finance Fence System's AI-driven financial evaluation solution. Sponsorships, guest blogging, or hosting webinars will help tap into the influencer's audience and build credibility.

Video Marketing:

Create engaging videos to showcase the benefits of the AI-powered technology, explain its functionalities, and share success stories. Publish videos on platforms like YouTube and optimize them for search visibility.

SWOT Analysis

Strengths:

- Innovative technology leveraging AI and machine learning algorithms.
- Unique solution addressing the crucial need for financial evaluation and risk management.
- Ability to provide accurate and timely insights for maintaining financial health and avoiding bankruptcy.

Weaknesses:

- Potential challenges in educating the market about the benefits and value of AI-driven financial evaluation.
- Need for ongoing updates and enhancements to keep up with evolving technology and industry standards.
- Limited track record and reputation compared to established competitors.

Opportunities:

- Growing demand for advanced financial evaluation tools in an increasingly complex business landscape.
- Potential for strategic partnerships with financial institutions, software providers, and industry experts.
- Expansion into new markets and industries seeking innovative risk management solutions.

Threats:

- Competition from existing players and new entrants in the AI-based financial evaluation market.
- Regulatory changes and compliance requirements impact the adoption and use of AI technology.
- Potential skepticism or resistance from businesses regarding the reliance on AI for critical financial decisions.

Marcio Arruda

Executive Summary

Marcio is an experienced and highly qualified professional who has been working as a civil servant at Banco do Brasil since 2007. With extensive experience in the banking sector, he has a strong background in commercial management, customer service, teamwork, and a special focus on information systems within the institution. Marcio has honed his skills in law, technology, and finance, making him a well-rounded individual who is committed to delivering results. Marcios's enthusiasm for leveraging technology to enhance his work sets him apart, as he constantly seeks ways to integrate innovative solutions and improve operational efficiency. With his solid track record and dedication to staying ahead of industry trends, Marcio is poised to make significant contributions with new endeavors in a rapidly evolving American banking landscape.

Academic Background

2016: Postgraduate degree in Business Auditing.
2014: Bachelor's degree in Law from Faculdade Processus.
2012: Postgraduate degree in Labor Law and Labor Process.
2003: Bachelor's degree in Computer Science from UnB (University of Brasília).

Main Abilities and Skills

- Commercial Management
- Customer Service
- Teamwork
- Information Systems
- Law and Technology

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An Artificial Intelligence Approach towards Investigating Corporate Bankruptcy

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Abstract

Corporate bankruptcy analysis is very important for investors, creditors, borrowing companies, as well as governments. The assessment of business failure provides tremendous information for governments, investors, shareholders, and the management based on which financial decisions are taken towards preventing potential losses. Likewise, by researching corporate downfall there could be gathered an early warning signal, together revealing the fields encountering problems. Moreover, nowadays the corporations are facing the senior staff retirement, thus being confronted by the loss of knowledge. Artificial intelligence (AI) seeks the promotion of systems related with human intelligence, comprising reasoning, learning, and problem solving. The most powerful applied field of AI is the area of expert systems (ES). However, the ES are applications that could reproduce the knowledge and experience of a human expert. This paper aims at designing and implementing an ES prototype towards corporate bankruptcy analysis. Therefore, we have considered a couple of production rules based on indebtedness ratios (e.g. General Indebtedness Ratio, Global Financial Autonomy Ratio, Financial Leverage Ratio), as well as solvency ratios (e.g. General Solvency Ratio, Patrimonial Solvency Ratio). For this purpose, Exsys Corvid® was used since it transforms expert knowledge into a structure that enables rendering of guidance and prescription to refine performance, capability, and efficiency, alongside lowering training and costly errors.

Keywords: artificial intelligence, expert system, business failure risk, Exsys Corvid®, production rules, nodes

1. Introduction

The greatest economic recession since the 1930s was widely assigned to poor management in lending, investment, and company debt management. Thus, beyond the downfall of renowned organizations such as WorldCom and Enron, there was ascertained the fact that the world economies have become circumspect of the risks implicated in corporate liability (Aziz & Dar, 2006). Generally, business failure is viewed as a situation that a corporation cannot pay lenders, preferred stock shareholders, and suppliers, a bill is overdraw, or the law makes the corporation go bankruptcy (Dimitras et al., 1996). Withal, a bankruptcy problem emphasizes a case within a group of individuals which have rights over a property, but the property is not huge enough to overspread their joint claims (Albizuri et al., 2010). Unfortunately, corporate bankruptcy engenders massive economic losses to investors and others, at the same time with a considerable social and economical cost to the state (Shuai & Li, 2005). Ooghe and De Prijcker (2008) discovered four different types of failure processes: the failure process of a fruitless start-up, the malfunctioning process of a striving for growth company, the failure process of a dazzled growth company, and the failure process of a listless established company. Therefore, the investigation of bankruptcy provides an early warning signal and reveals the fields emphasizing faintness. Likewise, there are several benefits including cost cutback in credit investigation, better oversight, alongside an augmented debt collection rate (Lee & Choi, 2013).

The most widely well-known univariate study is that of Beaver (1966). Subsequently, Altman (1968) developed the first multivariate study. However, Altman (1968) and Deakin (1974) employed the discriminant analysis to predict corporate bankruptcies, whereas Ohlson (1980) used logit and probit models. At long last, Tam and Kiang (1992) used artificial neural networks towards predicting business failure. In fact, multifarious statistical techniques (such as linear discriminant analysis, LDA; multivariate discriminant analysis, MDA; quadratic discriminant analysis, QDA; multiple regression; logistic regression, logit; probit; factor analysis, FA), neural

networks topologies (such as network architectures including multi-layer perception, MLP; radial basis function network, RBFN; probabilistic neural network, PNN; auto-associative neural network, AANN; self-organizing map, SOM; learning vector quantization, LVQ; cascade-correlation neural network, Cascor), as well as other intelligent techniques (such as vector machines, fuzzy logic, isotonic separation) have been applied to settle the bankruptcy prediction problem (Kumar & Ravi, 2007).

Financial decision making is a very complex method since the managers are confronted on a daily basis with a huge amount of information that should be analyzed in order to make the final decision as regards the performance or the viability of a corporation, the granting or denying of a credit request, the construction and management of a portfolio, the choice of an investment, or the construction of a financial marketing plan (Xidonas et al., 2009). The decision process covers several problem solving activities, experience, and heuristics. When a corporation has to make a decision an expert consultancy is employed. Besides, when decisions on significant investments, integration, or advertising strategy should be taken, an expert will be hired in order to provide advice (Grahovac & Devedzic, 2010). In fact, financial experts own knowledge gathered in practice and which cannot be discovered within literature or acquired in any other way, but which is inestimable towards the business success of a corporation or a financial institution (Nedović & Devedžić, 2002).

Artificial intelligence (hereinafter "AI") is a science, as well as a technology, its goal consisting in developing systems which emphasize aspects of intelligent behavior, likewise simulating the human capabilities of thinking and sensing. However, the most important applied field of AI is expert systems. An expert system (hereinafter "ES") incorporates the human expertise into a computer program in order to enable the software to execute tasks normally requiring a human expert (O'Keefe & O'Leary, 1993). As well as, Klein & Methlie (1995) stated that an ES should be viewed as a computer program that represents the knowledge and inference procedures of an expert to enlighten complex problems, giving possible solutions or recommendations. Further, Rada (2008) emphasized that ES could be related to knowledge-based systems or technologies such as the neural networks or genetic algorithms. In fact, these technologies describe the "evolutionary computation" discipline. Besides, an inaccurate system will produce pricey errors or will not execute up to foresights.

The ES technology is based on the sphere knowledge of the problem being analyzed. A problem within a particular field covers the objects, properties, tasks, and events within which a human expert operates, as well as the heuristics that skilled professionals have learned to use in order to execute better (Klein & Methlie, 1995). Unfortunately, the acquisition of the domain knowledge from the experts and the representation of this knowledge in the most suitable form represent the greater hindrance within the process of ES development process. Because the experts are regularly unavailable due to time constraints, gathering knowledge from them depicts a very difficult and time consuming approach. Besides, there is faced a lack of communication between the knowledge engineer and the expert. Therefore, this paper aims at developing an ES prototype in order to assist risk managers towards valuation business failure risk. Moreover, current manuscript exclusively considers the ES technology within the knowledge or the rule-based frame. However, by considering the fact that financial ratios are a key indicator of financial soundness of a business, we will assess a couple of ratios as regards indebtedness and solvency. In order to implement the ES, Exsys Corvid® will be used, being wide-spread towards designing and fielding interactive knowledge automation ES—for the Web (server or client-side), as well as stand-alone systems.

The paper is structured as follows: the fundamentals of ES are provided in Section 2; a review of ES in the economics field is revealed in Section 3; Exsys Corvid® development software is discussed within Section 4; the ES prototype for valuation business failure risk is disclosed in Section 5; concluding remarks and recommendations for further research are proposed in Section 6.

2. Fundamentals of Expert Systems

Nowadays, knowledge management shows a key role in the search for success. The fundamentals, alongside the primordial purpose of an ES consist in its capacity to replicate human logic and reasoning, to set conclusions, and to supply matching explanations as regards these conclusions (Metaxiotis et al., 2006). Moreover, the entire set of issues are of critical importance for the financial decision-making practice, because it implies several judgmental procedures that decision makers (covering managers of companies, managers of credit institutions, individual investors) have to pursue so as to construct the suitable decisions (Metaxiotis, 2005). According to Mannan (2005), the development of an ES suppose crossing the following typical stages: (1) system concept, (2) feasibility study, (3) outline specification, (4) preliminary knowledge acquisition, (5) knowledge representation, (6) tool selection, (7) prototype development, (8) main knowledge acquisition, (9) revised specification, (10)

system development, (11) testing and evaluation, and (12) handover. However, the process is an iterative one, with looping back between some of these stages.

Feigenbaum (1982) has defined ES as "an intelligent computer program that uses knowledge and inference procedures to solve problems that are difficult enough to require significant human expertise for their solutions". Goodall (1985) stated that "an expert system is a computer system that uses a representation of human expertise in a specialist domain in order to perform functions similar to those normally performed by a human expert in that domain. The system operates by applying an inference mechanism to a body of specialist expertise represented in the form of knowledge". Likewise, Turban and Aronson (1998) noticed that an ES is "a system that uses human knowledge captured in a computer to solve problems that ordinarily require human expertise". Besides, rule-based ES are ES in which the knowledge is represented by production rules. Production rules are IF-THEN condition-action pairs. Moreover, a set of production rules and a computational engine that construes the rules is entitled a production system (Sears & Jacko, 2008). In a system based on production rules, each unit of knowledge is depicted by a single IF-THEN logical statement, whilst an inference engine, assessing the existing data and statements, chooses which statement to execute next (Jenders, 2006). Besides, production systems are one of the major means of enforcing ES. A production system shows three key attributes: the rule base, a working memory, and the inference engine. The rule base comprises the set of rules that embody the expertise of the system. The working memory is provided with the input data, or facts, on the problem to which the rules are to be employed. The inference engine controls the operation of the rules to infer conclusions from these data (Mannan, 2005).

The first ES entitled Dendral (Dendritic Algorithm) was developed in mid 60s by the artificial intelligence researcher Edward Feigenbaum and the geneticist Joshua Lederberg of Stanford University in California, U. S., towards analyzing organic compounds to determine their structure. Subsequently, in early 70s, there was developed MYCIN to help physicians regarding diagnoses infectious diseases. Developed in mid 70s, another famous ES is PROSPECTOR designed for decision-making problems in mineral exploration. In accounting were not available ES until 1977 when McCarthy (1977) developed the earliest tax application of an ES entitled TAXMAN. Further, MACSYMA was a large interactive mathematics ES which could manipulate mathematical expressions symbolically. ONCOCIN and INTERNIST were two other early medical ES towards planning treatment for cancer sufferers, as well as diagnosing multiple medical conditions. XCON was developed to customize a network system to meet the customer's needs. Pathfinder is an ES towards supporting pathologists as regards accurate diagnoses in the domain of lymph-node pathology. Figure 1 exhibits the common organization of an ES.

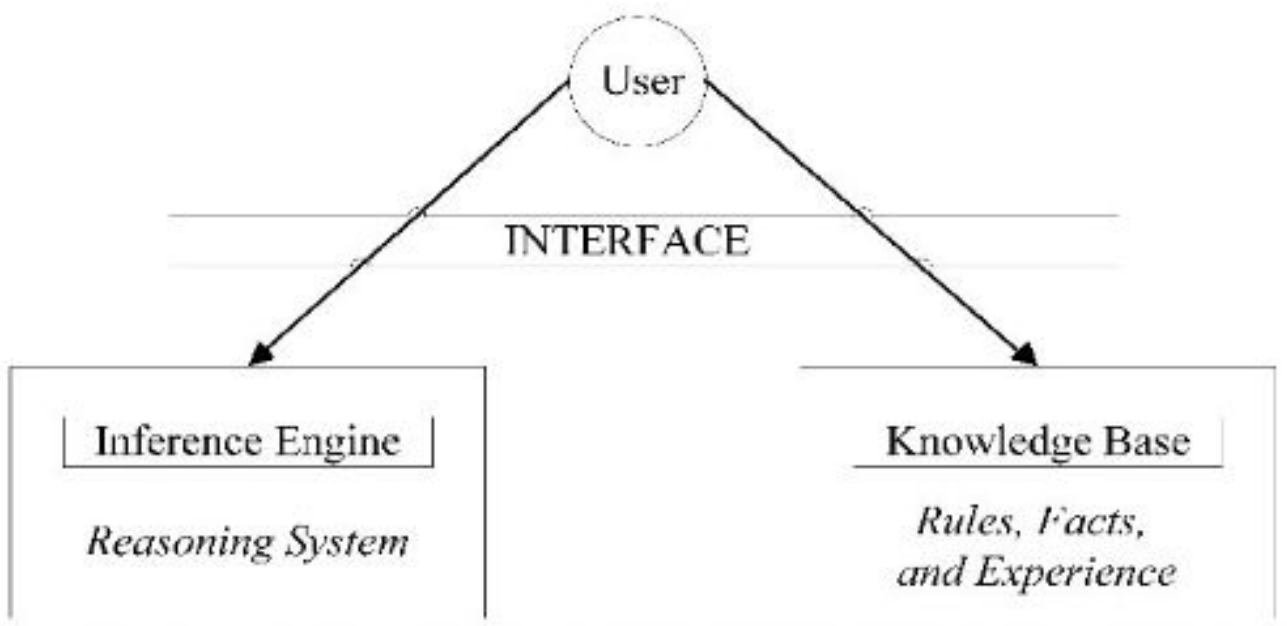

Figure 1. The common organization of an expert system

Source: Romiszowski, A. 1987. *Artificial intelligence and expert systems in education: Progress, promise and problems*. Australian Journal of Educational Technology, *3*(1), 6-24.

Therefore, an ES comprises four main components:

- A natural language required in order to interface and interact with the user;
- A knowledge base containing the rules from which the decisions can be made;

- A database of facts specific to the domain of analysis;
- An inference engine required to solve problems; there are linked the knowledge base rules with the database by means of heuristics or "rules of thumb" logic.

According to Romiszowski (1987), the user initiates a consultation through the interface system. Further, the system questions the user through this same interface with the purpose to gather the essential information upon which a decision is to be made. Moreover, there are two other sub-systems:

- The knowledge base which covers all the domain-specific knowledge that human experts use when solving that type of problems;
- The inference engine, respectively the system that performs the necessary reasoning and uses knowledge from the knowledge base in order to come to a decision regarding the problem placed.

An ES is different than conventional computer programs since there is a clear separation of the rules forming a knowledge base from information about the input data and inference rules to be applied to the knowledge and data bases.

The advantages of ES are discussed below (Gonciarz, 2014):

- Improved disposable—Knowledge is accessible on any appropriate computer hardware. An ES can be considered to be a mass production of expertise;
- Lowered cost—The cost of ensuring expertise per user is deeply mitigated;
- Reduced risk—ES can be used in circumstances that may be assessed unsafe to a human;
- Everlasting—The expertise is long—drawn, contrasting human experts who might retire, quit, or die;
- Manifold expertise—The knowledge of several experts can be made accessible to work concurrently and endlessly on a hobble day or night;
- Enlarged trustworthiness—ES boost confidence that the accurate decision was made by providing a second view to a human expert or break a tie in case of disagreements by many human experts;
- Clarification—ES can obviously clarify in detail the logic that led to a conclusion, whilst a human however may be too exhausted, reluctant, or powerless to do this all the time;
- High-speed reply—According to the software and hardware used, an ES may act in response more rapidly and is more readily on hand than a human expert;
- Steady, unresponsive, and complete response permanently—This may be vital in real time and emergency situations when a human may not run at top efficiency because of pressure or weariness;
- Smart database ES can be used to access a database in an intelligent way;
- Intelligent tutor—ES may proceed as a smart trainer by letting the student run sample programs and explaining the system's reasoning.

Besides, based on Klein & Methlie (1995), Turban et al. (2006), and Zopounidis et al. (1996), ES technology shows several benefits as follows: ES operate and set conclusions by the means of the knowledge and experience of human experts; ES hammer out conclusion more rapidly than humans, particularly in complex problem areas where an outsized volume of information and data should be processed and investigated; ES ensure the manipulation of partial information and vagueness; the estimations of ES are consistent; a novice can study the procedure, the heuristics, and the problem-solving methodology that an expert would use to solve a particular problem.

The disadvantages of ES are discussed below (Gonciarz, 2014):

- Answers may not constantly be truthful—Experts regularly make mistakes, so it can be anticipated that ES will also make mistakes. Unfortunately, such errors could be relatively expensive at times;
- Knowledge restricted to the domain of expertise—ES always try to infer a solution, despite of whether or not the problem at hand is within the system's area of knowledge. A human expert, in contrast, will know the limits of their abilities and knowledge, and as a result they will not struggle to solve problems outside of their expertise;
- Lack of common sense knowledge can be thorny to represent in ES;
- ES can provide an excellent approach for solving a huge class of problems, but each application must be selected with awareness so this technology is properly applied.

The differences between conventional computer programs and ES (Durkin, 1990) are provided in

Table 1. However, the basic difference is depicted by the fact that conventional programs process data, whereas ES process knowledge.

Table 1. Conventional programs versus expert systems

Conventional Programs	Expert Systems
Numeric	Symbolic
Algorithmic	Heuristic
Precise information	Uncertain information
Command interface	Natural dialogue with explanations
Final solution given	Recommendation with explanation
Optimal solution	Acceptable solution

Source: Durkin, J. 1990. *Research review: Application of expert systems in the sciences*. Ohio Journal of Science, *90*(5), 171-179.

A comparison between a human expert and an ES is revealed in

Table 2. Durkin (1990) stated that one can establish several general reasons towards employing an ES, respectively replacement of human expert, assistant to human expert, or transfer of expertise to novice.

Table 2. Comparison between a human expert and an expert system

Factor	Human Expert	Expert System
Time availability	Workday	Always
Geographic	Local	Anywhere
Availability	Yes	No
Perishable	No	Yes
Consistent results	High	Affordable
Cost	Variable	Consistent
Productivity	Human Expert	Expert System

Source: Durkin, J. 1990. *Research review: Application of expert systems in the sciences*. Ohio Journal of Science, *90*(5), 171-179.

3. A Review of Expert Systems in the Economics Field

According to Nedović & Devedžić (2002), there are several groups of ES for finance according to the problem they treat: FINEVA (from the field of financial analysis), PORT-MAN (banking management), INVEX (investment advisory), FAME (financial marketing), and DEVEX (an ES for currency exchange advising in international business transactions). Koster and Raafat (1990) depicted a prototype ES towards auditing workers' compensation insurance premium. Srinivasan and Ruparel (1990) described an expert support system for credit granting (CGX) in nonfinancial firms. Biack and Grudnitski (1991) pointed out a tax ES (TaXpert) to establish constructive ownership of corporate stock under the rules of 60 sections of the Internal Revenue Code. Bohanec et al. (1995) showed a computer-based ES for the assessment of research and development projects. Kailay and Jarratt (1995) developed a qualitative based prototype ES designed for small to medium-sized commercial organizations (RAMeX) aiming to help management towards security decisions and planning. Grahovac and Devedzic (2010) developed a cost management ES (COMEX).

Lee and Jo (1999) designed an ES covering patterns and rules which could predict future stock price movements. Zargham and Mogharreban (2005) built an ES entitled PORSEL (PORtfolio SELection system), which used a small set of rules to select stocks, consisting of three components: the Information Center, the Fuzzy Stock Selector, and the Portfolio Constructor. There was noticed that the portfolios constructed by PORSEL consistently outperform the S&P 500 Index. Xidonas et al. (2009) discussed an ES methodology as regards supporting decisions related to the selection of equities, on the basis of financial analysis. By using the Dempster-Shafer theory, Dymova et al. (2010) illustrated another way to develop stock trading ES. Fasanghari and Montazer (2010) suggested a fuzzy ES in order to evaluate the stocks of the Tehran Stock Exchange,

subsequently making the portfolio and recommending it to the target customers based on their preferences and stocks pay off. Lee and Lee (2012) discussed a causal knowledge-based ES for planning an Internet-based stock trading system (CAKES-IST). Yunusoglu and Selim (2013) developed a fuzzy rule based ES to assist portfolio managers in their middle term investment decisions.

Rao et al. (2005) proposed a knowledge-based prototype system for productivity analysis (PET, productivity evaluation technology). By using artificial neural networks, Kengpol and Wangananon (2006) developed an ES to appraise customer satisfaction on fragrance notes. Lee and Kwon (2008) proposed an intelligent negotiation support system (CAKES-NEGO, CAusal Knowledge-driven Expert System), by employing causal knowledge as well as inference mechanism supported by fuzzy cognitive map. Bobillo et al. (2009) suggested a semantic fuzzy ES which applies a generic framework for the balanced scorecard. Arias-Aranda et al. (2010) created a fuzzy ES tool (ESROM) in order to help managers to imitate strategic environments to gather useful information regarding the levels of strategy, flexibility, and performance compulsory in the operations management area. Oh et al. (2012) suggested an ES for portfolio analysis aiming to help decision-making for new product development project portfolio management. Chung (2014) developed and evaluated an intelligent system (BizPro) for extracting and categorizing the business intelligence factors from news articles.

4. Exsys Corvid® Development Software

An expert system tool, also known as shell depicts a software development environment covering the fundamentals components of ES. Exsys Corvid® was released in 2001 by Exsys Inc., being a very influential environment towards developing knowledge automation systems which allows the logical rules and procedural steps used to make a decision to be transformed to a "rule" representation that can be delivered on-line. An Exsys Corvid® knowledge automation system comprises the logic of the decision-making process, as well as the end user interface. Knowledge Automation ES with Exsys Corvid® software and services were developed worldwide within multifarious fields such as: Diagnostics—Predictive Maintenance—Repair; Government—Regulatory Compliance; Customer Support—Help Desks; Environmental; Implementing Best Practices; Electronics—Aerospace—Telecommunications; Energy—Utilities—Oil & Gas; Manufacturing—Quality Control; Capturing Corporate Knowledge; Financial Services—Legal; Engineering—Design—Research; Advanced Business Rules; Military—Security; Chemical—Food; Agriculture—Earth Sciences; Construction—Transportation; Medical—Healthcare—Safety; Human Resources—Customer Relationship Management; Sales—Marketing; Smart Questionnaires—Training—Education.

ES development with Exsys Corvid® has the following main parts: entirely capturing the decision-making logic and process of the domain expert; wrapping the system in a user interface with the desired look-and-feel for online deployment; integrating with other IT resources. The main advantage is that Exsys Corvid® provides non-programmers a path towards developing interactive Web applications that capture the logic and processes used to solve problems, delivering it online, in stand-alone applications, and embedded in other technologies. Exsys Corvid® provides the following main options towards system delivery: running as a Java Applet in a web page; running as a Java Servlet using HTML; running as a Java Servlet using Adobe Flash; running standalone (off-line) as a Java executable; embedded under another program that provides the end user interface.

The logic in Exsys Corvid® is emphasized by employing the specific variables. In fact, the variables are the building blocks that Exsys Corvid® employs in order to create the rules and describe the logic. When the system is run, the variables utilized in the IF part of rules will require to be assigned a value coming by directly asking the system user to provide a value, being derived from other rules, or from other sources such as a database.

Exsys Corvid® System Requirements are provided below:

- Microsoft Windows 8, 7, Vista, 2000, 2003, XP;
- Microsoft Internet Explorer ver. 5 or higher;
- 150 MB Free Disk Space;
- Minimum Screen Resolution: 1024 x 768 with standard fonts or 1152 x 864 with large fonts.

5. Expert System Prototype for Valuation Business Failure Risk

Hereinafter is discussed an ES prototype for valuation business failure risk, in this sense, Exsys Corvid® shell being used. For this purpose, a couple of production rules are designed based on indebtedness ratios (e.g. General Indebtedness Ratio, Global Financial Autonomy Ratio, Financial Leverage Ratio), as well as solvency ratios (e.g. General Solvency Ratio, Patrimonial Solvency Ratio). General Indebtedness Ratio emphasizes the

percentage of total assets that were financed by creditors, liabilities, debt. Global Financial Autonomy Ratio shows the percentage of company financing that comes from creditors and investors. Financial Leverage Ratio depicts the proportion of equity and debt the company is using to finance its assets. General Solvency Ratio shows the relationship of the total assets of the corporation to the portion owned by shareholders. Patrimonial Solvency Ratio reveals how much shareholders would receive in the event of a company-wide liquidation.

The formula for each selected financial ratio is provided below:

- General Indebtedness Ratio = Total Debt/Total Assets;
- Global Financial Autonomy Ratio = Total Debt/Shareholders' Equity;
- Financial Leverage Ratio = Bank Loans/Shareholders' Equity;
- General Solvency Ratio = Total Assets/Shareholders' Equity;
- Patrimonial Solvency Ratio = Shareholders' Equity/Total Assets.

However, by using the ES, the financial risk manager should not compute the ratios previously mentioned since the ES performs the entire task that would otherwise be fulfilled by a human expert. Hence, the financial risk manager should know only the values related to Total Assets, Shareholders' Equity, Total Debt, and Bank Loans, the source of data being the Balance Sheet. Accordingly, Exsys Corvid® Expert System Development Tool is employed in order to implement the ES. Moreover, there was chosen the default option, respectively running the system with the Corvid Applet Runtime. The acquired knowledge is represented through production rules. Rule based representation is one of the widest known and implemented forms for knowledge representation in the development of ES. Production rules have a very simple syntax form, they are easily understandable, while their implementation provides a great degree of flexibility to the ES as they are easy to modify and update. With a rule base, knowledge can be developed by either data-driven or goal-driven search. Data-driven or forward chaining suppose that one has a supply of facts and persistently employs legal moves or rules to produce new facts to get hopefully to the goal. Goal-driven or backward chaining implies that one repeatedly considers the possible final rules that produce the goal and from these creates successive sub goals

Exsys Corvid® decision-making logic is described and constructed using "nodes". Exsys Corvid® uses IF-THEN rules of thumb ("heuristics"), being individual steps or factors which provide the global decision, based on variables. Hereupon, a node can generally be thought of as a statement in the IF, or THEN part of a rule. The rules have a Left-Hand Side (LHS) entitled antecedent, premise, condition, or situation, as well as a Right-Hand Side (RHS) named consequent, conclusion, action, or response. The proposition on the LHS may be a compound one with a number of propositions ANDed together. However, a proper set of rules or productions, should be used to form the basis of a production system (Mannan, 2005).

The employed variables are showed in Figure 2.

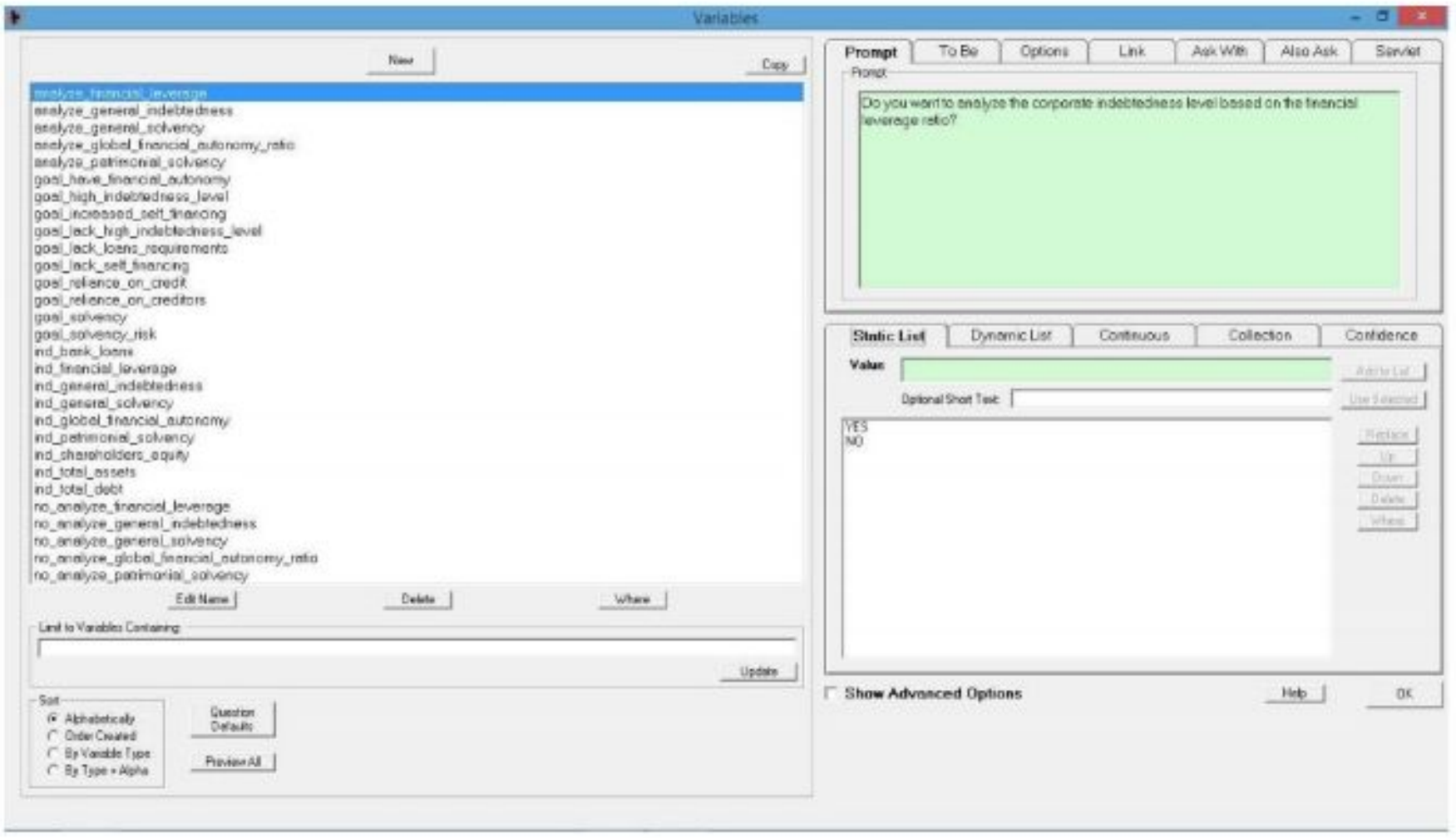

Figure 2. Exsys Corvid® variables window

Source: Authors' processing.

Besides, Exsys Corvid® has a unique way to define, organize, and structure rules into logically related modules. Thus, a Logic Block (hereinafter "LB") comprises one or more structured logic diagrams.

The logic may be a simple structure corresponding more to a single rule or a complex branching tree covering all possible input cases. The rules from the LB integrate a group of related heuristics and provide an explanation how to resolve each potential decision point in a system. The rules are added to the knowledge-base by experts using text or graphical editors that are integral to the system shell. The LB and the related rules are disclosed in Appendix A.

As well as, Command Blocks (hereinafter "CB") control the procedural flow of the system. The CB of current ES is provided in Figure 3. The LB provide the rules of how to make a decision, whilst the CB tell the system what to do and how the rules should be used.

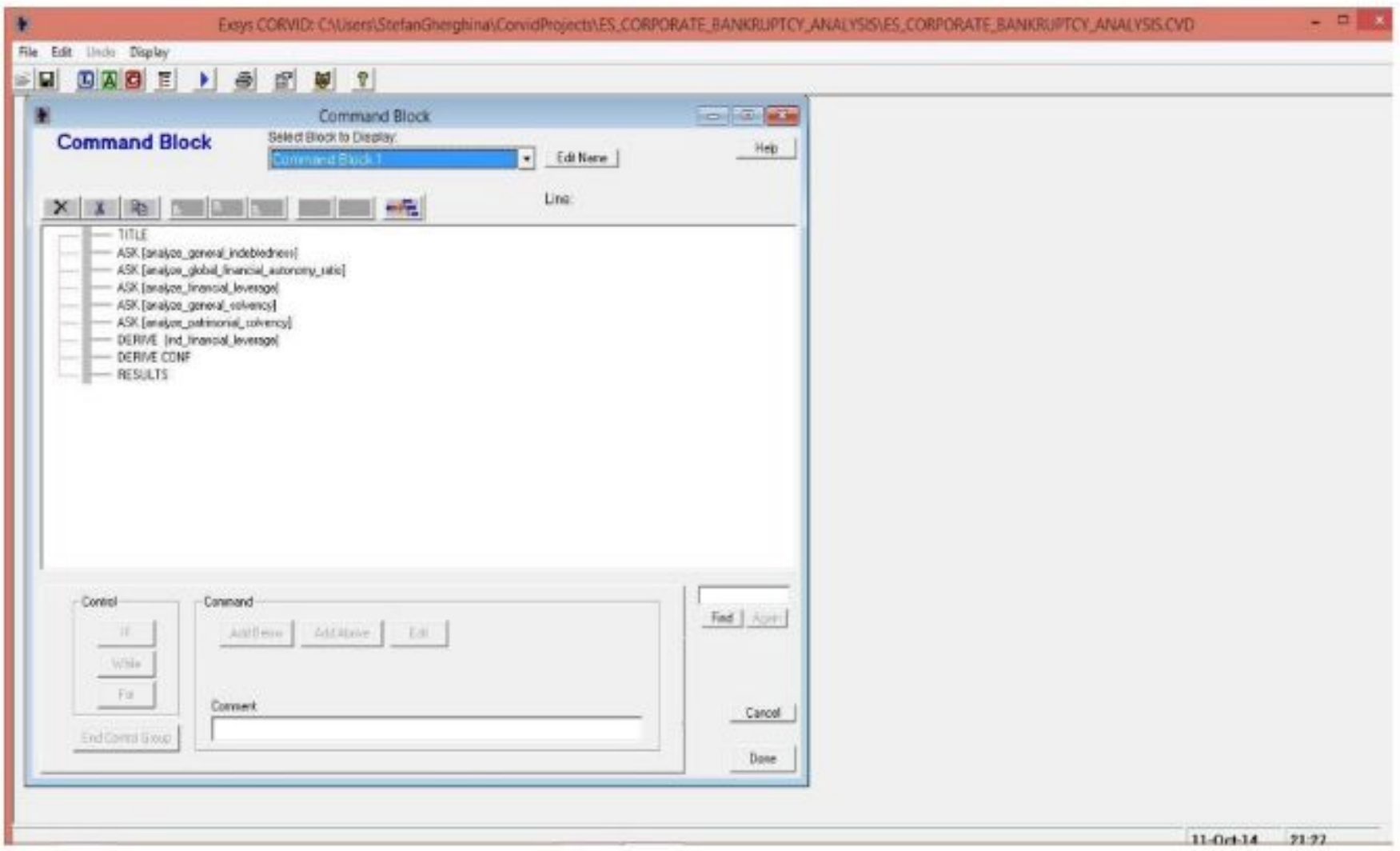

Figure 3. Exsys Corvid® Command Block window

Source: Authors' processing.

In order to test the suggested ES we will consider the following values (USD in Million): Total Assets = 172,384; Shareholders' Equity = 89,784; Total Debt = 82,600; Bank Loans = 20,645, corresponding to Microsoft Corp. (MSFT), at 2014-06.

The user is asked gradually if he agrees to analyze the corporate indebtedness level based on the General Indebtedness Ratio, Global Financial Autonomy Ratio, and/or Financial Leverage ratio, and then if he admit the investigation of solvency based on the General Solvency Ratio and/or Patrimonial Solvency Ratio (see Appendix B). Subsequently, the user is requested to enter the values related to Total Assets, Shareholders' Equity, Total Debt, and Bank Loans (see

Appendix C). Finally, the ES provides a brief report, but vital, in order to assess the business failure risk (see Appendix D). In fact, based on a couple of financial ratios, a financial manager could establish if there are corporate shortcomings. However, even if there were not employed several corporate measures, the output gathered is significant since the selected ratios are fundamental within financial management.

6. Concluding Remarks and Further Research

Nowadays, business decisions cannot wait for an expert advisor. However, ES are essential for people in order to solve complex decision-making problems without learning the underlying logic or requiring specialized training. Moreover, by means of Web any individual could access the ES, as well as employees that are online can also run the same systems stand-alone. By using Exsys Corvid® Expert System Development Tool, ES could be developed quickly, even if the person in not a programmer. Therefore, by using Exsys Corvid®, an ES prototype in order to assist risk managers towards valuation business failure risk was proposed. In fact, by selecting a couple of data out of the Balance Sheet, such as Total Assets, Shareholders' Equity, Total Debt, and Bank Loans, the ES suggested within current paper provides a brief report, but vital, in order to assess the business failure risk. Besides, by using the ES, the financial risk manager should not compute several ratios as regards indebtedness (e.g. General Indebtedness Ratio, Global Financial Autonomy Ratio, Financial Leverage Ratio) or solvency (e.g. General Solvency Ratio, Patrimonial Solvency Ratio) since the ES performs the entire task that would otherwise be fulfilled by a human expert. Hence, ES are an appreciable tool for corporations. However, there is suggested for the companies to keep in mind that humans should make the final decision instead of computers. Accordingly, humans still own the comprehension and perception, whereas until now the computer does not possess such

features. The limitations of current manuscript are depicted by the reduced number of financial ratios which were selected. As such, as future research avenues, several ratios with the purpose of valuation business failure risk should be employed.

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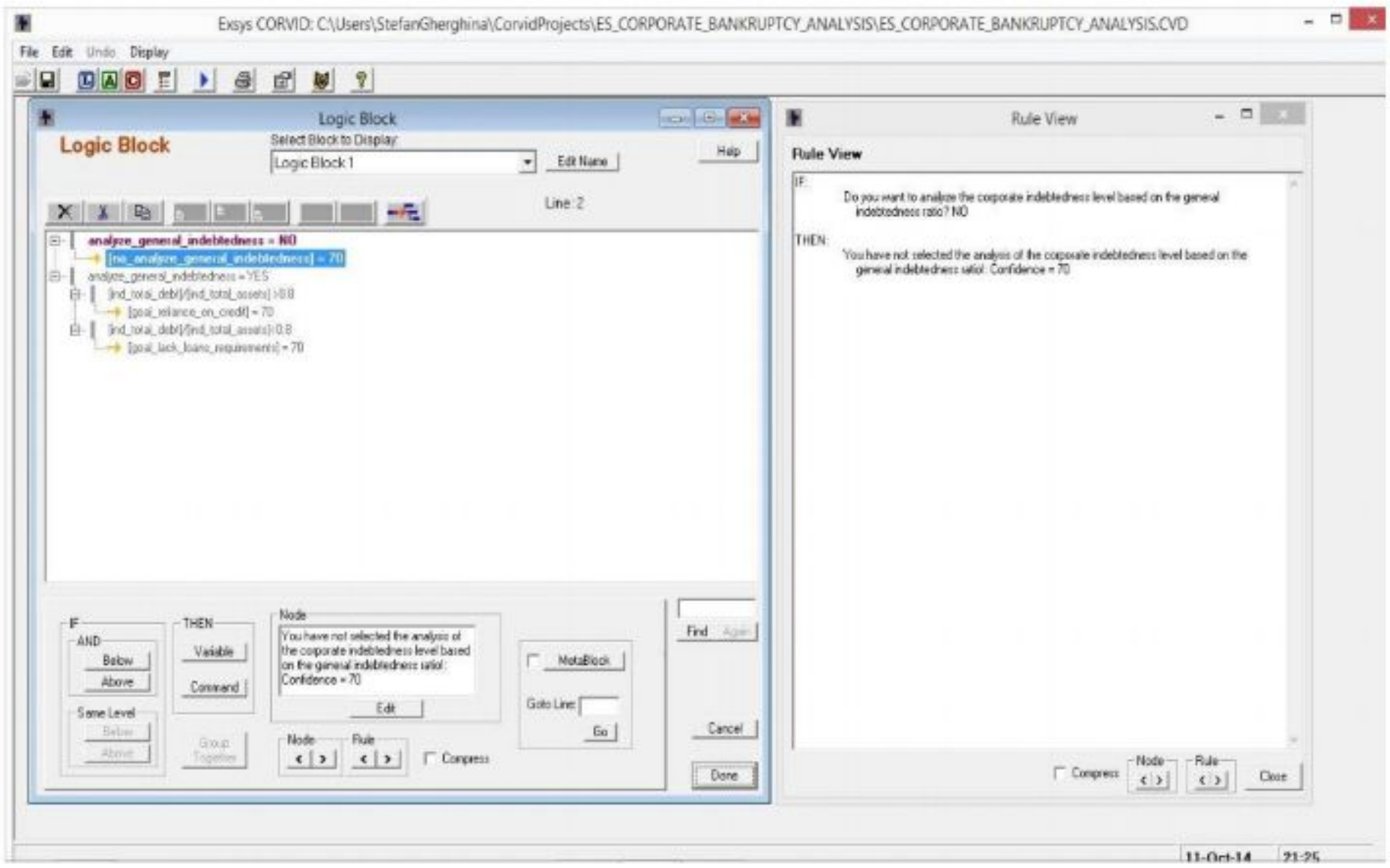
Appendix A

The rules in the Logic Blocks

LB 1



Source: Authors' processing.

The LB displayed above is equivalent to the following rules:

IF:

Do you want to analyze the corporate indebtedness level based on the general indebtedness ratio? NO

THEN:

You have not selected the analysis of the corporate indebtedness level based on the general indebtedness ratio!: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the general indebtedness ratio? YES

AND: [ind_total_debt]/[ind_total_assets] >0.8

THEN:

The company is dependent on loans. The current financial state is ALARMING!!!: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the general indebtedness ratio? YES

AND: [ind_total_debt]/[ind_total_assets]<0.8

THEN:

The company does not require bank loans: Confidence = 70

LB 2

IF:

Do you want to analyze the corporate indebtedness level based on the global financial autonomy ratio? NO

THEN:

You have not selected the analysis of the corporate indebtedness level based on the global financial autonomy ratio!: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the global financial autonomy ratio? YES

AND: [ind_total_debt]/[ind_shareholders_equity]>0.5

THEN:

The company depends heavily on lenders and the related risk is higher: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the global financial autonomy ratio? YES

AND: [ind_total_debt]/[ind_shareholders_equity]<0.5

THEN:

The company records global financial autonomy: Confidence = 70

LB 3

IF:

Do you want to analyze the corporate indebtedness level based on the financial leverage ratio? NO

THEN:

You have not selected the analysis of the corporate indebtedness level based on the financial leverage ratio!: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the financial leverage ratio? YES

AND: [ind_bank_loans]/[ind_shareholders_equity]>2.33

THEN:

The company records a very high level of indebtedness: Confidence = 70

IF:

Do you want to analyze the corporate indebtedness level based on the financial leverage ratio? YES

AND: [ind_bank_loans]/[ind_shareholders_equity]<2.33

THEN:

The company does not record a very high level of indebtedness: Confidence = 70

LB 4

IF:

Do you want to analyze the corporate solvency based on the general solvency ratio? NO

THEN:

You have not selected the analysis of the corporate solvency based on the general solvency ratio!: Confidence = 70

IF:

Do you want to analyze the corporate solvency based on the general solvency ratio? YES

AND: [ind_total_assets]/[ind_shareholders_equity]>1.5

THEN:

The company shows the ability to return the loans: Confidence = 70

IF:

Do you want to analyze the corporate solvency based on the general solvency ratio? YES

AND: [ind_total_assets]/[ind_shareholders_equity]<1.5

THEN:

The company records solvency risk: Confidence = 70

LB 5

IF:

Do you want to analyze the corporate solvency based on the patrimonial solvency ratio? NO

THEN:

You have not selected the analysis of the corporate solvency based on the patrimonial solvency ratio!: Confidence = 70

IF:

Do you want to analyze the corporate solvency based on the patrimonial solvency ratio?

YES

AND: [ind_shareholders_equity]/[ind_total_assets]>0.3

THEN:

The company records an increased self-financing ability: Confidence = 70

IF:

Do you want to analyze the corporate solvency based on the patrimonial solvency ratio?

YES

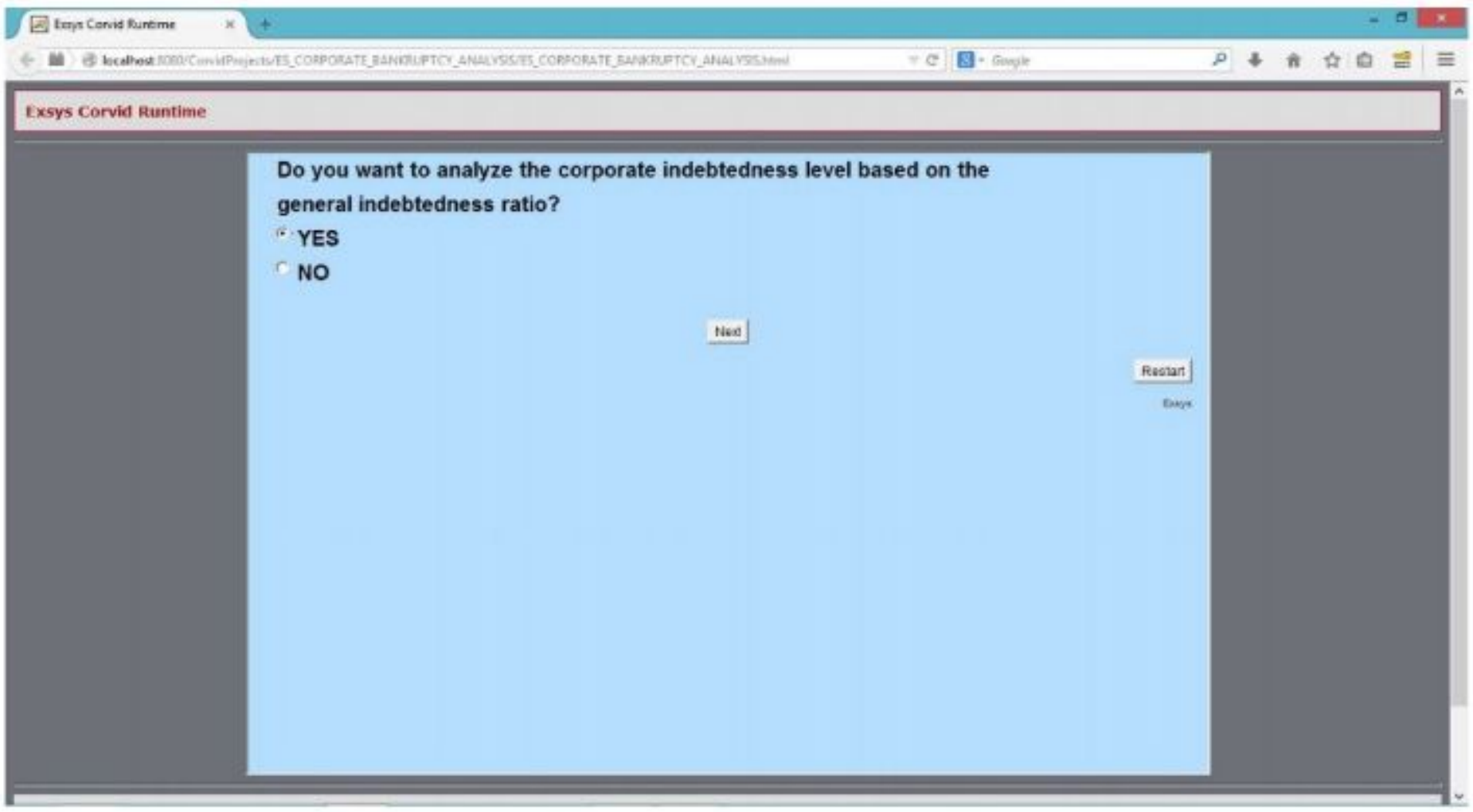
AND: [ind_shareholders_equity]/[ind_total_assets]<0.3

THEN:

The company does not record self-financing ability: Confidence = 70

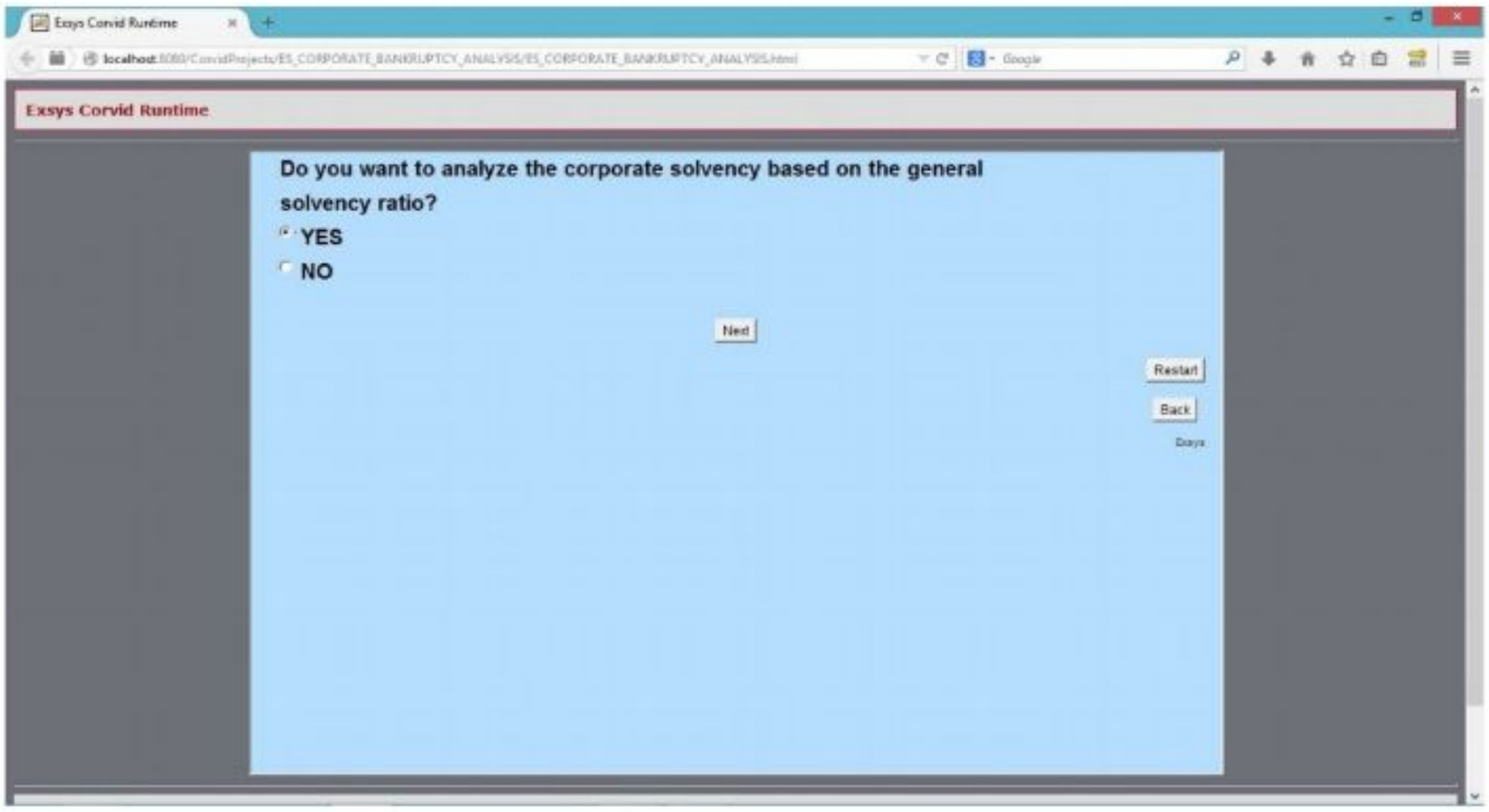
Appendix B

The questions regarding the investigation of the corporate indebtedness and solvency



Asking the user towards the investigation of the corporate indebtedness level based on the general indebtedness ratio

Source: Authors' processing.

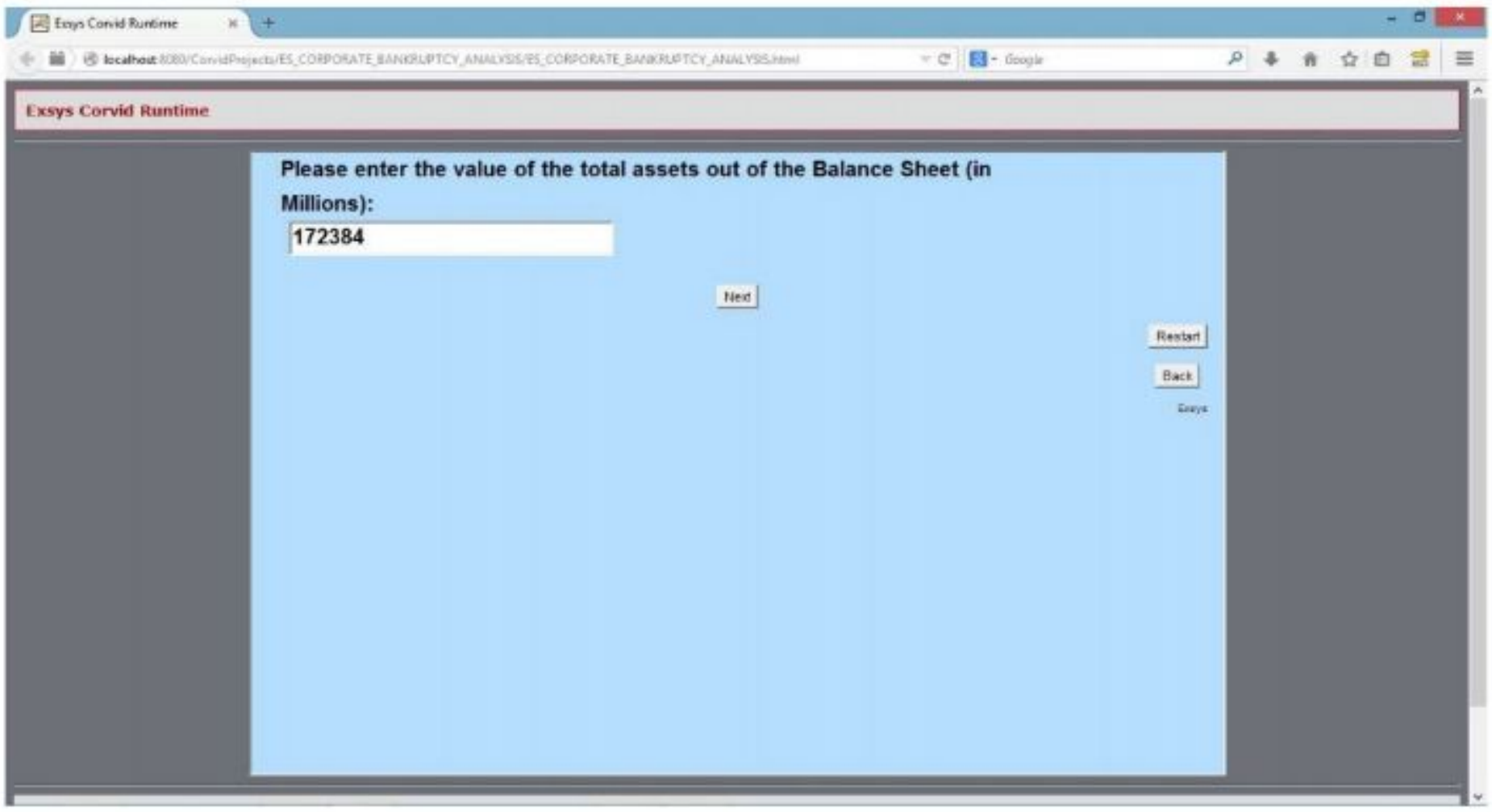


Asking the user towards the investigation of the solvency based on the general solvency ratio

Source: Authors' processing.

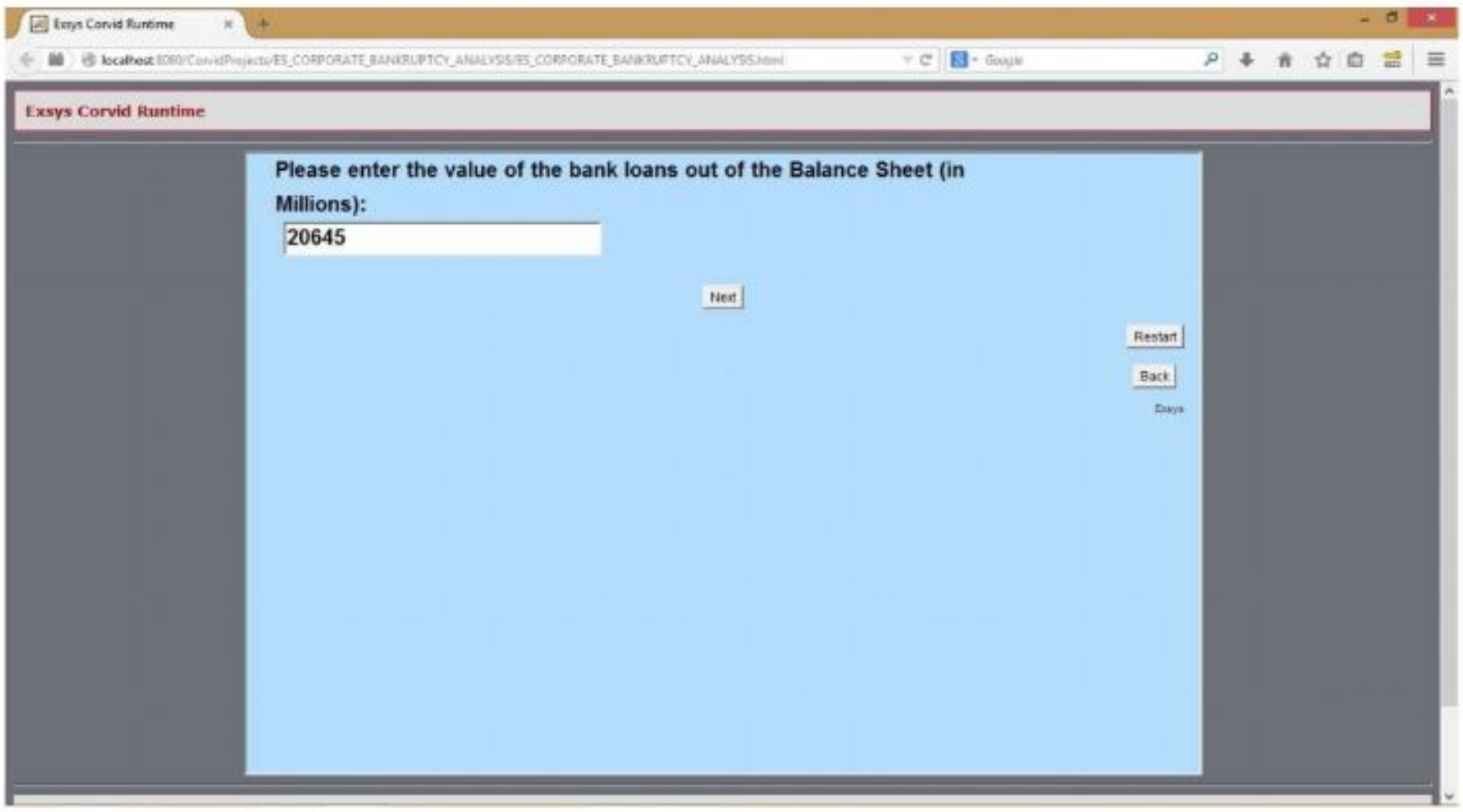
Appendix C

The windows within the user is requested to enter the values of data out of the Balance Sheet



Asking the user to enter the value of the total assets out of the Balance Sheet

Source: Authors' processing.

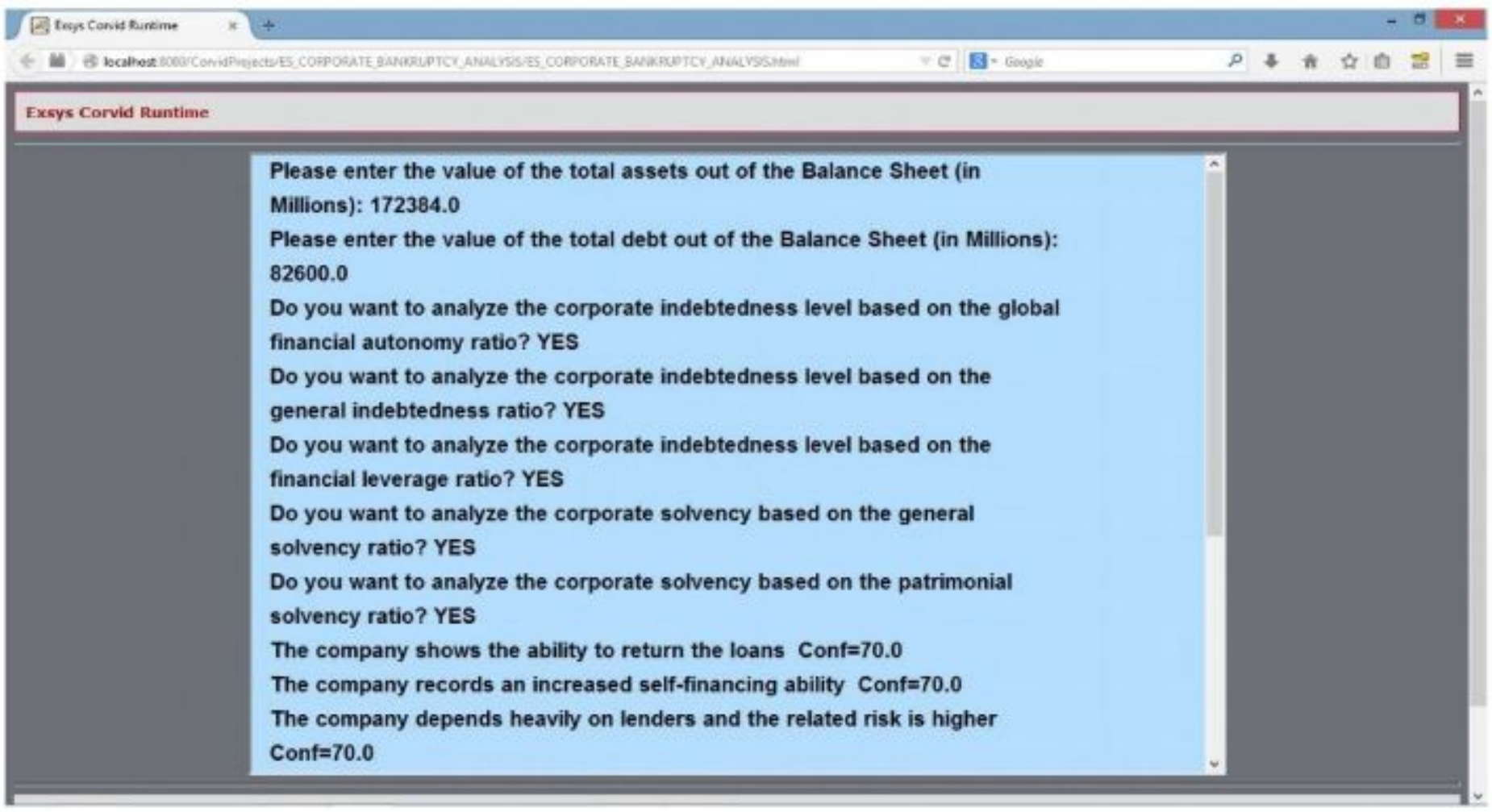


Asking the user to enter the value of the bank loans out of the Balance Sheet

Source: Authors' processing.

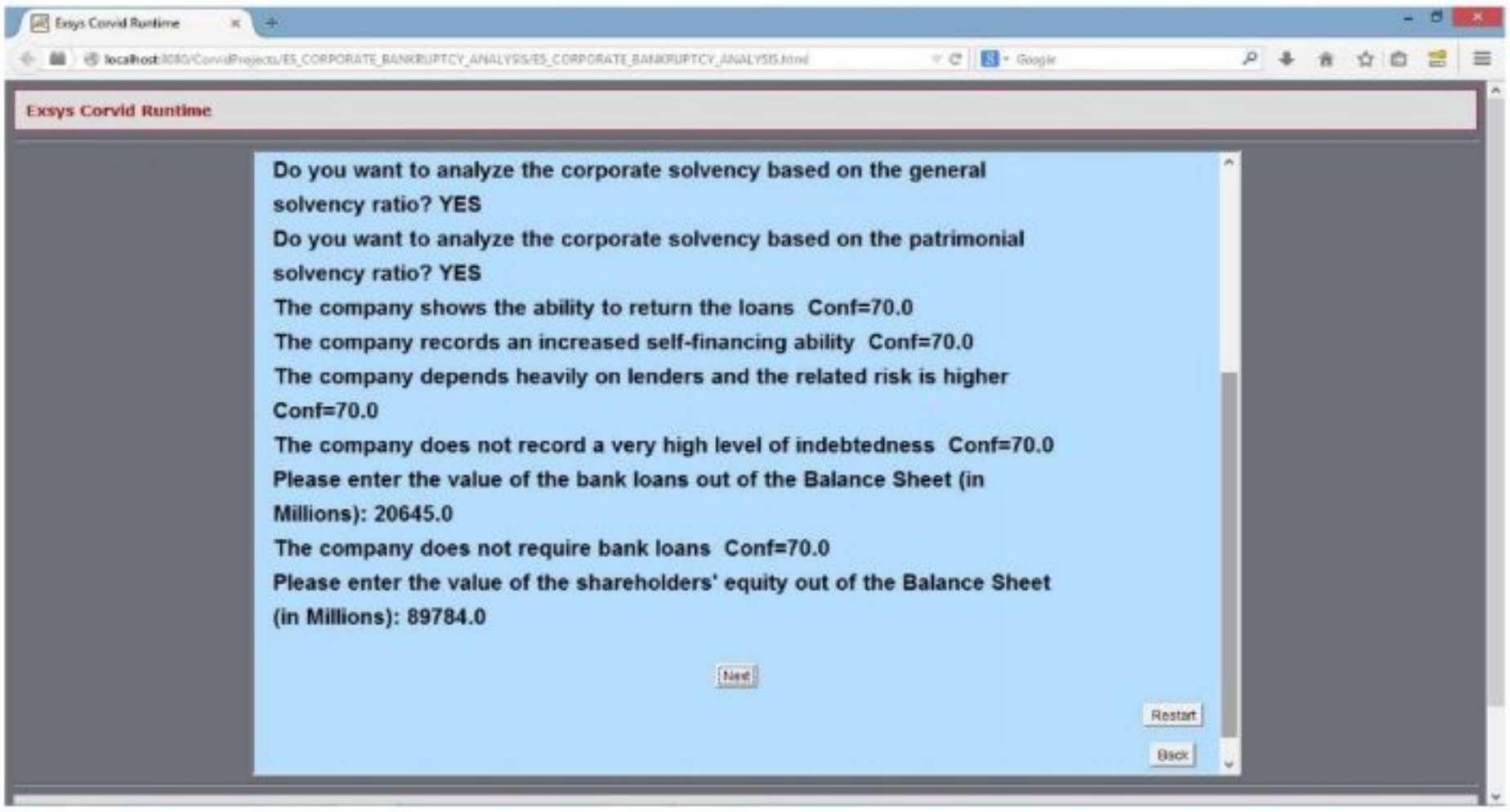
Appendix D

The report provided by the expert system prototype towards corporate bankruptcy analysis



ES message towards corporate bankruptcy analysis

Source: Authors' processing.



ES message towards corporate bankruptcy analysis

Source: Authors' processing.