Wanpen Pumivisate 2011: Use of Financial Ratios in Predicting Financial Failure of Companies Listed in the Stock Exchange of Thailand. Master of Accountancy, Major Filed: Accounting, Department of Accounting. Thesis Advisor: Associate Professor Doosanee Songmuang, M.Acc. 155 pages.

The purpose of this study describes a discriminant analysis and logistic regression analysis for identification of companies listed in the Stock Exchange of Thailand, at risk of financial failure by using financial ratios as independent variables.

The study shows that the financial ratios have dramatic impacts on the financial failure of companies. In the discriminant analysis, using one-year historical financial data imposes a certain constrain on statistic calculation since its result falls outside the normal distribution. Retain earnings to total asset ratio and net sale to total asset ratio, based on two-year historical financial data, are significant to predict the financial failure with 75.76% accuracy while retain earnings to total asset ratio, based on three-year historical financial data, is significant to predict the financial failure with 66.66% accuracy. On the other hand, in the logistic regression analysis, using one-year and three-year historical financial data to compute the retain earnings to total asset ratio yields the significance to predict the financial failure with accuracy of 84.40% and 74.24% respectively. Additionally, retain earnings to total asset ratio and net sale to total asset ratio, based on two-year historical financial data, are significant to predict the financial failure with 80.30% accuracy.

From those two analytical methods, the percentage of accuracy derived from logistic regression analysis is greater than the one derived from discriminant analysis. This implies that both of the discriminant analysis and the logistic regression analysis will increase the level of accuracy in the prediction as the historical financial data including the data of the period that companies faced the financial failure.

|  |  |  | ___ / ___ / ___ |
| --- | --- | --- | --- |
| Student's signature | | Thesis Advisor's signature | |