PREDICTING THE FIRM BANKRUPTCY OF PN17 COMPANIES IN MALAYSIA

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FINAL REPORT

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(DECEMBER 2014)

ACKNOWLEDGEMENT

First and foremost, I would like to say Alhamdulillah to Allah S.W.T. because I managed to finish the research on time. Next, I would like to say thank you to my beloved and wonderful family for giving their support from the initial stage until the final stage of the research. It surely helps a lot in gaining motivation and prevent I from become depress. Besides that, I also want to give my gratitude of appreciation to my supportive lecturer and advisor, Miss Ashikin binti Romli for providing and giving a lot of guidance when doing this research. Without his guidance, surely I will not be able to understand the research and finish it on time. Lastly, I would like to say thank you to all my friends for giving advice and teach me on things that I don't know and give some ideas in order to deliver a good research.

ABSTRACT

Abstract- The purpose of this research is to make an attempt to predict the firm bankruptcy of PN17 companies in Malaysia. This research will use Return On Equity (ROE) the main indicator. This research includes independent variables which are total debt to total asset, cash to total asset, total asset turnover, inventory to total asset and asset turnover.

Purpose- There are three purposes of the studies which are exploratory, descriptive and causal. In this research, the dependent variable and independent variables are related to each other which are cause and effect, which means that this study is a causal research. The purpose of this study is to analyse and explore the relationship between working capital efficiency and profitability whether the result is positive or negative relationship. In addition, this research engage with hypothesis testing which it explains the nature of relationships that can be established between independent variables that debt ratio, average collection period, inventories turnover and current ratio.

Design/methodology/approach- data are retrieved from the utilizing journals, internet and DataStream for the annually period of 2010-2013. Multiple regressions are applied to as to find the result for this research.

Findings- By using the Multiple Linear Regression method, the researcher found Total liabilities to total assets has a significant relationship with the return on equity.

Research limitations/implications- The four selected independent variables of capital structure for only small percentage explanation of the dependent variable. Next is the difficulty on using the short period of data which is only provides five (4) years and only 15 listed companies in PN17 companies of Bursa Malaysia are using for the sources.

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