

UNIVERSITI TEKNOLOGI MARA

**FINANCIAL DIFFICULTIES AND FIRM
PERFORMANCE AMONG PROBLEMATIC
FIRMS**

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Dissertation submitted in partial fulfillment of the requirements
for the degree of
Master of Accountancy
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AUTHOR'S DECLARATION

I declare that the work in this dissertation carried out in accordance with the regulations of UniversitiTeknologi Mara. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This topic is not been submitted to any other academic institution or non-academic institution for any degree or qualification.

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ABSTRACT

This study aims to investigate whether the problematic firms that were listed under PN17 really suffer financial difficulties prior to their fraud perpetration by using the proxy of default risk and financial distress. Then, the effect of the default risk and financial distress will be analyzed on the performance of problematic firms. The population for this study is 175 problematic firms in Malaysia which identified based on media released by Bursa Malaysia. These firms are categorized under the PN17 Listing from year 2001 to 2012. As for this study, the results show that the default risk has significant negative effect on firm's performance among problematic firms. This implies that default risk of problematic firms could negatively affect the firm's performance. In addition, there is negative relationship between financial distress and firm's performance.

The result of this study could pave way to any agency that monitors the misconducts among listed firms as financial difficulties may give early signal to warn a company of the possibility of severe fraud occurrence in the future. Moreover, the effect of financial difficulties will give some extent of indicators to public on the tendency to commit fraud due to financial desperation. This study could also help in formulating the guidelines on how to mitigate the effect of fraud perpetration among firms that faced financial difficulties.

Keywords: financial difficulties, firm performance, problematic firms, default risk, financial distress

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