

THE DETERMINANT OF FINANCIAL RATIO IN SIGNALLING FINANCIAL  
DISTRESS: EVIDENCE FROM PN17 LISTED COMPANIES IN BURSA  
MALAYSIA

NURSYAHIRAH BINTI SULAIMAN  
2015449242

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## **ABSTRACT**

A Practice Note 17 (PN17) Company is a listed company in the Malaysian Stock Exchange that is financially distressed or does not have a core business or has failed to meet minimum capital or equity which is less than 25% of the paid up capital. Financial ratio analysis method can be used to detect the failure of this company. As per year 2017, there are still seventeen companies listed on Bursa Malaysia classified under PN17 list. These companies have entered into PN17 list in accordance with existing standards. There are also investors who do not know the status of these listed companies. The aims of this research work is to determine the key determinant the company financial distressed by using financial ratio analysis. The investigation will be based on PN 17 listed companies in Bursa Malaysia covering the period from 2012 until 2016. In this study, financial distress is the dependent variable which can be measured by Altman Z-Score to determine the relationship towards independent variable namely liquidity ratio (LR), activity ratio (AR), profitability ratio (PR) and leverage ratio (LR) STATA Method will be used. The result from this study found that, profitability ratio is the most significant ratio in signalling financial distress towards PN17.

Keywords: *Financial distress, Financial Ratio, PN17*