



**ANALYZING THE RELATIONSHIP BETWEEN TRADITIONAL RATIOS AND
PROFITABILITY: AIRASIA BERHAD (2005-2015)**

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UNIVERSITI TEKNOLOGI MARA

SEGAMAT, JOHOR.

JANUARY 2017

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**Submitted in Partial Fulfilment
of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
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DECLARATION OF ORIGINAL WORK

HEFA BINTI ABDUL AZIZ

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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: 5 January 2017

LETTER OF SUBMISSION

5 January 2017

Puan Zuraidah Sipon
Faculty of Business Management
Universiti Teknologi MARA
85009 SEGAMAT
JOHOR DARUL TAKZIM.

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "**ANALYZING THE RELATIONSHIP BETWEEN TRADITIONAL RATIOS AND PROFITABILITY: AIRASIA BERHAD (2005-2015)**" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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ABSTRACT

This research is for analyzing the relationship between traditional ratios and profitability performance of Malaysian Airline Company: AirAsia Berhad. Airline industry is selected for this research due to the instability earning performance faced by them. The secondary data from Data Stream and published financial report of AirAsia Berhad are taken into consideration to form the financial analysis line. In this paper, quarterly samples of data are taken over 11 years is collected. A time series model is developed to evaluate a complex and statistically the relationship between traditional ratio and profitability performance for this airline company. The relationship between traditional ratio and profitability performance of Airline Company is evaluated based on some selected ratios: Operating Profit Margin (OPM), Net Profit Margin (NPM) and Return on Assets (ROA) are chosen as the profitability rates while Current Ratio (CR), Debt Ratio (DR), and Total Assets Turnover Rate (TATR) are chosen as a traditional financial ratio.

Based on regression result, it shows that on the p-value for the F-test statistic denoted by "Prob(F-statistic)" among three dependent variables only Operating Profit Margin variable can reject the null hypothesis at 5% significance level. It indicates that at least one of the independent variables is useful in predicting Operating Profit Margin.

Other than that, it can be conclude that only Current Ratio and Total Assets Turnover Rate should be retained in the Operating Profit Margin regression model and Debt Ratio can be dropped. In additional, the other regression model should be dropped because the independent variables are not useful in predicting Net Profit Margin variable and Return on Assets variable.