

KEY WORD : ACCOUNTING INFORMATION/ INVESTMENT RISK/ ACCOUNTING RISK MEASURES.

SUTHA DEWONGKIT : ANALYSIS OF ACCOUNTING INFORMATION FOR THE RISK MEASUREMENT OF SET COMPANIES : A COMPARISON BETWEEN FINANCE AND MANUFACTURING INDUSTRIES.

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Previous research suggested that accounting information could explain the risk of investment in securities. The objectives of the research are two fold. Firstly, the significance of accounting risk measures to determine investment risk are analyzed. Secondly, the models for significant accounting risk measures that optimally explain the market determined risk measures are explored. The accounting risk measures and models are also compared between finance and manufacturing industries.

The market risk measures consist of the systematic risk, the unsystematic risk, and the total risk. The accounting risk measures can be categorized into 8 factors. They are the firm size, the capital structure, liquidity, profitability, earnings variability, growth, operating leverage, and the dividend policy. The hypotheses for the significance of accounting risk measures are tested using statistical multiple regression and factor analyses. The stepwise regression is analyzed for the variables selection of the accounting risk measure models.

The results of the study show that for the finance industry, significant accounting risk measures are return on assets, assets' growth and earnings variability. For the manufacturing industry, assets' size, current ratio, and assets' growth are significant. The study finds that the models for accounting risk measures can explain the unsystematic risk better than the systematic risk in both finance and manufacturing industries. The unsystematic risk factor model for finance industry's shows long-term debt to equity ratio, return on assets, and earnings variability as significant factors; while the model for manufacturing industry illustrates the sales size and current ratio as the most significant factors. The investors can use accounting risk measures in evaluating the risk of interested securities for their investment decisions. The accounting risk measure models can also be used to assess and compare the risk between securities.