"THE ASSESSMENT OF COMPANY SOLVENCY AND PERFORMANCE WITH REFERENCE TO HOTEL COMPANIES IN THE MAIN BOARD OF KLSE USING Z-SCORE ANALYSIS AND IT'S RELATIONSHIP WITH SHARE PRICES"

A Project Paper Submitted To The MARA INSTITUTE OF TECHNOLOGY In Partial Fulfillment Of The Requirement For The Bachelor's Degree In Accounting (Honours).

Prepared For :

Encik Mohd. Shah Mahat

Supervisor Lecturer For PAC 555

Prepared by :

Abg. Jeffri B. Abg. Marzuki

Bachelor's Degree In Accounting (Honours)

94235987

TABLE OF CONTENTS

ABSTRACT

Business is an activity that is covered with uncertainty and risk which required the interested parties to assess the solvency and performance of the company by using financial and non –financial method.

In this project paper the author presented different types of approach to assess the performance but Z-score model has been chosen among all the financial tools since it is related to many other financial data and ratio. It has been widely used in the United Kingdom and U.S.A. and other developed countries as a tool to predict bankruptcy which also directly measure the performance of the company. Although developed in the mid 1960's it has stood the test of time.

The study also tried to reveal any relationship between the financial performance of the company and it share prices. It is hope that this case study will help the users in assessing the solvency and performance of the targeted company before decision is made either to invest, provide loans, mergers, takeovers, etc.

CHAPTER   1

INTRODUCTION

1.1.   INTRODUCTION

How do we assess company solvency and performances? Generally the users of financial statement such as investors, creditors, bankers and others who provide fund to a company will use basic financial statement as a tool to make decision and for management to assess the company performance.

Assessing Company solvency and performance is definitely very important before we make a decision either to invest or not. Therefore, this paper is aimed to highlight on how to measure company performance and also different ways and method to assess their solvency and performance.

In these project paper there are essentially a few method on assessing the company performance, that are, basic financial statement analysis and traditional financial ratio analysis, the Z-scores analysis, the non financial analysis or A-score analysis and other fundamental analysis such as macro economy analysis and industries analysis.

CHAPTER   2

LITERATURE REVIEW

2.1.   INTRODUCTION

When looking at performance evaluation there are levels at which to assess performance.

- ♦ The financial performance of the company through their annual reports and their income statement, Balance sheet and fund flow statement.

- ♦ The non-financial respect which are very much related to the operational and management of the company as a whole, such as labour strike, loss of facilities due to fire or other casualty, or poor key of managerial personnel.

- ♦ Economy wide factors or macro economy analysis such as increased inflation or interest rates, unemployment or recessions.

- ♦ Industry wide factors, such as increased competition, lack availability new materials, changes in technology etc.