THE ELEMENTS OF FINANCIAL PERFORMANCE CONTRIBUTE FINANCIAL DISTRESS AMONG SERVICE COMPANIES IN MALAYSIA

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Submitted in Partial Fulfilment of the
Requirement for the
Bachelor of Business Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
MALACCA CITY CAMPUS

April 2011

DECLARATION OF ORIGINAL WORK

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
"DECLARATION OF ORIGINAL WORK"**

I,SAIFATUL HAZIRAH BINTI SAIDIN ,   (I/C Number: 880405-43-5394)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

- This project-paper is the result of my independent work and investigation, except where otherwise stated.

- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____   Date: _____

LETTER OF SUBMISSION

APRIL 2011

The Head of Program

Bachelor of Business Administration (Hons) Finance

Faculty of Business Management

UniversitiTeknologi Mara

Kampus Bandaraya Melaka, 110 Off Jalan Hang Tuah

75300 Melaka

Dear Sir/Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled **"THE ELEMENTS OF FINANCIAL PERFORMANCE CONTRIBUTE FINANCIAL DISTRESS AMONG SERVICE COMPANIES IN MALAYSIA"** to fulfill the requirement as needed by the Faculty of Business Management, UniversitiTeknologi MARA.

Thank you.

Yours sincerely,

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SAIFATUL HAZIRAH BINTI SAIDIN

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Bachelor of Business Administration (Hons) Finance

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ABSTRACT

The purpose of this study is to predict the business failure of the selected companies which are listed under services sector. The paper's aim to test the usefulness of ratio analysis to predict the financial distress / bankruptcy of the companies in a period of Malaysia faced the crisis economy in 2009. The paper examines the correlation of traditional financial ratios with sector performance for a large sample of Malaysia companies under services sector. A propriety Z-score failure prediction model is used to evaluate the solvency of 100 companies. The paper identifies that certain companies will be faced the financial distress matter by looking the financial statement of 2009. Data availability constitutes the primary limitation of this and similar studies, here is reflected in the sample size: 45 safe zones, 23 grey zone and 32 in the distress zone. The model can be used to assist investors, creditors, and regulators in Malaysia to predict the business failure. The Z-score model of Altman can be used for public companies because it pays attention to solvency indicators, but rapid changing environment, profitability ratios should also considered. This article is of use in identifying what information is useful in annual reports.