A Study on Predictive Power of Financial Ratios

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In partial fulfillment of the requirement of degree of
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RECOMMENDATION

This is to certify that the thesis

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Entitled:

A study on Predictive Power of Financial Ratios

has been prepared as approved by this Department in the prescribed format of the faculty of management. This Thesis is forwarded for examination

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And found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the Degree of master of business studies (M.B.S)

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DECLARATION

I hereby declare that the work reported in the thesis entitled **"A study on Predictive Power of Financial Ratios"** submitted to Shanker Dev Campus, Faculty of Management, Tribhuwan University is my Original work done in the form of partial fulfillment of the requirement of the degree of Master of Business Studies (MBS) under the guidance of Professor Ms Sneha Lata Kafle and Lecturer Mr. Rabindra Bhattarai of Shanker Dev Campus, Tribhuwan University.

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Analysis of financial statement and position is a crucial part of financial decision making. Many people are familiar about the financial ratios but they may not have the ideas about the predictive power of financial ratio but it is very important for every financial analyst to know about the predictive power of financial ratios. Analysts have been using the ratio to analyze the financial performance from many years but few researches have been done about predictive power of financial ratio analysis. In this situation, some questions are raised. Can ratio predict about the future? Which ratio is the most efficient ratio? etc. In this study I have tried to test the predictive power of the financial ratios and tried to give the answers of the questions like above. For this, certain tools and techniques like misclassification error and cut-off points method have been applied. However other different factors directly and indirectly affect the ratios. On the other hand, this thesis has been submitted for the partial fulfillment of the requirement for the degree of Master of Business Studies (M.B.S.)

This study is result of cooperation and support of many people. First of all, I would like to extend my sincere gratitude to my thesis guide Professor Mrs. Sneha Lata Kafle and Lecturer Mr. Rabindra Bhattarai for their effective guidance, valuable suggestion, creative Comments and continuous cooperation.

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At last but not least, I hope this thesis could be useful to related aspect in the future. I am also sole responsible for any error present in this study and extend warm welcome to any comments and suggestions.

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