Performances And Risk Of Landmark Berhad

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ABSTRACT

This study was to examine risk and performances of company by relates 5 article that can be relate.There 5 article that explain about how Landmark Berhad company handle the risk and the performances.Credit risk,Liquidity risk,Operational risk,legal risk and Market risk is the risk that faced by company and how they manage it.This study was found this company has many high risk and low performance in manage their risk.This can prove by look descriptive analysis.

Keywords: Return on Asset & Return on Equity, Return on Investment, Liquidity Ratio & Operating Ratio

1.0 INTROUCTION

Landmarks Berhad was organize on 8 August 1989.Landmarks was begin operations as an investment holding company on 23 December 1989 with the takeover of the business, assets and liabilities of Landmarks Holdings Berhad, a company that was engaged in rubber and oil palm plantations and housing, hotel and commercial property development. It was subsequently listed on the then Kuala Lumpur Stock Exchange on 8 January 1990 and continues to be listed under the Main Market of Bursa Malaysia Securities Berhad under the hotel sector.

Landmarks Group expanded its business in the hospitality and property industry with the management of Carcosa Seri Negara; the development of Tiara Labuan, a 30-room business hotel in Labuan; The Datai, a 120-room super luxury hotel at Teluk Datai, Langkawi; and The

Andaman, a 180-room luxury hotel, also at Teluk Datai, Langkawi. The Group was also involved as the developer of Bandar Baru Wangsa Maju through its equity interest in PGK Sdn Bhd, now known as MSL Properties Sdn Bhd. It also participated in a joint venture to develop the new township of Cyberjaya through Setia Haruman Sdn Bhd.

Landmarks Berhad also has ventured into banking in South Africa and healthcare in Malaysia and Australia, businesses which have subsequently been disposed off. The Group has also invested into the infrastructure business by acquiring an interest in Teknologi Tenaga Perlis Consortium Sdn Bhd, an operator of a 650 MW power plant in Perlis, which was disposed off in 2009.On 2006, the Group has changed itself to focus on the lifestyle sector, focusing on resorts, hospitality and wellness in the South East Asian region. From this changes of, assets which are non-core and non-strategic have been disposed off and an investment has been made into a 338 hectare resort development land in Bintan island, Indonesia, known as Treasure Bay, Bintan. Treasure Bay is to be developed into a water resort city and a premier tourism destination.

2.0 LITERATURE REVIEW

According to Waemustafa and Sukri (2013) state that there is need to understand how credit risk is formed in Islamic banks and conventional banks considering internal and external factors determinants. They also state that banks assets mainly consist of loan while liabilities are deposit payable where any mismatch in asset and liability would contribute to liquidity risk and credit risk. As for Landmark Berhad as we can see from descriptive analysis the company has high liquidity risk and credit risk. This due to formation of credit risk include, inappropriate credit policies, poor lending practice, limited institutional capacity, volatile interest rate, poor management, inappropriate laws, direct lending, massive licensing of banks, low capital and liquidity risk, laxity in credit assessment, poor loan underwriting, poor lending practice, inadequate supervision by central banks, government interference and inadequate knowledge about borrowers. This prove by Kolapo et al. (2012) and Kithinji (2010).

From the second article the study aims to explain whether Shariah supervisory boards (SSB) and their remuneration have any significant influence towards the choices of Islamic banks mode of financing. Based on the work of who suggested that, SSB plays an important role, particularly in harmonizing the Islamic rules and guidelines in Islamic banks (i.e. Shariah-compliance gatekeeper), this study argues that the choices of style of financing by Islamic banks should be tempted by this board as to avoid any injustices as what has been proposed in Shariah Law. In other words, the SSB should put highly concern with regard to any mode of financing by the Islamic bank in which are not aligned with the profit- sharing principles.

The management of risk, asset and liability remain the core function of banking. The early signal of banking crisis can be observed from the volatility of liquidity risk. Hence, this study attempted to investigate the influence of external and internal factors affecting liquidity risk of Islamic and conventional banks. The study found that Islamic banks maintain higher liquidity compared to conventional banks. As for landmark Berhad we know that they have very high liquidity risk and low operating profit. Landmark Berhad has adopt a conservative strategy in managing liquidity problem by maintaining sufficient cash reserve and at the same time these banks are able to generate profit. The management of liquidity risk is merely unreliable without proper knowledge of risk formation in Islamic mode of financing. It is critical to initially identify the process of risk formation before proceeding to a further stage of risk management process (Muljawan, 2005).

This paper investigates the level of customer satisfaction among the customers who fly with Air Asia, a budget airline in Malaysia. The factors which investigated are the price offered, pre-flight services, customer relationship management, cabin environment and in-flight services.These are the factors that may lead the customers to choose Air Asia as their preferred airline to fly.Customer satisfaction is the key factor determining how successful the organization will be in customer relationships Reichheld, 1996; therefore it is very important to measure it. Most markets are very competitive and to survive, organizations need to produce products and services of very good quality that yield highly satisfied and loyal customers..For Landmark berhad recorded revenue of RM61.92 million and a net loss of RM12.06 million for the financial year ended 31 December 2015 compared with revenue of RM53.60 million and a net loss of RM5.31 million in financial year 2014.The improved Group revenue is attributed to the higher contribution from The Andaman with updated guestrooms and facilities. The Andaman’s gross operating profit increased by 15% as compared with 2014. This show by increase the company performance high customer satisfaction will strengthen the relationship between a customer and a company, and this collaboration has been found to be profitable (Storbacka et al., 1994)

Research linking the macroeconomy to commercial real estate returns is extremely limited, and it is primarily focused on the question of whether real estate returns are "sensitive" to various economic events or factors, especially unanticipated inflation. Financial theory distinguishes between diversifiable (nonsystematic) and nondiversifiable (systematic) risk. Diversifiable risk can be subdivided into parts attributable to property type (office, industrial, etc.) or geographic region (West, Midwest, etc.), with the balance of diversifiable risk being distinct to the individual property. Examples of property-specific risk include ineffective management and the changing value of the property's location. Financial theory also suggests that nonsystematic risk across properties, property types, and geographic regions should cancel out in a well-diversified portfolio. Thus, investors will not be compensated in the form of a higher expected return for exposure to nonsystematic risk.

3.0 DESCRIPTIVE ANALYSIS

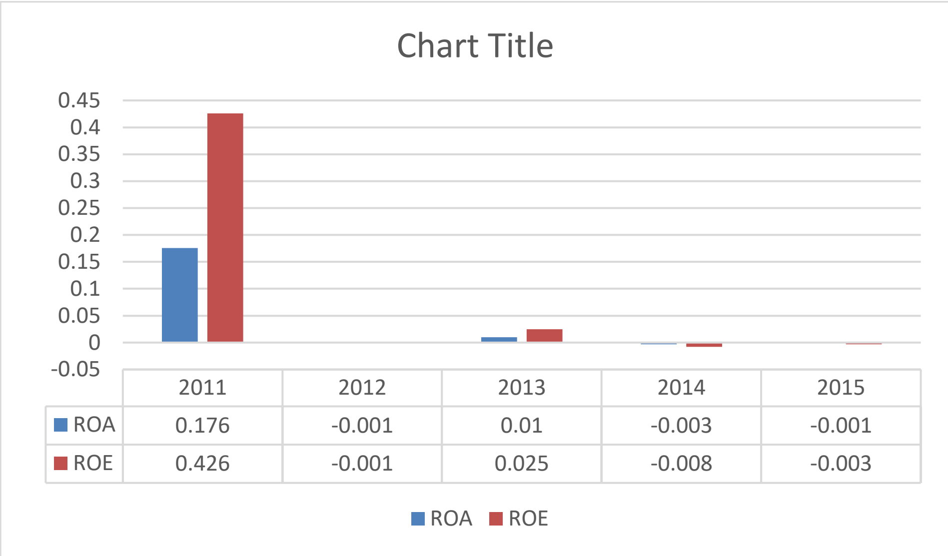


Figure 1: Return On Asset and Return On Equity

The amount of return on assets (ROA) is fluctuated with 0.176,-0.001,-0.01,-0.003 and -0.001 respectively over the five consecutive years from 2011 until 2015.Figure 1 show how well management is utilizing the company various resources such assets and has slightly changes in generating profit every year.The highest ROA is in 2011 with 0.176 because of internal factor of liquidity risk is low where the company able to meet short term financial demand and paid expenses obligation in that year.In 2011,return of equity (ROE) decreased from 0.176 to 0.426.For ROA and ROE i n 2012 to 2015 is very low.

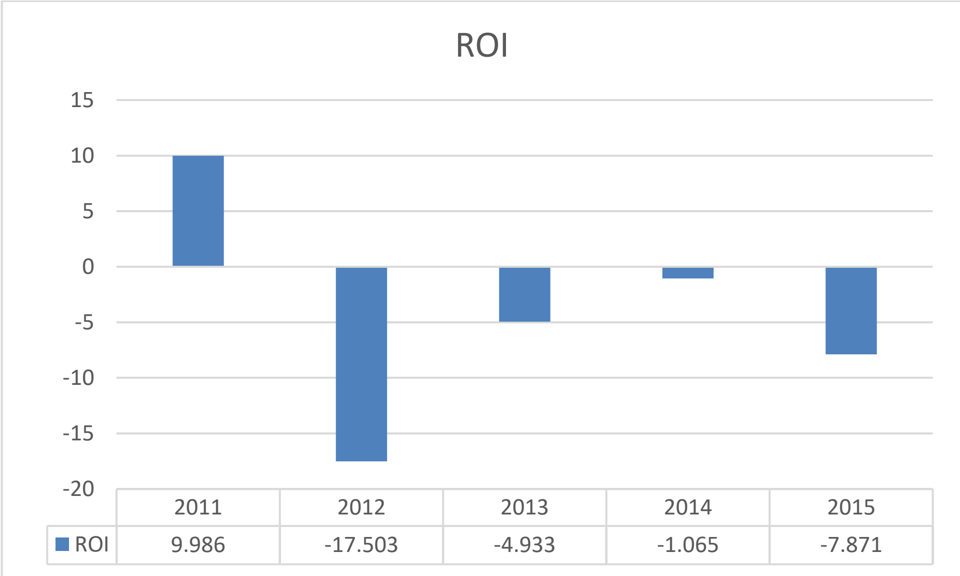
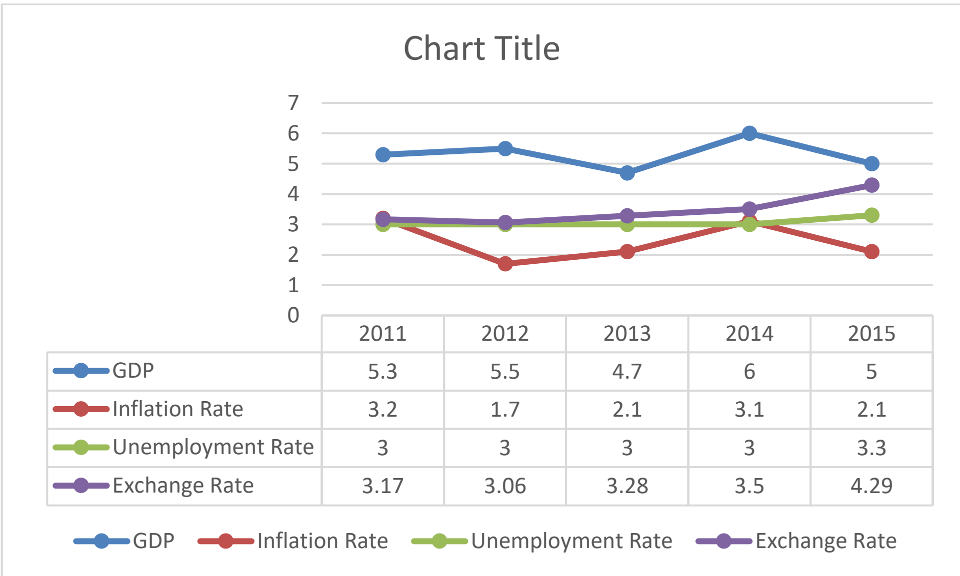


Figure 2: Return On Investment

ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. ROI measures the amount of return on an investment relative to the investment's cost.For return on investment (ROI) in 2011 is the highest value 9.986 and the value decrease to -17.503 in 2012.The ROI from 2012 to 2015 are negative and very low.This show Landmark Berhad is inefficient on an investment.



GDP, Inflation Rate, Unemployment Rate and Exchange Rate

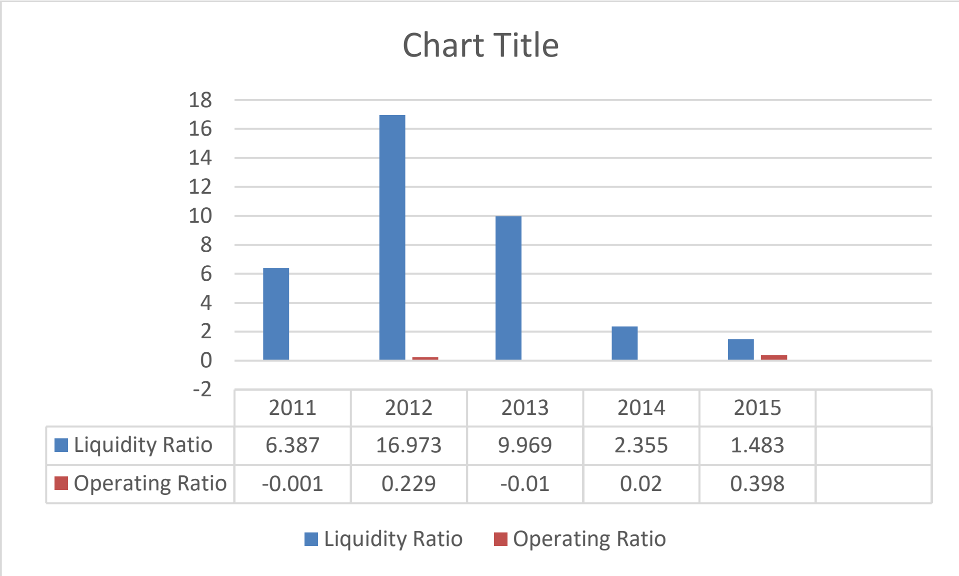


Figure 3: Liquidity Ratio and Operating Ratio

Liquidity ratio in 2015 was the lowest with 1.483 times. The company can convert their assets into cash 1.438 times .In 2012,the case of converting asset into cash was 16.97 times and was the highest ratio because of internal and external factor of liquidity risk and GDP was high in that particular year.The economy output was great at that time.Moreover,there was increase in demand and supply of product and services.Landmark Berhad company also able to paid to the short term creditors due to liquidity of the assets converting into cash and reduce their overall risk.However,investor may prefer a lower liquidity ratio since they are more concern about growing the business using assets of company.The graph operating ratio show from 2012 to 2014 was decline from 0.229,-0.01,and 0.02 respectively.Then,increase to 0.02 to 0.398 also in 2011 to 2012 increase from -0.001 to 0.229.This will make company paid expenses like interest payment.

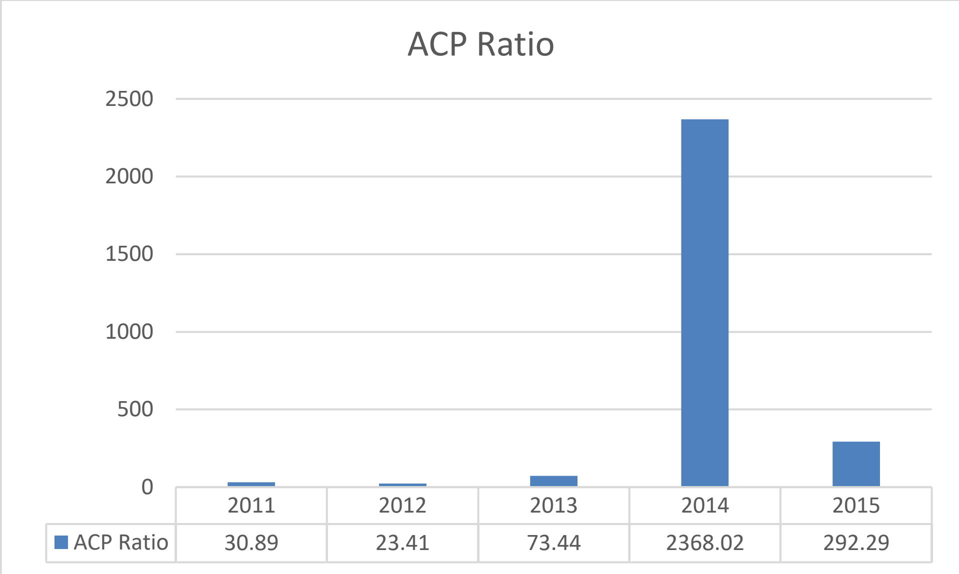


Figure 4: Average Collection Period

From 2011 to 2014 there was dramatically changes where average collection period (ACP) took 30.89 days,23.41 days,73.44 days and 2368.02 days.The reason the collection of debt was increasing by year was because of company lack of effective and efficiency of the business's credit and collection policies.From 2014 to 2015 ACP ratio was decrease from 2368.02 days to 292.29 days.In 2012,the company only took 23.41 days to collect the debt from their client.

Correlations

		ROA	GDP	Liquidity ratio	Operating Ratio
Pearson Correlation	ROA	1.000	-.027	-.091	-.445
	GDP	-.027	1.000	-.111	-.188
	Liquidity ratio	-.091	-.111	1.000	-.057
	Operating Ratio	-.445	-.188	-.057	1.000
Sig. (1-tailed)	ROA	.	.483	.442	.226
	GDP	.483	.	.430	.381
	Liquidity ratio	.442	.430	.	.463
	Operating Ratio	.226	.381	.463	.
N	ROA	5	5	5	5
	GDP	5	5	5	5
	Liquidity ratio	5	5	5	5
	Operating Ratio	5	5	5	5

Table 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.187	.775		.241	.850		
	GDP	-.020	.141	-.131	-.146	.908	.950	1.053
	Liquidity ratio	-.002	.011	-.133	-.150	.905	.981	1.019
	Operating Ratio	-.209	.393	-.477	-.532	.689	.958	1.043

Table 2

In table 1 the correlation shows liquidity has negative significance to ROA with-.091.This indicate the company could not convert their assets significantly to cash and not be able to paid to the short term creditor on time.This show that ROA and liquidity have negative relationship.Banks with a larger proportion of liquid assets are more stable enabling them to buffer against shock when needed Köhler (2012). The higher liquidity ratio of Islamic bank can also be due to the fact that higher equity and trade financing is evidenced in Islamic banks compared to its conventional counterparts.In table 1 the correlation shows GDP has negative significance to ROA with -.027.Operating ratio has negative significance to ROA with -.0.445.

4.0 DISCUSSION AND RECOMMENDATION

Landmark Berhad as we can see from descriptive analysis the company has high liquidity risk. This due to formation of credit risk include, inappropriate credit policies, poor lending practice, limited institutional capacity, volatile interest rate, poor management, inappropriate laws, direct lending, massive licensing of banks, low capital and liquidity risk, laxity in credit assessment, poor loan underwriting, poor lending practice, inadequate supervision by central banks, government interference and inadequate knowledge about borrowers.

Risks affecting organizations can have consequences in terms of economic performance and professional reputation, as well as environmental, safety and societal outcomes. Therefore, managing risk effectively helps organizations to perform well in an environment full of uncertainty.The company can use ISO. ISO provides principles, framework and a process for managing risk. It can be used by any organization regardless of its size, activity or sector.Using ISO 31000 can help organizations increase the likelihood of achieving objectives, improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment.However, ISO 31000 cannot be used for certification purposes, but does provide guidance for internal or external audit programmes. Organizations using it can compare their risk management practices with an internationally recognised benchmark, providing sound principles for effective management and corporate governance.

5.0 CONCLUSIONS

Landmark Berhad have low liquidity risk and low performance .Landmark Berhad must use ISO 31000. It provides a common approach in support of standards dealing with specific risks and/or sectors, and does not replace those standards.From descriptive analysis we can see this company still lack of knowledge about risk. Reckless risk taking is an enterprise value killer. It represents undertaking risks that the Board of Directors and/or executive management neither understand nor approve. Most efforts to implement ERM are unfocused, severely resource-constrained and pushed down so far into the organization that it is difficult to establish their relevance. In addition,Ineffective or inefficient Risk Assessment. This failure arises when risk assessment activities are not identifying the critical enterprise risks effectively, efficiently and promptly. Or, worse, nothing happens when a risk assessment is completed beyond sharing the most current list of risks with company executives.

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