An analysis of the effect between firm's performance and determinant of liquidity ratio of Revlon Incorporation in cosmetic industry

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AN ANALYSIS OF THE EFFECT BETWEEN FIRM'S PERFORMANCE AND DETERMINANTS OF LIQUIDITY RATIO OF REVLON INCORPORATION IN COSMETIC INDUSTRY

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ABSTRACT

The reason why I conduct this analysis is to identify the corporate governance and company performance of the Revlon Incorporation using the dependent variable (ROA) and plus the independent variable (current ratio) involve the internal factor and external factor. The data is collected through the Revlon Incorporation's annual report from the year of 2014 until 2018. The variable that are using during this analysis which is dependent variable and independent variable using ROA and current ratio for the purpose to analyze the Revlon Incorporation's corporate governance and company performance. Return on assets (ROA) is prove of how profitable of a certain company about their total assets. ROA help manager, investor on how to conduct an efficient of a company's management to generate earnings. Since Revlon Incorporation company asset's main and important purpose is to earn huge amount of profits, the Revlon Incorporation is manage to manage successfully in converting the investments from assets into profits. The ROA is a profit to the Revlon Incorporation from the investment when the Revlon Incorporation's assets are the most imperative investment for every companies in the world. A higher the Return On Assets prove that the management of Revlon Incorporation is using the Revlon Incorporation company's assets to make more profit. The current ratio is the medium to help in measuring for the liquidity which is the higher the ROA, the higher the current ratio to solve the company's financial obligations.

KEYWORD: ROA, CURRENT RATIO, CORPORATE GOVERNANCE, COMPANY PERFORMANCE

1.0 INTRODUCTION

1.1 OVERVIEW

Chapter one for this research analysis including background of Revlon Incorporation, principle of the corporate governance and risk associated in the Revlon Incorporation and also including literature review.

1.2 BACKGROUND

Revlon Incorporation is an American multinational in the industry produce cosmetic, healthy product involve the skin care for women and men, fragrance products for women and men and personal care's for women and men in Revlon Incorporation company. Revlon Incorporation's headquarter in New York City and the address located in 1 New York Plaza Manhattan, New York 10004, United States and One Astor Plaza, Times Square, Manhattan, New York City, New Year 10036, United States. This company is categorized as public associated corporation before bought by Pantry Pride by Ronald Perelman's Mac Andrew and Forbes Holdings. This company is founded on 1 March 1932 and the company already established for 87 years in New York City and founded by the American brothers which is Charles Revson, Joseph Revson and Charles who is the chemist for this company. Furthermore, this company of cosmetics produts had long time listed on (NYSE). Revlon's name is created and founded based on the on the chemist name, Charles Lachman which is the letter " L" and added Revson's name. In 2019, there were 7,300 employees work in Revlon Incorporation and the main competitors for Revlon Incorporation are Coty, Estee Lauder and Luxasia. The president of the company is Debra G. Perelman. First single or core products is the new type specific and well tested product which is the first founded product is the nail enamel or also called nail polish that is specialize using the pigment inks element which is natural coloring instead using the high chemical destructed element which is using dyes. Revlon had successfully listed as one and only of the America's top 5 America cosmetics company after World War II.

Revlon had successfully exports first products into the international's market to introduce the nail enamel, skin products, makeup products and personal care products and last but not least is lipstick products. Revlon had exports into the first international market which is located in Japan country and Revlon had spread their market subsidiaries at France, Italy, Argentina, Mexico and Asia. Revlon Incorporation is a cosmetics company that had done a certain number of corporate sponsor activities for several charity related main projects which is a program that gain most citizen attention which is Revlon Run Walk program to raise money added also the awareness about the breast and ovarian cancer in the year of 2009. Besides that, Revlon Corporation had launch full-color advertisements for every magazines. Before this, due to the lack of technology information and knowledge, this company had only use the black and white advertisement and after a few year based on the advancement of technology movement, Revlon had succeed launched the full-color photographic advertisement. Revlon produce its own brand products like makeup products, skin care products for women and men, as same as salon brand quality of hair product.

In the past year of 1985, Revlon Incorporation company had sold out to the consumers around the world especially for women those day for $ 2.7 million. Revlon Corporation used the advertising using the printed on the full-page advertising color ads with Dorian Leigh as model for cosmetics products. After that, rely to modelling contracts due to the customer love American Look with the makeup. Revlon and also plus for the Almay's cosmetics, Mitchum Deodorant products, Jeanne Gatineau skin care products for women and men. Revlon use restructuring plan that put company's individual brands at the center of its strategy rather than retail channel in purpose of to represent future legacy beauty. Revlon used the effective strategy in divided branches of business into 4 categories which is used the brand of Elizabeth Arden, Fragrances.

Then, the portfolio brands which is Almay, Mitchum, Gatineau, Sinful Colors and Pure Ice cosmetics. Revlon Corporation owned by MacAndrews and Forbes and the board director set a amazing slogan which is " Be Unforgettable" that bring a great meaning of the most unforgettable women in the world wear Revlon Incorporation's products. Revlon Incorporation's products is among the world biggest and well-known cosmetics companies in the world. The Revlon Incorporation's main sale products including their makeup beauty products, skin products for women and men added also hair protection products for women and men. Every company have their own slogan and the slogan represent the company style and Revlon Corporation set a slogan is to give and serve the best quality beauty and reliable products on the reasonable price. Revlon Incorporation had try their best in promoting and produce a various types of products of manicure tools and nail's scissors, lipsticks, pigments than using the dyes nail polish which content the chemical substances. This company had introduce the special and brand new collection which is the fragrances products that called "Charlie" perfume and skin care products. Revlon Corporation had officially produce the various skin care products for women and men that called the Ultima II brand, Vitamin C Absolutes brand, Eterna 27 brand and fragrance's products that called by its name as " Charlie" which is the limited perfume. Furthermore, personal care's products for women and men that called High Dimension brand, Flex brand, Mitchum brand and Colorsilk brand.

In 1935, Revlon Incorporation's the first of all advertising ads had advertise in United States of The New Yorker Magazines. In the year of 1940, Revlon Corporation is focus in the manicure products and follow by the lipstick products. Special about this Revlon cosmetics products is about the year when World War II time, Revlon Incorporation produce military products such as the products that can dye on something for the Navy and hand grenades for the army. Revlon Corporation had market its products to the oversea at the year of 1950. After that, this company had started the subsidiaries division into the Japan country and follow by the others countries in France, Italy, Argentina, Mexico and Asia.

Due to the great response in Japan because of the sales strategy based on the Japan women admire the look of American Look and the sales had increase dramatically. In 1953, Revlon had first introduced powder foundation and in 1958, first liquid foundation had introduced. In 1962, first brush of the blusher and in the year of 1986, the first silicone-based make up which is the new complexion of makeup products. In 1966, Revlon Corporation bought the U.S Vitamin and Pharmaceutical Corporation is acquired. In 1973, Charlie fragrances perfume is officially launched. In 1985, Revlon's company sold out to Pantry Pride and after that until now had officially become private company. In 1994, Revlon's company introduced the new collection which is "ColorStay Lipstick".

1.3 PROBLEM STATEMENT

Corporate governance given the definition of the method for every corporation in the world for their own policies and governing the company. Corporate governance purpose is to increase the accountability of the Revlon Incorporation's company in order to ensure the smoothly flow of the company. If the bankrupt problem occur, all the employees and shareholders will cause a huge argument and fight for opinion and this will the company's reputation decrease. Revlon Incorporation's company should held a formal meetings with board members in the company such as all the shareholders and as well as the suppliers, customers. When the corporate governance principle is ignore by other company like a company call Sport Direct which is the United Kingdom's company board of director ignore the principle of corporate governance safeguard that bring huge benefits to the businesses must have hold an action and initiative to implemented the principle of corporate governance in their business flow and whose company try to avoid this principle of corporate governance should take all the responsibility if the company in failure condition. The condition of a company if the company do not implemented all the appropriate principle of corporate governance inside the company that will conflicts interest which is occur when an board of director or shareholder controlling the member of subordinates of a corporation has other financial interest that directly conflict with the objective of the corporation. Besides that, the issue of the accountability which is the element of accountability is imperative for effective implemented on corporate governance which is occur from the high-up of board of director to lower subordinate should implemented the element of accountability in their mindset and attitude through report the company's document to the board of director in check and balance. Without the accountability, the company will suffer danger and cause the company seriously lost their trusted shareholder.

Corporate governance provides the specific structure that the company are been set perfectly with the organized structure. (OECD Principle of Corporate Governance states). The implemented of the principle of corporate governance certainly will increased the costs through the high cost of the administrative expense due to the greater administrative through the standard in maintaining the corporate documents including the stock purchase.

1.4 RESEARCH OBJECTIVE

This study of research analysis show about the analysis of corporate governance and company performance of Revlon Incorporation in cosmetics industry.

1. To identify the significant of dependent variable effect the corporate governance and company performance of Revlon Incorporation.
2. To identify the significant of independent variable effect the corporate governance and company performance of Revlon Incorporation.
3. To identify the firm-specific factor (internal factor) and macroeconomics factor (external factor) effect the corporate governance and company performance of Revlon Incorporation.

1.5 RESEARCH QUESTION

1. What are the consequences of firm-specific factor or internal factor (dependent variable) towards the corporate governance of Revlon Incorporation?
2. What is the consequences of macroeconomics factor (independent variable) towards the corporate governance of Revlon Incorporation?
3. What are the variable in firm-specific factor (dependent variable) and macroeconomics factor influence the corporate governance of Revlon Incorporation?

1.6 PRINCIPLE OF CORPORATE GOVERNANCE

1.6.1 OPENNESS

President and CEO name Debra Perelman of Revlon Incorporation during the past 5 years, they announce that the aim in construct the Red House that function as Revlon Incorporation new center in managing the company in an excellence method but this construct of this Red House cause Revlon Incorporation huge expenses. Revlon Incorporation strategies is to continue to focus on strengthening the Revlon Incorporation own products and brand through method of communication and connect with the consumer all around the world. Revlon try to focus in ensure that the broad availability of Revlon Incorporation products will be market all around the world. (Debra, 2016). Revlon Incorporation set strategies in focusing in the business practices and manage to control all the expenses and cost involve in Revlon Incorporation. Revlon Incorporation should upgrade executive talent in order to build leadership through the medium of e-commerce and also digital marketing (CEO Debra Perelman). Revlon Incorporation should take the initiative in using the new strategies in marketing which is using the technology.

1.6.2 HONESTY

Revlon Incorporation will restricted in using the animal DNA in producing their products whether skin care products or makeup products and conducted the rule for just using cruelty free products. Revlon Incorporation concern towards their consumers on using their beauty products and adopted the policies that are create to ensure that Revlon Incorporation meet the regulatory requirement in order to save the environment also. Since the year of 1989, Revlon Incorporation had not conducted and implemented animal DNA inside the beauty product. Revlon Incorporation would said that using animal DNA is harm activities and also wants to ensure the safety of using products without animal DNA element. This modern century always have an idea in changing something into new and Revlon Incorporation already had the alternative non-animal scientific methods in produce safety products. Revlon Incorporation had set the regulatory for not using the animal DNA instead using the other alternative to continue collaborate with other cosmetics company in produce high quality high environment awareness products. Revlon Incorporation using the ingredients that had already been approved by the E.U. Commission and Health Canada with the regulatory in implement safety and set a protocol research in every ingredients.

1.6.3 TRANSPARENCY

Revlon is committed to compliance with global human rights, labor standards, environmental laws and ethical business practices as related to the manufacturing of all of its products and all materials used in the production of Revlon products. Ensuring strict compliance with all applicable laws relating to human rights and labor standards, as well as other critical elements of quality assurance which is utmost importance to Revlon's products. Consistent with that, Revlon Incorporation expect all of their suppliers and contract manufacturers to be vigilant in ensuring compliance at their production facilities. Revlon provides company's employees and management who have direct responsibility for supply chain management with training on human trafficking and slavery, particularly with respect to identification and mitigation of risks within the supply chains of products. Revlon products are produced at Revlon facilities using raw material supplied by third parties and are also produced by third party contract manufacturers in accordance with Revlon's high quality standards and specifications and Revlon's vendor/supplier's ethics and compliance standards which include those relating to labor and employment.

1.6.4 RESPONSIBILTY

In Revlon Incorporation, Miss Alabaster said that she will responsible for Revlon Incorporation market within internal market and external market and communicate with consumers all around the world and responsible in the activities of Corporate Social Responsibility. The board of director name given is Pam who already work for 20 year at L'oreal and she already held many different senior leadership marketing and management role given the responsibility on manage Revlon Incorporation the way she conducted her work at L'oreal. All the Revlon Incorporation product must compliance to beauty portfolio and ethical added responsibility attitude to align with international standard on the worker's right and environmental awareness. Revlon hang on the responsible to identify the risks and challenges in an increasingly complex global supply chain.

In 2017, Revlon Incorporation enhanced Third Party Code of Conduct program to compare with the ethical high standards that guide the way Revlon Incorporation operation of business, established process in order to examine and prioritizing added monitoring for compliance and developing corrective actions plans, where necessary. Revlon Incorporation collaborate with "The Forest Trust (TFT) with Natural Resources Stewardship Circle (NRSC) to increase that transparency of Revlon Incorporation activities.

1.6.5 REPUTATION

Nowadays, Revlon is the leading cosmetics company in the United States. The current board of directors had sold out many poor-performing lines and returned the company to its core brands. Revlon Incorporation consists of Revlon and Almay cosmetics, Mitchum Deodorant and Jeanne Gatineau skin care products. By focusing on its core products groups, Revlon management hopes to increase profits, reversing a downward trend that started in 2001. Revlon has the look of a leader in the US mass-market cosmetics business, alongside L'oreal, Maybelline and Procter and Gamble's Cover Girl. Aside from its Almay and Revlon brands of makeup and beauty tools, the company makes Revlon ColorSilk hair color, Mitchum antiperspirants and deodorants, Charlie and Jean Nate Fragrances and Ultima II and plus Gatineau skincare products.

1.6.6 CORPORATE SOCIAL RESPONSIBILITY (CSR)

Revlon Incorporation for the past 25 years with the Chairman, Ronald 0. Perelman highly support for the program that organized special for women especially towards all the women health initiatives with donating the over $150 million as the contribution to give the benefit towards the health problem happen on women lately which is women's cancer, the improvement for women reproductive and pre-natal medicine added highly support the women as victim on the domestics problem. Revlon previously held a program that give high appreciation from other people which is the program of Revlon Run/Walk special for women collaborate with Entertainment Industry Foundations 0n 1994 and this program successfully ended with the contribution of more than $ 70 million to women's cancer research a fundraising medium to bring benefit in improvement women's health issues happen lately. Next, Revlon Incorporation also held "The Love Project" which is the medium of social media campaign to spread love to everyone.

1.7 RISKS ASSOCIATED IN THE COMPANY

1.7.1 MARKET RISK

Revlon Incorporation own company's shares decrease drastically that more than 18 percent after the introduction of Revlon Incorporation's new data of financial statement showed a steep sales decrease among all the cosmetics company. Then, 9 percent of the Revlon's shares had decline again over the last 12 month and the analyst said that Revlon did not have a comment immediately available when contracted by CNBC. Weak profits and the sinking stock value had some creditors worrying last year that Revlon might transfer assets out of reach of its debt hold. Unfortunately, the Revlon Incorporation's CFO (Chris Peterson) later batted down those rumors. Revlon's stock price slide is likely not liquidity enough. There are only about 7 million of Revlon's share available to the public markets since a subsidiary led by Chairman Ronald Perelman owns more than 85 percent of the outstanding equity.

Revlon had faces the several risk factors which could challenge its business. As of on 31 December 2012, it had over $ 1.1 billion in long term debt with only $116 million of cash on hand. This level of indebtedness can make earning highly volatile, owing to fluctuating interest payments associated with variable-rate loans. It also leaves less money to spend on the marketing and advertising. Plus, the high leverage also constricts Revlon Incorporation's own ability in investing in the research and development which is crucial in the consumer products industry.

1.7.2 CREDIT RISK

Revlon Incorporation sits on the position on the Credit Risk Monitor's measure by the FRISK Score scale and the result is Revlon's current score is ‘ 1’ which is indicate the highest probability of public company bankruptcy risk. Recording net losses in each of the last 5 quarters. The company's net losses in each of the last 5 quarter is total in 2017 is $ 183 million. Revlon is highly leverage in their net revenue in at negative level is $2.1 billion. Shareholder equity was also negative at $ 770.4 million. Total debt for this company was at $ 2.84 billion in 2017. Credit Risk Monitor is a financial news and analysis service designed to help professionals stay ahead of public company risk quickly accurately. Exposure to credit risk in the event of nonperformance by any of the counterparties to the company's derivative instruments is limited on 31 March 2019 and 31 December 2018. The company attempts to minimize exposure to credit risk by generally entering into derivative contracts. Current and past debt to equity ratio value for the Revlon over the last 5 years can be define as a measure of a company's financial leverage calculated by dividing its long term debt by stockholder's equity.

The reports highlight the factors that have pushed a company's score lower on the "1" (worst) to " 10" (best) FRISK score which is 96% accurate in predicting bankruptcy over 12 month period. The High Risk Reports also includes analysis on financial indicators such as the company's DBT index, stock performance, financial ratios and how it is performing relative to its industry peers. The ultimate goal of the High Risk Reports series is two part which is provide an early warning for those doing business with an increasingly distressed company and inform of many signals that should be examined when assessing financial risk. Exposure to the credit risk in the event of the non-performance by any of the counterparties to the company's outstanding hedging instruments is limited to the gross fair value of the derivative instruments in assets positions which is totaled about $0.6 million as on the 31 December 2018 and on 31 December 2017 respectively. The Revlon Incorporation attempts to minimize exposure to credit risk by generally entering into derivative contracts with counterparties that have investment grade credit ratings and are major financial institutions. Revlon Incorporation also periodically monitors any changes in the credit ratings of its counterparties. Given the current credit standing of the counterparties to the company's derivatives instruments, the company believes the risk of loss arising from any non-performance by any of the counterparties under these derivative instruments is remote.

1.7.3 LIQUIDITY RISK

Revlon Incorporation is the well- known cosmetic company is a $1.7 billion market cap company but 78% of shares are owned by billionaire investor Ronald Perelman. Meaning to be said that about $350 million of the company is available to outside shareholders. While a levered capital structured also plays a role, Revlon's small public float and liquid stock lead it to the trade at a 50 % discount to cosmetics peers on an EV/EBITDA basis. Simply said that the most investors just can's own Revlon Incorporation.

Perelman has owned the Revlon Incorporation for 30 years in contribute in build a cosmetics kingdom. The board of directors and investors of Revlon Incorporation fail to recognize that after 30 years of being under managed and it is now clear that Perelman is focused on increasing the shares prices and both the stock and the Revlon Incorporation cosmetic company are at an inflection point.

1.7.4 OPERATIONAL RISK

Revlon Incorporation like many cosmetics company in the world had implemented the SAP S/4 HANA and other ERP solutions and did not seem to understand the risks associated with their transformations. Revlon Incorporation must had not had the quantified or implemented effective strategies to mitigate those risks. In this case, Revlon Incorporation experienced shipping delays and lost revenue/sales due to the production stoppages at its North Carolina plant. The location of the first phase of its SAP go-live actual results of operations and changes in the financial condition, changes in the general U.S or international economics or industry conditions and in the conditions in the company's reportable segments, changes in estimates, expectations or assumptions or other circumstances, conditions and development or on the event arising after the issuance of this press release, except for the company's ongoing obligations under the U.S federal securities laws.

The company's plans to initiate a new 2018 Optimization Program designed to streamline the company's operations, reporting structures and business processes with the objective of maximizing productivity and improving profitability, cash flows and liquidity with the major initiatives underlying such program including the program which is optimizing its global supply chain and realizing manufacturing efficiencies and rationalizing its global warehouse network and office location to drive greater efficiency, lower its cost base and enhance its speed-to-market capabilities for new innovations, enhancing in-market execution and optimizing its commercial and organizational structure to create more efficient global and regional capabilities and reducing overhead costs and streamlining functions and workflows by leveraging technology and shares services and standardizing and simplifying its business processes, leading to greater agility and faster decision-making.

2.0 LITERATURE REVIEW

2.1 CORPORATE GOVERNANCE

Corporate governance is the system by which companies are directed and controlled. Boards of Directors are responsible for the governance of their companies. There is no a single definition of corporate governance rather it might be viewed from different angles. Berle and Means (1932) and the even earlier Smith (1776). Zingales (1998) defines corporate governance as " allocation of ownership, capital structure, managerial incentives schemes, takeovers, board of directors, pressure from institutional investors, product market competition, labor market competition can all be thought of as institutional that affects the process. Garvey and Swan (1994) assert that "governance determines how the firm's stop decision makers (executives) actually administer such contracts. (p.139).The shareholder's role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. It identifies who has power and accountability and who makes decision. A toolkit that enables management and the board to deal more effectively with the challenges of running a company. Corporate governance ensures that businesses have appropriate decision-making processes and controls in place so that the interests of all stakeholders (shareholder, employees, suppliers, customers and the community) are balanced.

Governance at a corporate level includes the processes through which a company's objectives are set and pursued in the context of social, regulatory and market environment. The board's primary goal is to exercise its business judgment in manner it reasonably believes to be in best interest of the company and its shareholders. In its efforts to achieve this goal, the Board monitors the company's performance. The board also strives to ensure that controls are in place to assure that the company's management and employees operates in a legal and ethically responsible manner.

2.2 COMPANY PERFORMANCE

Company’s performance is a composite assessment of how well an organization executes on its most important parameters, typically financial, market and shareholder performances. Company’s performances analysis is a subset of business analytics/business intelligence that is concerned with the “health” of the organization, which has traditionally been measured in terms of financial performance. However, in recent years, the concept of company health has become broader. A more specific definition of performance is given by states that the performances in the company is what contributes to improving cost-value couple and not just what helps to reduce the cost or decrease the value (Philippe Lorrino -1997). Bates and Holton (1995) define the concept of performance as “a multi-dimension abstract concept whose measurement depends on a variety of factors. The KPI is the key performance indicators are statistics a small business owner can track to evaluate his company’s performances. KPI help the company to determine if all the parts are working smoothly.

During the last few years, Revlon’s performances has been modest where net sales have been on and off positive driven by strong growth in the North America region with the majority of growth in its Elizabeth Arden segment. Revlon’s earning growth has been a reflection of their continuous effort toward strengthening their business strategy and putting forth efforts to stabilize their business operations. In the previous annual earning, Revlon’s Elizabeth Arden segment brand has performed well driven by new launches and a strong digital presence. Its net sales rose from 116% to $952 Million, primarily driven by higher net sales of Elizabeth Arden skin care products, including Ceramide and Prevage, principally in international markets.

2.3 LIQUIDITY RISK

When sometimes there is not enough cash or cash equivalents to fulfill the borrower’s need, the liquidity that can occur is called capital risk. If it is not possible to in fast way to purchase or sell enough financial assets to prevent or reduce losses or quickly sell all the assets whose is the value is close to its fair value in the market, lack of market and lack of investments is the biggest reason for liquidity risk (Jamal and Ali, 2014). In the others word, due to the absence of the buyers, the company may face liquidity risk when adverse or unfavorable circumstances such as non-current assets or non-current assets that sell fair value (lost losses) meet with buyers at the required time. Liquidity risk is usually wide spreads or large price movements (Investopedia, 2018). Assets that are difficult to sell in non-trading markets have liquidity risk because it is not easy to enough liquidity. The rule of thumb is that the small size of the securities motivated many investors to sell their holdings at any price in the aftermath of the 9/11 attacks as well as during the 2007 to 2008 global credit crisis. This rush to the exits caused the widening bid-ask spreads and large price declines which further contributed to the market liquidity. Liquid risk occurs when an individual investor business or financial institutions cannot convert into an assets into cash without giving up capital and income due to the lack of buyers or an inefficient market.

Cifuentes, Ferrucci and Shin (2005) stated that failure in managing liquidity risk affects several other areas. The contagious effects of liquidity risk failures make up the systemic risk in the organization in which the stability of the overall system is at stake. Cifuences (2005) further explains that liquidity ratio is the one of the parameters that affects systemic stability. When the company's liquidity ratio is high, the company will be able to re-adjust the amount of assets in their balance sheet without having to lose much in the value of their less liquid possessions or in a simpler term, the conversion of the liquid assets into liquid assets can be done at the right price, given the elasticity of the market demand when the company has higher liquidity and thus lowering the systemic risk that may happen to the company. Although the company assets play a role a capital cushion, having too many liquid assets is less useful compared to liquid assets in terms of managing the risk due to volatile market price (Cifuentes et. Al. 2005).

2.4 CREDIT RISK

Credit risk is the risk that one party to a financial instrument does not comply with its commitment and will cause the other party to suffer the economics losses (Daniela Cristina Solomon, 2012). The credit risk also determine that the borrower cannot repay the loan and the lender may lose the loan principle or related interest. Credit risk may be due to the borrower's expected future cash flow to pay the existing debt (Investopedia, 2018). Credit risk is very important to the company because of it represents the investor's loss of investment opportunities.

The borrower's repayment ability is the main factor in calculating the credit risk. The lender uses the five C criteria is to evaluate it and including the applicant's credit history, repayment ability, funds, loan term and related collateral. Credit risk is the risk of loss given default that does not meet its obligations under the conditions of the contract and thus causes the holders of creditor's loss. These obligations arise from lending activities, trade and investment activities, payment and settlement of securities trading on its own and foreign account.

(Jilek, 2000). There may be cases if a counterparty fails to honor its undertakings and repay fully or partially due principle and interest have not repaid on time. Credit risk is part of most balance sheet assets and off-balance sheet transactions series (bank acceptances or bank guarantee). Credit risk includes credit risk, risk of the guarantor or counterparties of the derivatives. This risk is present in all sector of the financial market, but most important is in banks, mainly from the credit activities and off-balance sheet activities such as guarantees. Credit risk also arises by entering into derivatives transactions, securities lending, repurchase transactions and negotiations. For derivatives transactions conducted an analysis of the credit worthiness of counterparties and watching its changes. This study aims for examining the corporate governance mechanisms and their impact on performances of commercial banks in the absence of organized stock exchange. The study assesses on the relationship between selected internal and external corporate governance mechanisms and the bank performance as measured by ROE and ROA.

2.5 OPERATIONAL RISK

Operational risk is defined as the risk of financial or non-financial loss due to the internal process insufficiency or failure, personnel behavior and system disruption or external events that are beyond the control of the company. This definition includes legal risks but it does not include strategic and reputational risk (Basel Committee on Banking Supervision 2006). In the other words, this shows that operational risks are mainly related to human errors, fraud, information system failures, accidents, natural disease, commercial disputes and the issues related to personal management. Operational risk can be summarized as a human error that can cause the risk of business operational to fail. The operational risks of various industries vary, depending on the nature of the business and its departments and the industries with lower human interaction tend to have the lower operational risk.

Operational risk focuses on how things are accomplished within an organization and not necessarily what is produced or inherent within an industry. These risk are often associated with active decisions relating to how the organizations functions and what it prioritizes. While the risks are not guaranteed to result in failure, lower production or higher overall costs, they are seen as higher or lower depending on various internal management decisions. Due to the reflects management procedures and thinking processes, operational risk can be summarized as a human risk which is the risk of a business operations failing due to human error. It changes from industry to industry and is an important consideration to make when looking at potential investment decisions. Industries with lower human interactions are likely to have lower operational risk.

Operational risk management is an important aspect of an organization. It is important for an organization to manage operational risk efficiently. The analysis shows that the firm's internal factors (debt-to-income) and external factor (gross domestics products, GDP) influences the operational risk of the firms. This study is attempted to investigate the influences of firm-specific factors and macroeconomic factors affecting operational risk in U.S cosmetics industry.

2.6 MARKET RISK

Market risk is the risk that the value of financial instruments will fluctuate due to the changes in market prices. These changes are caused by the typical factors of individual instruments or their issuers (counterparty) or the market of factors associated with all trading instruments. The four most common factors associated with market risk are the interest rates, exchanges rates, the cost of investing in a portfolio of transaction (regardless of the instruments is the debt or the capital), exchange of the commodity prices and the others market-variable activities related to banks. The market risk associated with the personal financial instruments and portfolio tools may be very complicated. In general, market risk can be defined as market trends (prices, interest rates and exchanges rates).

The three accomplishing this task is achieved through the concept of Value-at-risk (VAR). VAR is an attempt to summarize the total market risk associated with a firm's trading book in a single monetary figure. VAR is defined as "the maximum possible loss with a known confidence interval over an orderly liquidation period "Wilson (1993, p.40). VAR seeks to "translate all instruments into units of risk or potential loss based on certain parameters" Chew (1994, p.65). While the concept of VAR is firmly grounded in probability theory various methods may be employed in practice. The recent financial crisis has raised several questions with respect to the corporate governance of financial institutions.

3.0 METHODOLOGY

3.1 INTRODUCTION RESEARCH

Methodology defined as rules in of obtaining knowledge. It is also defined by the author name James (2001) explained that researcher takes in carrying out the research project. Other than that, research methodology is refer as approach in collected data. This study about conducted to know the research on Revlon Incorporation in cosmetics industry. The best and suitable medium to collect raw data is using the medium which is Statistical Package for the Social Science (SPSS).

Research methodology that are adopted through the research study on the Revlon Incorporation aim to collect data. Research methodology are tools using to gather all the useful and relevant information regarding to Revlon Incorporation. The primary data are using surveys, questionnaires and interview are tools that always used by all researchers in knowing the behavior of other object.

3.2 POPULATION /SAMPLING TECHNIQUE

Population/sampling technique given by the definition of an unit of analysis that major entity are analyzed in a study on Revlon Incorporation. In this study on Revlon Incorporation, that population study on Revlon Incorporation‘s company categorized as cosmetics industry in United State of America. From this population, one company were been choose is the Revlon Incorporation company which is the purpose to conduct study on Revlon Incorporation. Raw data from Revlon Incorporation’s annual report for the past five years from the year of 2014 until 2018 aim to measure the internal factor (ROA) and the external factor (firm performance factors) of Revlon Incorporation.

3.3 STATISTICAL TECHNIQUE

Statistical techniques will be conduct in this Revlon Incorporation cosmetics company to study deeply into their cosmetics industry. The one better choices in choosing cosmetic company is the Revlon Incorporation in cosmetics sector. I had collected the information from the past year of annual year report from the year of 2014 until 2018 of Revlon Incorporation company apply using Revlon Incorporation's income statement from Revlon Incorporation past 5 years annual report to examine consequences from Revlon Incorporation towards their company performance and corporate governance from various aspect through the risk in company which is liquidity risk, market risk, operational risk and credit risk. Analysis on Revlon Incorporation will consider the main thing that being using is the Multi-regression analysis using SPSS. Statistical technique used to analyze all raw data of Revlon Incorporation. Follow by authors given name (Pedace), author had said that the used of principle of SPSS when analyzing data more than 2.

3.4 MODEL FRAMEWORK

Through that model framework given, this effective study in next life, will be that one of this internal factor and external factor in this research of Revlon Incorporation. This model framework according for that following which Independent Variables (IV), Dependent Variables (DV). Through that model framework to make a decision the effect of independent variables toward dependent variables, using that multiple regression analysis in study this Revlon Incorporation. That regression technique explain Firm Performance Factors Macroeconomics Factors Operational Risk the influence the internal factor with the external factor. The model framework as diagram given:

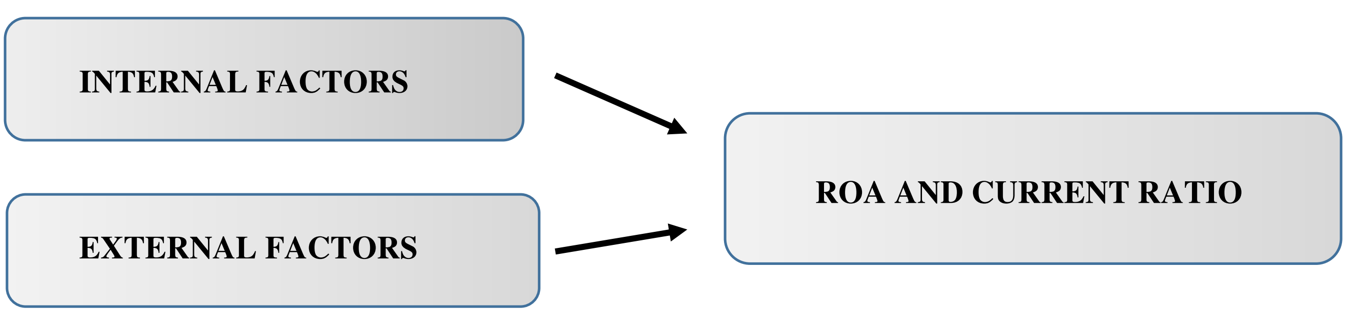


FIGURE 1: MODEL FRAMEWORK

Besides that, the method to determine how to get the external factors, influences internal factor , this model framework use the multiple regression analysis inside the SPSS multiple regression. For this research of Revlon Incorporation, the dependent variable that significance is the Return On Assets (ROA) and the independent variable is current ratio. There is 3 indicators through the using of SPSS is about internal factor, external factor and internal plus external factor. There is three Model using SPSS in analyze the internal and external factor which is Model 1 equation, Model 2 equation and Model 3 equation. That equation of multiple regression analysis can be show as equation's method show at below:

Model 1:

Internal/Firm Specific:

Performance ROA=$\alpha + \alpha 1CR$+$\alpha 2QR + \alpha 3ACP + \alpha 4DTI + \alpha 5OR$+ $\alpha 6OM$ + e...

Model 2:

EXTERNAL/MACROECONOMICS:

Performance ROA = $\alpha 1GDP + \ \alpha 2INFLA + \alpha 3IR + \alpha 4EXCGR + \alpha 5STDV + \alpha 6CGI + e \ldots \ldots \ldots \ldots \ldots \ldots \ldots$

Model 3:

INTERNAL/FIRM SPECIFIC AND EXTERNAL/MACROECONOMICS:

Performance ROA = $\alpha 1CR + \alpha 2QR + \alpha 3ACP + \alpha 4DTI + \alpha 5OR + \alpha 6OM + \alpha 7GDP + \alpha 8INFLA + \alpha 9IR + \alpha 10EXCGR + \alpha 11STDV + \alpha 12CGI + e \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots$.

3.5 VARIABLE DEFINITION

NO	VARIABLE	NOTATION	MEASUREMENT
1	Return on Asset	ROA	Net Income/Total Assets
2	Current Ratio	CR	Current Asset/Current Liability
3	Quick Ratio	QR	Quick assets/current liability
4	Average-collection period	ACP	365 days/average receivable turnover ratio
5	Debt-to-income	DTI	Monthly debt payment/gross monthly income
6	Operating Ratio	OR	Operating expenses/net sales
7	Operating Margin	OM	Operating income/revenue x100
8	Gross Domestic Product	GDP	5-years gross domestic products rate
9	Inflation	INFLA	5-years inflation rate
10	Interest Rate	IR	5-years interest rate
11	Exchange Rate	EXCGR	5-years exchange rate
12	Standard Deviation	STDV	σ
13	Corporate Governance Index	CGI	5-years corporate governance index

4.0 ANALYSIS AND FINDING

4.1 INTRODUCTION

Concern of this study will consist about the correlation benchmarking at table below that had been used to show the data for determine the correlation between the dependent variable which are ROA, Gross Domestic Products, Inflation, Exchange Rate , Interest Rate, Current Ratio, Quick Ratio, Average-Collection Period, Debt-To-Income, Operational Ratio, Operating Margin.The table below show the benchmark used in this to determine relationship between the all variables.

4.2 DESCRIPTIVE STATISTICS

Descriptive Statistics

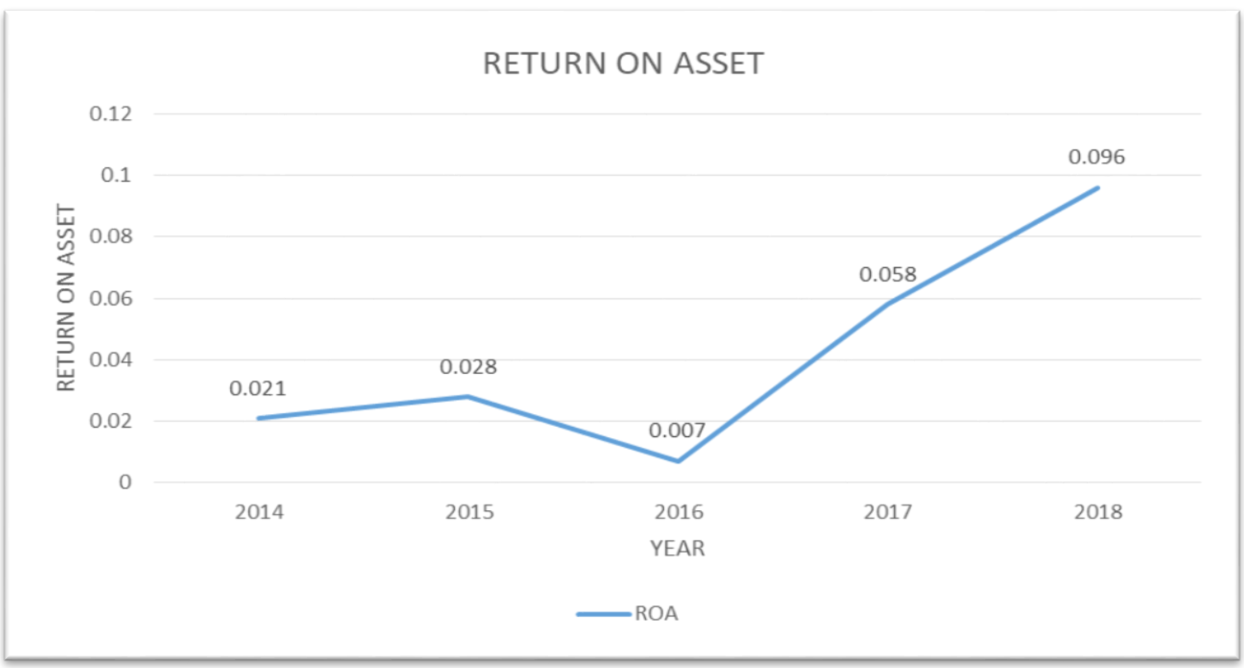
	Mean	Std. Deviation	N
ROA	.04200	.035475	5
CURRENT RATIO	1.445000	.2813296	5
QUICK RATIO	.985880	.3420727	5
AVERAGE-COLLECTION PERIOD	.05500	.009407	5
DEBT TO INCOME	1.4460	.12381	5
OPERATIONAL RATIO	.948460	.0700686	5
OPERATING MARGIN	.089400	.0588828	5
GDP	2.420	.5450	5
INFLATION	1.500	.8916	5
INTEREST RATE	1.8460	.50905	5
EXCHANGE RATE	.879020	.0540597	5
STDV	.6388206018	.1661354659	5
CORPORATE GOVERNANCE INDEX	1.00	.000	5

TABLE 4.2 DESCRIPTIVE STATISTIC

According table of descriptive statistics table show above, firm specific factor or internal factor for Return on asset (ROA) and macroeconomic or external factor independent variable are current ratio, quick ratio, average-collection period, operational ratio, operating margin, gross domestic products (GDP), inflation, interest rate, exchange rate, standard deviation and corporate governance index in Model 3.

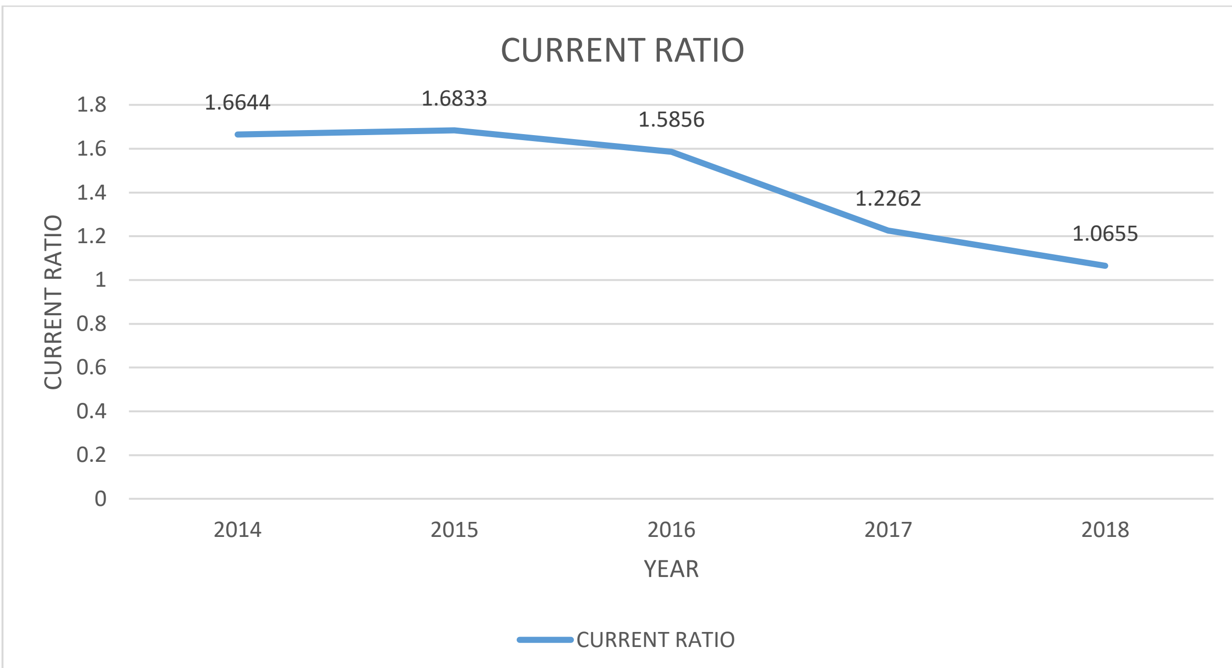
According to the descriptive statistics table, the result is the mean for Return on asset (ROA) is 4.2 % and the standard deviation (STDV) recorded is 0.035475. Both result average (mean) and standard deviation of Return on asset (ROA) recorded the lowest result. This is due to the Revlon Incorporation's ROA in the year of 2016 recorded 0.7% due to the strong and fierce competition and the continuing swing from youngers generation consumers to e-commerce will continue to put pressure on the brand and also because of the company's bad debt in conjunction with its challenging obstacles in the marketing system. The credit market concern about the volatility that can ensure the liquidity of the company maintain on stable condition

Next, the mean for current ratio stated the highest result which is on the average of 14.45% but the standard deviation recorded the lowest result which is 0.2813. This is due to the Revlon Incorporation in the year of 2015 recorded 1.6833 of current ratio that able the company to pay back liabilities to the creditor. Besides that, the other independent variable which is quick ratio, average-collection period, operational ratio and operating margin recorded the result of which all that listed independent variable is less than 1 for the standard deviation. This is the result of when the standard deviation is the lowest, so the mean that the lowest of the fluctuation happen.



Graph 1.0: Return on asset (ROA)

Based on graph 1.0 of the return on asset (ROA) from the year of 2014 to 2018 for Revlon Incorporation, happen to be increased from 2.1% in the year of 2014 to 2.8% in the year of 2015. Unfortunately, the ROA decrease significantly into 0.7% due to the Revlon Incorporation cosmetic unable to produce enough cash using Revlon Incorporation's own assets because of reason of the Revlon Incorporation does not have prepared appropriate method in market their beauty products and added the company also indicate a problem with their strategic management in expanding their products to various consumers in the year of 2016. While, in the year of 2017, the result of ROA uprising dramatically into 5.8% to 9.6% in the year of 2018.



Graph 2.0 Current Ratio

Based on the graph of 2.0 current ratio stated above from the year of 2014 to 2018 for Revlon Incorporation, the result of current ratio had increase sharply from 1.6644 in 2014 to 1.6833 in 2015. But unfortunately, the positive trend in increasing of current ratio had suddenly decline into 1.5856 in the year 2016 and continue to decreasing dramatically into 1.2262 in the year of 2017 and decrease again to 1.0655 in the year of 2018 due to the Revlon Incorporation ability to pay short term loan to the creditor is limit in the period of 1 year and the current ratio show the effort of Revlon Incorporation in produce more cash to fulfill the short-term debt and because of a reason is Revlon Incorporation from the year 2016 to 2018 does not had the capable to pay back the simple short term debt.

4.3 CORRELATION

Correlations

		ROA	CURRENT RATIO	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATIONAL RATIO	OPERATING MARGIN	GDP	INFLATION	INTEREST RATE	EXCHANGE RATE	STDV	CORPORATE GOVERNANCE INDEX
Sig. (1-tailed)	ROA	.	.013	.063	.314	.239	.036	.019	.167	.116	.300	.273	.040	.000
	CURRENT RATIO	.013	.	.006	.145	.134	.002	.000	.379	.048	.141	.315	.012	.000
	QUICK RATIO	.063	.006	.	.052	.072	.000	.005	.441	.055	.055	.430	.009	.000
	AVERAGE-COLLECTION PERIOD	.314	.145	.052	.	.017	.082	.141	.165	.187	.001	.256	.069	.000
	DEBT TO INCOME	.239	.134	.072	.017	.	.097	.152	.306	.169	.006	.245	.039	.000
	OPERATIONAL RATIO	.036	.002	.000	.082	.097	.	.001	.480	.061	.087	.397	.008	.000
	OPERATING MARGIN	.019	.000	.005	.141	.152	.001	.	.406	.051	.144	.304	.017	.000
	GDP	.167	.379	.441	.165	.306	.480	.406	.	.435	.183	.298	.437	.000
	INFLATION	.116	.048	.055	.187	.169	.061	.051	.435	.	.158	.180	.104	.000
	INTEREST RATE	.300	.141	.055	.001	.006	.087	.144	.183	.158	.	.267	.061	.000
	EXCHANGE RATE	.273	.315	.430	.256	.245	.397	.304	.298	.180	.267	.	.459	.000
	STDV	.040	.012	.009	.069	.039	.008	.017	.437	.104	.061	.459	.	.000
	CORPORATE GOVERNANCE INDEX	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.
N	ROA	5	5	5	5	5	5	5	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5
	QUICK RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5
	AVERAGE-COLLECTION PERIOD	5	5	5	5	5	5	5	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATIONAL RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5	5	5	5	5	5	5	5
	GDP	5	5	5	5	5	5	5	5	5	5	5	5	5
	INFLATION	5	5	5	5	5	5	5	5	5	5	5	5	5
	INTEREST RATE	5	5	5	5	5	5	5	5	5	5	5	5	5
	EXCHANGE RATE	5	5	5	5	5	5	5	5	5	5	5	5	5
	STDV	5	5	5	5	5	5	5	5	5	5	5	5	5
	CORPORATE GOVERNANCE INDEX	5	5	5	5	5	5	5	5	5	5	5	5	5

TABLE 4.3 PEARSON CORRELATION TABLE

The above Pearson Correlation Table is a statistical technique show how strongly 2 variable are related to each other or the degree of association between the two.The study show that Return

On Asset (ROA) is positively significance correlated to current ratio with p-value of 0.013 which is less than 0.05. According to the author (Ann M. Johanns), without profitabilty the business will not be operate anymore and businesses that with a high profit has the ability on their investment activity. If the company generates a lot of cash and they invested in a rising stock market as investment which mean the increase in investment activities will certainly increase the profit of a company. The Pearson Correlation Table which measure the movement of dependent variable and independennt variable. This indicates when ROA increase, the current ratio also increase in same direction. This is simply a movement of ROA increase and current ratio increase and the two variable did not influence each other.

Revlon Incorporation through the four global brand teams which is the brands of Elizabeth Arden's products, Portfolio brands and Fragrance's product for women and men under management of Revlon Incorporation is the major contributor profit/net sales that produce a lot of cash in the past 5 years. Revlon Incorporation earning ability has been given recogniton to Revlon Incorporation in continuing effort to strengthen Revlon Incorporation's business. The Revlon Incorporation's standard deviation (BETA) show positive value along the past 5 years which indicate the measurement of the volatility of the company in manage the Income Statement of the company.

4.4 MODEL SUMMARY

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923[a]	.852	.803	.015735	2.139

a. Predictors: (Constant), CURRENT RATIO

b. Dependent Variable: ROA

TABLE 4.4 MODEL SUMMARY

Based on the above listed of that Model Summary, that above adjusted R-Squared is 80.3 %. This is due to the Revlon Incorporation's independent variable which able explain the 80.3% of the current ratio of the Revlon Incorporation that will affect the company's performance. That remaining of 19.7% after minus with 100% of the adjusted R-Squared are still keep unknowns. Other factor involve firm-specific factor and macroeconomic factor is unknown.

4.5 ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.004	1	.004	17.332	.025[b]
	Residual	.001	3	.000		
	Total	.005	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), CURRENT RATIO

TABLE 4.5 ANOVA

The ANOVA model or also known as Analysis of Variance define as research's tool used in conducting this study through a raw data in a company. The purpose of using the ANOVA is to indicate either given Model of that study is reliable or not. Significance value will indicate the ANOVA model is the important element to this study of the Revlon Incorporation. Following to t ANOVA table stated above, that significance value listed inside the ANOVA table is 0.025 and the P-Value (sig) is less than the number of 0.05 which show that current ratio effect the ANOVA. Current ratio represent the ANOVA table in this Revlon Incorporation study. Analysts apply that ANOVA ensure the effect that independent variables have effect on dependent variable.

4.6 COEFFICIENT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.210	.041		5.125	.014	.080	.341		
	CURRENT RATIO	-.116	.028	-.923	-4.163	.025	-.205	-.027	1.000	1.000

a. Dependent Variable: ROA

TABLE 4.6 COEFFICIENT

According to the analysis on the coefficient table above, the table show about how does the independent variable, current ratio had influenced on the Revlon Incorporation's ROA (dependent variable). The study of this coefficient table had concluded that when the independent variable has p-value more than 0.01. If the current ratio has p-value (sig.) less than the number of 0.05, this certainly show that current ratio has only moderate influences on the ROA. When current ratio already reach into p-value less than 0.10, this will not necessary variable towards dependent variable.

Revlon Incorporation's independent variable which is current ratio has moderate influence on the dependent variable (ROA) with p-value (sig) less than the number of 0.05 and t= -4.163. It show that if independent variable have any changes, this will influences the dependent variable (ROA). When the dependent variable (ROA) increase, the current ratio will also increase which indicate when the sales of Revlon Incorporation increase, the profit margin of the company will also increase. In the Revlon Incorporation, the Beta result is -0.923 that indicate that when Beta is negative that result on Revlon Incorporation's profit margin increase and the liquidity ratio which is the current ratio is decrease. This is due to the Revlon Incorporation's cash is lesser and the profit is increase when the company use the cash for the investment purpose and this will make more profit for the company.

5.0 CONCLUSION

5.1 INTRODUCTION

The reason of conducting this study on Revlon Incorporation is to identify that dependent variable with independent variable effect the corporate governance and company performance of Revlon Incorporation. The great method in conducted this study is through the dependent variable (ROA) and the independent variable is current ratio which is significant. On this last chapter will explain according to the conclusion from previous research study.

5.2 CONCLUSION

In conclusion, will clearly conclude that credit risk and operational risk always faced as obstacles in the industry whether domestic industry or international industry. In this Revlon Incorporation which involve in the cosmetics industry which focused on creating special make-up products suit toward every age women in the world. Credit risk face by Revlon Incorporation when Revlon Incorporation's financial crisis due to the company's earning less than half and fallen to the percentage of 37% because of Revlon's bad debt occur due to the Revlon need cash in innovate and prepared for refining other debt. Revlon Incorporation use method to revive their company marketing strategy to increase profit and through selling the latest trend for that period which is the introduction of " Charlie perfume" for women and the biggest achievement of Revlon Incorporation is the company bringing Joan Collins (a star of TV show to refocus on cosmetic and takeover the breakup craze in 1980s).

Besides that, the performance in the year of 2014 until 2018 result the best and bring a huge profit to the company in objective to make the Revlon Incorporation company's performance achieve on highest level. Revlon Incorporation should improve in their management strategy and marketing strategy in purpose to improve the maximum value in profit to the shareholders and more focus on how the company treat their subordinate's work quality to increase Revlon Incorporation productivity. Revlon Incorporation's internal factor of dependent variable (ROA) had effect independent variable (current ratio) when the ROA is increase, the current ratio also follow increase due to the Revlon Incorporation had make investment by all the shareholder to increase company's profit.

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APPENDICE

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.04200	.035475	5
CURRENT RATIO	1.445000	.2813296	5
QUICK RATIO	.985880	.3420727	5
DEBT TO INCOME	1.4460	.12381	5
OPERATIONAL RATIO	.948460	.0700686	5
OPERATING MARGIN	.089400	.0588828	5
CGI	.800	.0000	5
AVERAGE-COLLECTION PERIOD	.05500	.009407	5

Correlations

		ROA	CURRENT RATIO	QUICK RATIO	DEBT TO INCOME	OPERATIONAL RATIO	OPERATING MARGIN	CGI	AVERAGE-COLLECTION PERIOD
Pearson Correlation	ROA	1.000	-.923	-.773	.423	.843	-.899	.	.296
	CURRENT RATIO	-.923	1.000	.954	-.617	-.981	.995	.	-.596
	QUICK RATIO	-.773	.954	1.000	-.750	-.992	.960	.	-.801
	DEBT TO INCOME	.423	-.617	-.750	1.000	.694	-.582	.	.906
	OPERATIONAL RATIO	.843	-.981	-.992	.694	1.000	-.985	.	.727
	OPERATING MARGIN	-.899	.995	.960	-.582	-.985	1.000	.	-.603
	CGI	.	.	.	.	.	.	1.000	.
	AVERAGE-COLLECTION PERIOD	.296	-.596	-.801	.906	.727	-.603	.	1.000
Sig. (1-tailed)	ROA	.	.013	.063	.239	.036	.019	.000	.314
	CURRENT RATIO	.013	.	.006	.134	.002	.000	.000	.145
	QUICK RATIO	.063	.006	.	.072	.000	.005	.000	.052
	DEBT TO INCOME	.239	.134	.072	.	.097	.152	.000	.017
	OPERATIONAL RATIO	.036	.002	.000	.097	.	.001	.000	.082
	OPERATING MARGIN	.019	.000	.005	.152	.001	.	.000	.141
	CGI	.000	.000	.000	.000	.000	.000	.	.000
	AVERAGE-COLLECTION PERIOD	.314	.145	.052	.017	.082	.141	.000	.
N	ROA	5	5	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5	5	5
	QUICK RATIO	5	5	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5	5	5
	OPERATIONAL RATIO	5	5	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5	5	5
	CGI	5	5	5	5	5	5	5	5
	AVERAGE-COLLECTION PERIOD	5	5	5	5	5	5	5	5

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance	VIF	Minimum Tolerance
1	QUICK RATIO	1.181[b]	3.477	.074	.926	.091	11.010	.091
	DEBT TO INCOME	-.238[b]	-.789	.513	-.487	.619	1.616	.619
	OPERATIONAL RATIO	-1.618[b]	-2.067	.175	-.825	.038	26.037	.038
	OPERATING MARGIN	1.969[b]	.850	.485	.515	.010	98.990	.010
	AVERAGE-COLLECTION PERIOD	-.393[b]	-2.048	.177	-.823	.645	1.550	.645

a. Dependent Variable: ROA

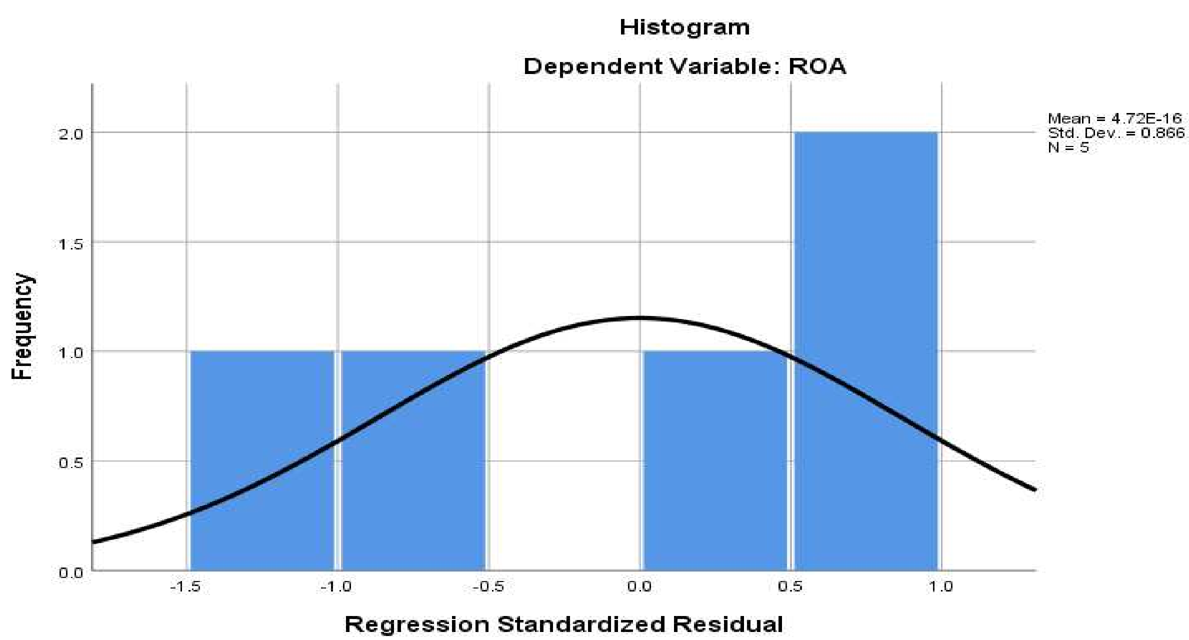
b. Predictors in the Model: (Constant), CURRENT RATIO

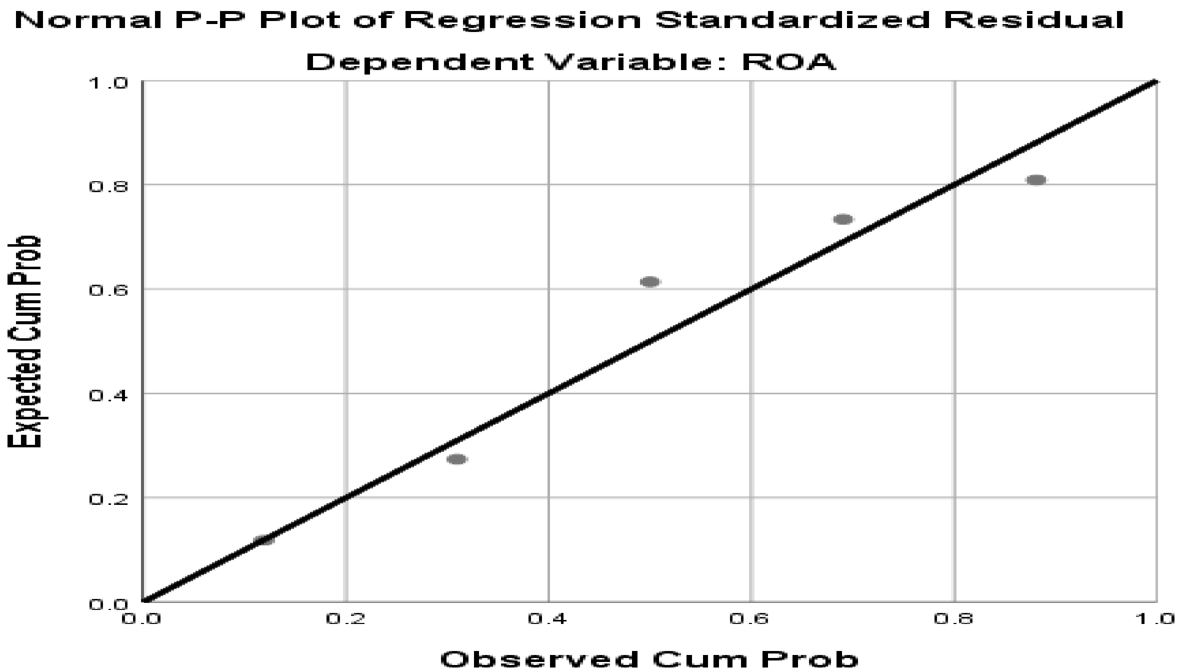
Collinearity Diagnostics[a]

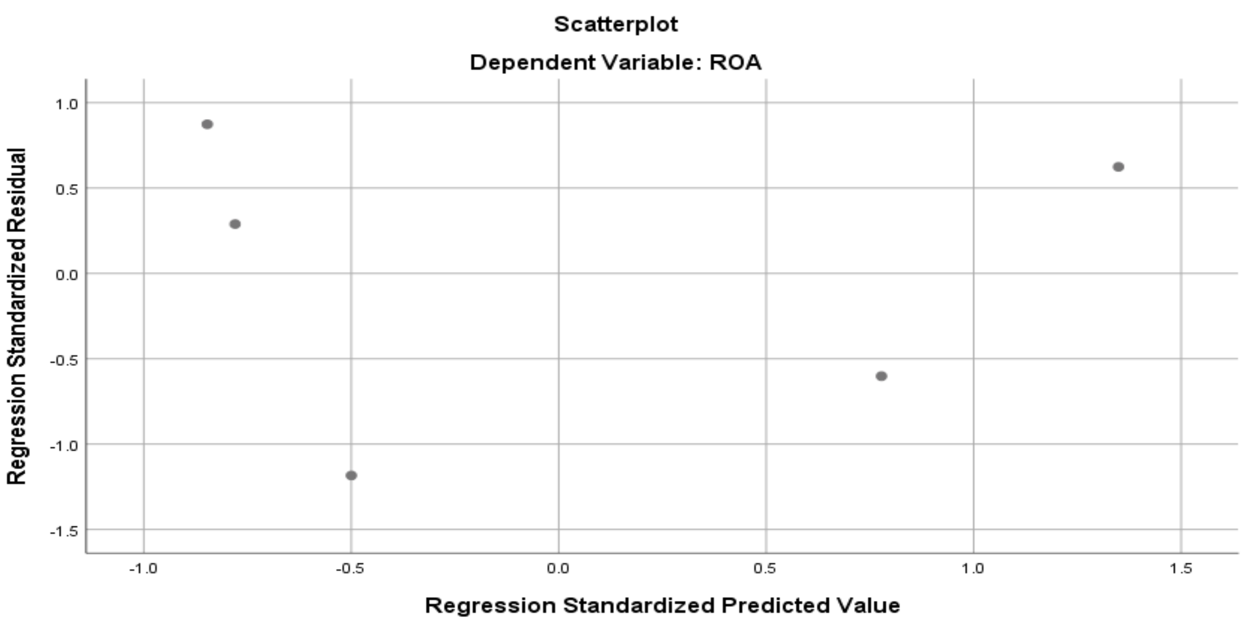
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	CURRENT RATIO
1	1	1.985	1.000	.01	.01
	2	.015	11.572	.99	.99

a. Dependent Variable: ROA

Charts




Normal P-P Plot of Regression Standardized Residual
Dependent Variable: ROA
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: ROA
Regression Standardized Residual
Regression Standardized Predicted Value
1.0
0.5
0.0
-0.5
-1.0
-1.5
1.5

Model Summary[e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923[a]	.852	.803	.015735	
2	.999[b]	.999	.998	.001762	
3	1.000[c]	1.000	1.000	.000058	
4	1.000[d]	1.000	.	.	2.842

a. Predictors: (Constant), CURRENT RATIO

b. Predictors: (Constant), CURRENT RATIO, GDP

c. Predictors: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN

d. Predictors: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN, INFLATION

e. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.004	1	.004	17.332	.025[b]
	Residual	.001	3	.000		
	Total	.005	4			
2	Regression	.005	2	.003	809.997	.001[c]
	Residual	.000	2	.000		
	Total	.005	4			
3	Regression	.005	3	.002	499110.567	.001[d]
	Residual	.000	1	.000		
	Total	.005	4			
4	Regression	.005	4	.001	.	.[e]
	Residual	.000	0	.		
	Total	.005	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), CURRENT RATIO

c. Predictors: (Constant), CURRENT RATIO, GDP

d. Predictors: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN

e. Predictors: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN, INFLATION

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	.210	.041		5.125	.014	.080	.341		
	CURRENT RATIO	-.116	.028	-.923	-4.163	.025	-.205	-.027	1.000	1.000
2	(Constant)	.135	.007		20.211	.002	.106	.164		
	CURRENT RATIO	-.107	.003	-.849	-33.548	.001	-.121	-.093	.963	1.038
	GDP	.025	.002	.390	15.405	.004	.018	.032	.963	1.038
3	(Constant)	.188	.001		150.711	.004	.172	.204		
	CURRENT RATIO	-.156	.001	-1.238	-136.065	.005	-.171	-.142	.008	123.926
	GDP	.024	.000	.372	402.876	.002	.023	.025	.781	1.280
	OPERATING MARGIN	.234	.005	.388	42.957	.015	.165	.303	.008	122.043
4	(Constant)	.187	.000		.	.	.187	.187		
	CURRENT RATIO	-.156	.000	-1.233	.	.	-.156	-.156	.006	154.599
	GDP	.024	.000	.373	.	.	.024	.024	.561	1.782
	OPERATING MARGIN	.232	.000	.385	.	.	.232	.232	.007	136.401
	INFLATION	6.555E-5	.000	.002	.	.	.000	.000	.246	4.064

a. Dependent Variable: ROA

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance	Collinearity Statistics VIF	Collinearity Statistics Minimum Tolerance
1	QUICK RATIO	1.181[b]	3.477	.074	.926	.091	11.010	.091
	AVERAGE-COLLECTION PERIOD	-.393[b]	-2.048	.177	-.823	.645	1.550	.645
	DEBT TO INCOME	-.238[b]	-.789	.513	-.487	.619	1.616	.619
	OPERATIONAL RATIO	-1.618[b]	-2.067	.175	-.825	.038	26.037	.038
	OPERATING MARGIN	1.969[b]	.850	.485	.515	.010	98.990	.010
	GDP	.390[b]	15.405	.004	.996	.963	1.038	.963
	INFLATION	-.274[b]	-.650	.582	-.418	.344	2.907	.344
	INTEREST RATE	-.372[b]	-1.718	.228	-.772	.637	1.570	.637
	EXCHANGE RATE	-.101[b]	-.367	.749	-.251	.913	1.095	.913
	STDV	-.161[b]	-.224	.844	-.156	.139	7.169	.139
2	QUICK RATIO	-.009[c]	-.027	.983	-.027	.012	82.758	.012
	AVERAGE-COLLECTION PERIOD	.040[c]	.546	.682	.480	.180	5.569	.180
	DEBT TO INCOME	.046[c]	1.635	.349	.853	.429	2.332	.429
	OPERATIONAL RATIO	-.088[c]	-.297	.816	-.284	.013	77.015	.013
	OPERATING MARGIN	.388[c]	42.957	.015	1.000	.008	122.043	.008
	INFLATION	.023[c]	.369	.775	.346	.275	3.636	.268
	INTEREST RATE	.057[c]	1.126	.462	.748	.214	4.676	.214
	EXCHANGE RATE	.014[c]	.385	.766	.359	.839	1.191	.839
	STDV	.062[c]	.841	.555	.644	.133	7.515	.129
3	QUICK RATIO	.007[d]	.	.	1.000	.012	82.969	.005

	AVERAGE-COLLECTION PERIOD	.040[c]	.546	.682	.480	.180	5.569	.180
	DEBT TO INCOME	.046[c]	1.635	.349	.853	.429	2.332	.429
	OPERATIONAL RATIO	-.088[c]	-.297	.816	-.284	.013	77.015	.013
	OPERATING MARGIN	.388[c]	42.957	.015	1.000	.008	122.043	.008
	INFLATION	.023[c]	.369	.775	.346	.275	3.636	.268
	INTEREST RATE	.057[c]	1.126	.462	.748	.214	4.676	.214
	EXCHANGE RATE	.014[c]	.385	.766	.359	.839	1.191	.839
	STDV	.062[c]	.841	.555	.644	.133	7.515	.129
3	QUICK RATIO	.007[d]	.	.	1.000	.012	82.969	.005
	AVERAGE-COLLECTION PERIOD	-.002[d]	.	.	-1.000	.135	7.423	.005
	DEBT TO INCOME	-.002[d]	.	.	-1.000	.108	9.267	.002
	OPERATIONAL RATIO	-.007[d]	.	.	-1.000	.012	82.686	.006
	INFLATION	.002[d]	.	.	1.000	.246	4.064	.006
	INTEREST RATE	-.003[d]	.	.	-1.000	.089	11.194	.003
	EXCHANGE RATE	-.001[d]	.	.	-1.000	.718	1.393	.007
	STDV	-.003[d]	.	.	-1.000	.075	13.358	.003
4	QUICK RATIO	.[e]	.	.	.	.000	.	.000
	AVERAGE-COLLECTION PERIOD	.[e]	.	.	.	.000	.	.000
	DEBT TO INCOME	.[e]	.	.	.	.000	.	.000
	OPERATIONAL RATIO	.[e]	.	.	.	.000	.	.000
	INTEREST RATE	.[e]	.	.	.	.000	.	.000
	EXCHANGE RATE	.[e]	.	.	.	.000	.	.000

	STDV	.062[c]	.841	.555	.644	.133	7.515	.129
3	QUICK RATIO	.007[d]	.	.	1.000	.012	82.969	.005
	AVERAGE-COLLECTION PERIOD	-.002[d]	.	.	-1.000	.135	7.423	.005
	DEBT TO INCOME	-.002[d]	.	.	-1.000	.108	9.267	.002
	OPERATIONAL RATIO	-.007[d]	.	.	-1.000	.012	82.686	.006
	INFLATION	.002[d]	.	.	1.000	.246	4.064	.006
	INTEREST RATE	-.003[d]	.	.	-1.000	.089	11.194	.003
	EXCHANGE RATE	-.001[d]	.	.	-1.000	.718	1.393	.007
	STDV	-.003[d]	.	.	-1.000	.075	13.358	.003
4	QUICK RATIO	.[e]	.	.	.	.000	.	.000
	AVERAGE-COLLECTION PERIOD	.[e]	.	.	.	.000	.	.000
	DEBT TO INCOME	.[e]	.	.	.	.000	.	.000
	OPERATIONAL RATIO	.[e]	.	.	.	.000	.	.000
	INTEREST RATE	.[e]	.	.	.	.000	.	.000
	EXCHANGE RATE	.[e]	.	.	.	.000	.	.000
	STDV	.[e]	.	.	.	.000	.	.000

a. Dependent Variable: ROA

b. Predictors in the Model: (Constant), CURRENT RATIO

c. Predictors in the Model: (Constant), CURRENT RATIO, GDP

d. Predictors in the Model: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN

e. Predictors in the Model: (Constant), CURRENT RATIO, GDP, OPERATING MARGIN, INFLATION

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	CURRENT RATIO	GDP	OPERATING MARGIN	INFLATION
1	1	1.985	1.000	.01	.01			
	2	.015	11.572	.99	.99			
2	1	2.950	1.000	.00	.00	.00		
	2	.041	8.487	.00	.31	.50		
	3	.009	17.955	1.00	.69	.49		
3	1	3.778	1.000	.00	.00	.00	.00	
	2	.200	4.346	.00	.00	.04	.01	
	3	.022	13.240	.01	.00	.73	.00	
	4	.000	162.390	.99	1.00	.23	.99	
4	1	4.481	1.000	.00	.00	.00	.00	.00
	2	.450	3.156	.00	.00	.00	.00	.06
	3	.059	8.678	.00	.00	.22	.00	.21
	4	.010	21.597	.01	.00	.40	.03	.49
	5	.000	201.988	.99	1.00	.38	.96	.24

a. Dependent Variable: ROA

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.00700	.09600	.04200	.035475	5
Residual	.000000	.000000	.000000	.000000	5
Std. Predicted Value	-.987	1.522	.000	1.000	5
Std. Residual	.	.	.	.	0

a. Dependent Variable: ROA