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PERFORMANCE OF AP OIL INTERNATIONAL LIMITED

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ABSTRACT

The purpose of this study is to evaluate the quality of the oil and gas industry of AP Oil International Limited in Singapore over five years. This research used the secondary data from the five-year annual reports obtained during the consecutive year from 2014 to 2018. This regression analysis shows that Return on Asset (ROA) was the dependent variable to assess its relationship with the independent variable such as liquidity risk, credit risk, operating risk, corporate governance index and economic environment to evaluate the variables influencing profitability.

Keywords: *Return on asset, macroeconomics and corporate governance performance.*

1.0 INTRODUCTION

1.1 Introduction Overview of the AP Oil International Limited

AP Oil International Limited, formerly known as Huan Chew Oil Trading Pte Ltd, was incorporated in 1975 as a lubricant distributor. They ventured into manufacturing in 1981 and set up the first Singaporean-owned lubricant plant in the Republic.

The establishment of our second lube plant Alpha Pacific Petroleum (S) Pte Ltd, reached a milestone in 1988. This wholly-owned subsidiary has a private jetty capable of berthing ships up to 3,000 tons and a storage facility with a total capacity of approximately 6,000 tons. In 2000, they acquired A.I.M Chemical Industries Pte Ltd to extend our business into chemicals of specialty. This wholly-owned subsidiary operates a chemical mixing plant that offers toll mixing and contract production services mainly for multinational companies.

AP Oil was listed on the 2001 Singapore Stock Exchange and upgraded in 2003 to the mainboard. Their group is mainly involved in the lubricants and specialty chemicals market. The company operates six manufacturing plants, three for lubricant manufacturing, and two for specialty chemicals. Two of their lubricant plants are equipped with private jetty and terminals. Their brand has also been sold in some 20 countries and regions including countries such as Singapore, Malaysia, Indonesia, Thailand, Taiwan, Hong Kong, Japan, Fiji and the Middle East, etc.

Furthermore, there will be any threat that each company faced, whether the big companies or small businesses. This company is the international company, such as the AP Oil, which rarely certainly faced the many risks, particularly in terms of liquidity risk, credit risk, and operational risk. It also has an effect on macroeconomic factors such as GDP, inflation and exchange rates. Therefore, this factor will help to know does it give impact to the company performance or not. This study can see, how far the relationship between both factor towards company performance.

1.2 Problem Statement

As a nation, Singapore is becoming one of the biggest in the oil and gas industry. Companies in this industry face challenges of increased visibility in complex operations to control costs and maximize employee facilities and resources quality. To manage risks, monitor costs and improve employee performance, promote and resources, oil and gas companies need to gain greater transparency in their operations. In addition, oilfield facilities perform critical business roles for oil and gas companies. Therefore, one company's mistake or inefficiency can have a crippling knock-on effect. Therefore, poor communication and coordination will slow down projects and increase inefficiency.

1.3 Research Objective

- ✚ To investigate the internal factor influence towards the Return on Asset (ROA).
- ✚ To investigate the external factor toward on Return on Asset (ROA).
- ✚ To investigate the both factor towards on Return on Asset (ROA).

1.4 Research Questions

- ✚ Does any relationship between the internal factors towards Return on Asset?
- ✚ Does any relationship between the external factors towards Return on Assets?
- ✚ Does any relationship between the both internal and external factors towards Return on Asset?

1.5 Scope of study

The study sample I analyze is from Singapore's AP Oil International Limited. The accounting and financial ratios were based on the annual report of the company for five years from 2014 to 2018.

1.6 Organization of the study

There are five main chapters in this study. In chapter one, it provides introduction part consisting of a study overview, problem statement, research main objective, research questions, study scope, and study organization. In chapter two, it discusses the literature on the specifics of independent and dependent variables, which are internal and external factors for calculating the performance of the company. Thus, the study results and

conclusions were discussed in chapter four. Finally, Chapter Five contains the study's summary and conclusions.

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is dedicated to the review of literature related to the study. This chapter consists of three sections. Section 1 will define the definition and concept of a corporate governance, market risk, operational risk, credit risk and liquidity risk. Section 2 consist the importance of concept. Section 3 is meant the risk to company performance.

2.2 Corporate governance

The most common view of corporate governance is both the structure and the relationships that dictate organizational strategy and quality. Typically, the management board is central to corporate governance. His interaction with the other key actors is important, usually investors and management. For addition, there are staff, clients, distributors and lenders. The structure for corporate governance also relies on the community's legal, legislative, organizational, and ethical climate. Both terms address control of corporations but governance has always required an examination of underlying purpose and legitimacy (James McRitchie, 1999).

Corporate governance is also concerned with the relationships between the different internal and external stakeholders involved as well as the mechanisms of governance designed to help an organization achieve its objectives. Of prime importance are those mechanisms and controls that are designed to reduce or eliminate the principal-agent problem (H. Kent Baker and Ronald Anderson, Corporate Governance: A Synthesis of Theory, Research and Practice, 2010).

2.3 Credit risk

Credit risk can result from the failure of a borrower to repay a loan or fulfill contractual obligations. Traditionally, it applies to the possibility that the owed principal and interest may not be paid by a creditor, contributing to an interruption in cash flows and higher collection costs. Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk (Investopedia,2019).

2.4 Operational risk

Operational risk has only been identified in recent years as something that a company should actively measure and manage to meet its stakeholder objective, including shareholders, customers and management. Such priorities include the company's future sustainability, avoiding rating agency downgrades, and staying stable for many years to come. Operational risk is becoming a major part of business governance, especially in the financial services industry.

The committee acknowledges that the exact approach chosen by an individual bank to operational risk management will depend on a variety of factors including its size and sophistication and the nature and complexity of its activities. However, despite these differences, a strong operational risk culture and internal control culture including, among other things, clear lines of responsibility and segregation of duties are clear strategies and oversight by the board of directors and senior management (Basel Committee, 2003).

2.5 Liquidity risk

The liquidity risk premium is a third consideration for components of interest rates and can be described as the compensation a lender receives for investing funds in something that is hard to sell. Liquidity risk management is a practitioner's guide to exploring the key aspects of liquidity risk management including analytical frameworks, reporting, data and infrastructure and strategic implications.

2.6 Market Risk

Market risk is the risk of loss due to factors affecting a market or asset class as a whole. Business risk is also known as undiversifiable risk because it is unpredictable and affects all asset classes. Only by hedging a portfolio can an investor reduce these risks. There are four primary sources of risk that can affect the overall market which is interest rate risk, equity price risk, equity price risk, foreign exchange risk and commodity risk (Investopedia, 2018). Although understanding your tolerance for risk helps, predicting or controlling company own behaviour may present more of a challenge and be difficult to predict in advance. Being realistic with company preferences can help company make the right investment choices up front, rather than correcting later.

3.0 METHODOLOGY

3.1 Introduction

The chapter on methodology explains actions to be taken to address a research problem and the reasons for applying specific procedures or techniques for defining, collecting, storing and evaluating data used to understand the problem. In AP Oil International Limited companies in Singapore, this study uses multivariate analysis to assess market performance, profitability and cost. This thesis performs ratio analysis of the data collected from the 2014 to 2018 annual reports.

3.2 Population / sampling technique

The unit of analysis is the real element that is being analysed in a study. For instance, individual, groups, organisation and many more can be a unit of analysis. The AP Oil International Limited company in Singapore is the population in this study. Data are taken from the annual report to measure the dependent variable (profitability) and the independent variable (firm specific factors and macroeconomic factors) from year 2014 until 2018.

3.3 Statistical Technique

I pick AP Oil International Limited to review this study by the Singapore oil and gas company. For this AP Oil Company, I use the Annual Report (from 2014 to 2018) and use the income statement and balance sheet information of this Annual Report to measure the impact of firm-specific factors on this company from various aspects such as profitability liquidity, operational and credit risk. To determine the macroeconomic factors, I obtain the GDP, inflation rate and exchange rate for five years is collected to see the trend of the economic condition from 2014 until 2018.

3.4 Data analysis

Accordance to the conceptual framework of research in the future, there are one independent variable and three independent variable in this study. The research framework as follow:

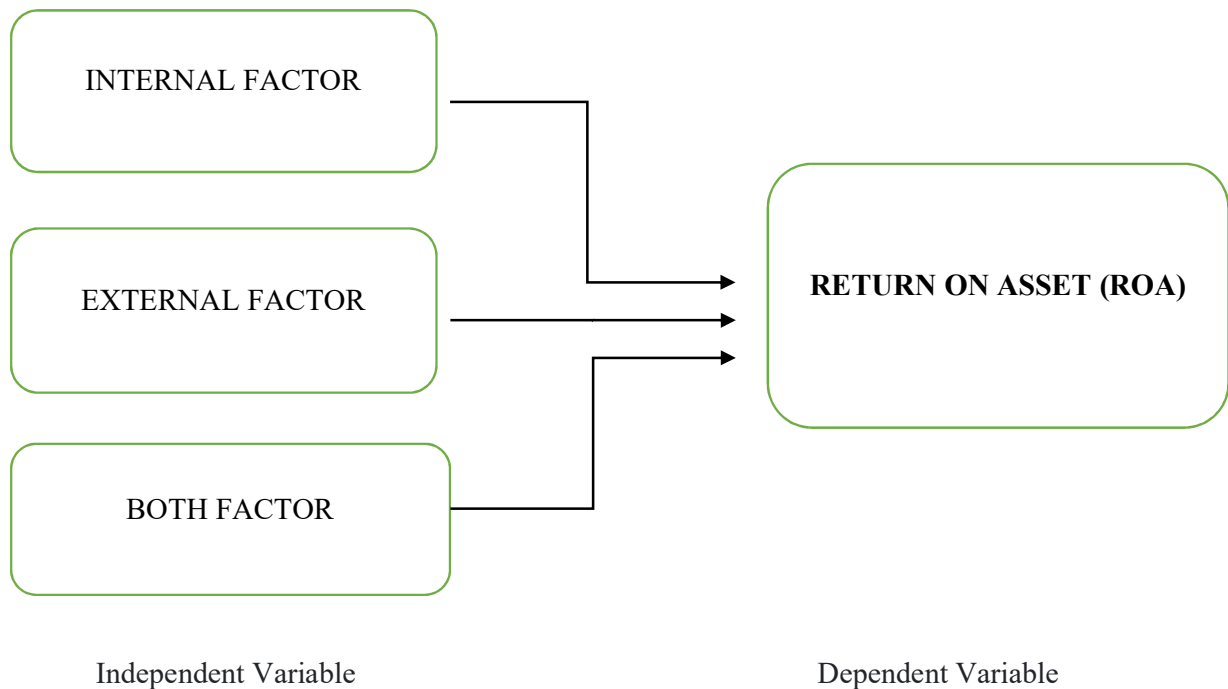


Figure: Research Framework

3.5 Statistical Package for Social Sciences (SPSS)

IBM SPSS version 25 is used in this study to calculate data for results. The software also includes data management capable of creating derived data and regulating the performance file. It is a technique of regression that describes the effect of the factor of independence on dependent variable. Model 1, 2 and 3 demonstrated the hypothesis.

Model 1: Pooled model of internal factors to the return on asset (ROA) of AP Oil

$$ROA = a + a_1ROA_i + a_2ACP_i + a_3DTI_i + a_4OR_i + a_5OM_i + a_6CGI_i + \epsilon_{it}$$

Model 2: Pooled model of external factors to the return on asset (ROA) of AP Oil

$$ROA = a + a_1GDP_i + a_2Inflation_i + a_3IR_i + a_4ER_i + a_5MR_i + \epsilon_{it}$$

Model 3: Pooled model of return on asset (ROA) of AP Oil

$$ROA = a + a_1ROA_i + a_2IR_i + a_3ER_i + \epsilon_{it}$$

4.0 FINDING AND ANALYSIS

Researchers can identify the trend of the company through financial statement analysis by comparing its ratio with different time period or with another company that is in the same industry. In this study, we obtained financial information of a company from its financial statement, namely income statement, balance sheet and cash flow statement.

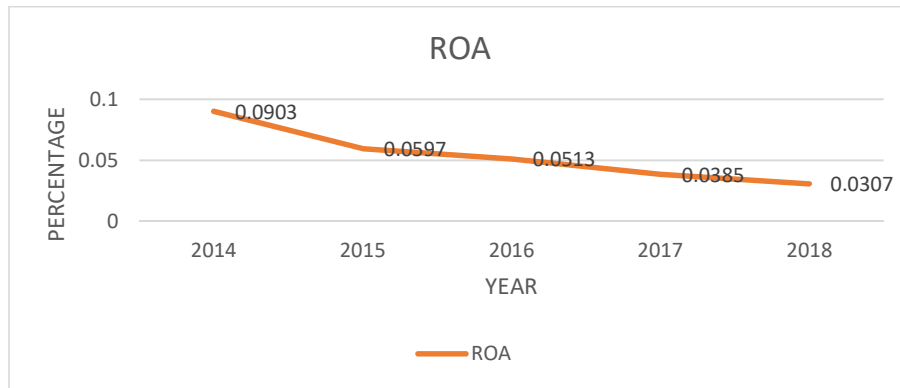
4.1 DESCRIPTIVE ANALYSIS

Table 1: Descriptive statistics of dependent of company specific variables.

Descriptive Statistics			
Variables	Mean	Std. Deviation	N
RETURN ON ASSET	.054100000000000	.023133093178388	5
CURRENT RATIO	5.552280000000001	.262904606273835	5
QUICK RATIO	4.909420000000000	.268631545057538	5
AVERAGE-COLLECTION PERIOD	46.858240000000010	11.466217955062602	5
DEBT TO INCOME	.807920000000000	.137103854796282	5
OPERATIONAL RATIO	.098100000000000	.008883130078976	5
OPERATING MARGIN	.042360000000000	.014973075836314	5
CORPORATE GOVERNANCE (CGI)	.800	.0000	5
GDP	3.318000000000000	.454884600750564	5
INFLATION	1.726	1.2124	5
INTEREST RATE	3.656000000000000	1.409904252068203	5
EXCHANGE RATE	1.368000000000000	.063796551630946	5
PRICE CHANGE	.004697103800000	.001104751406881	5

The data collected has been run in SPSS system using regression analysis with only 5 sample (from year 2014 to 2018). The mean and standard deviation of dependent and variable ratio are recorded in Table 1. The explanation below will round off the value to 4 decimal places. The mean of return on asset (ROA) for five years (N=5) of the AP Oil International Limited is 0.0541 or 5.41% while the average standard deviation of profitability with 0.0231 or 2.31% show the standard deviation is smaller than mean, it indicates that more data are clustered around the mean or the data point tend to be closer to the mean of the set.

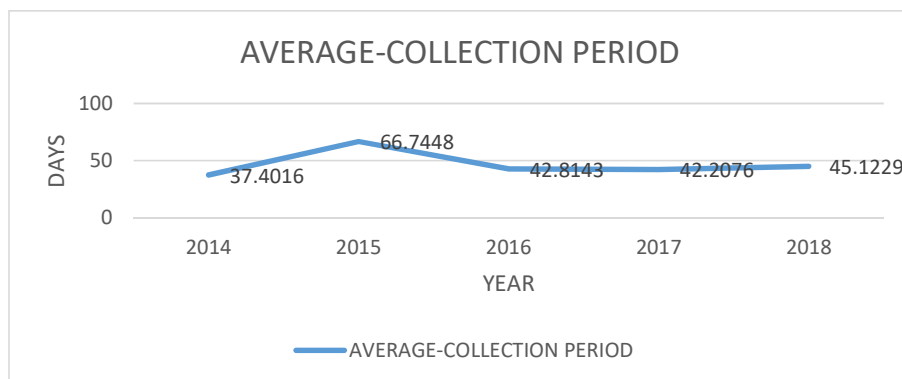
4.2 COMPANY PERFORMANCE



Graph 1: Return on Asset (ROA) of AP Oil from 2014 to 2018

Graph 1 shows the 2014 to 2018 Return on Asset (ROA) data. Asset Return (ROA) is a measure of how profitable a company is in relation to its total asset. ROA implies the company's efficiency in 2014 with the highest profitability (9.03%) over the year compared to the other years the chart shows a decline in ROA compared to 2015 (5.97%), 2016 (5.12%), 2017 (3.85%) and 2018 (3.07%). It shows that at the moment the loss was generated by the profit AP Oil companies presented in 2018. Based on table 1, the five-year average ROA for AP Oil is 0.0541 and 0.0231 is the standard deviation. However, the low percentage return on assets showed by AP Oil's company indicates that certain internal factors affect the company's ROA to generate profits.

4.3 CREDIT RISK



Graph 2: Average Collection Period of AP Oil from 2014 to 2018

Graph 2 displays the five-year Average Collection Period Ratio is credit risk data from 2014 to 2018. Credit risk may result from the failure of a borrower to repay a loan or fulfill contractual obligations. ACP ratio is an indicator of the company's effectiveness in collecting customers' accounts receivables in days. The longest ACP (66.74 days) in 2015 is from the bar chart above. AP Oil's longer average collection period indicates higher credit risk because it took a very long time for customers to pay their debt. Meanwhile, the shortest ACP (37.40 days) in 2014 is AP Oil International Limited. It is efficient in collecting back its money in short period for the sake of business to attract the investors to invest and at the same time it could minimize various risk in the company.

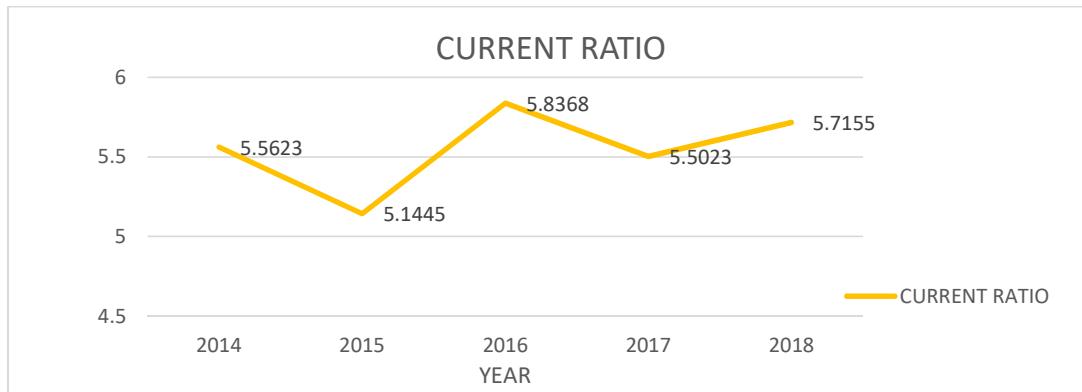
4.4 DEBT TO INCOME



Figure 3: Debt to income of AP Oil from 2014 to 2018

Graph 3 reveals that the debt-to-revenue ratio shows the profitability of the company to the debt load. This calculates the amount of your income paid on debt per month and it can be helpful to determine your own debt-to-income ratio so that the AP Oil company can see if they are over lent compared to corporate income. AP Oil's debt-to-income ratio rose from \$0.6528/cent in 2014 to \$1.0258/cent in 2018. A high debt-to-income ratio means that more AP Oil companies are spending their income on debt and leaving the company with less money to spend on other bills or save and invest. The average debt to income ratio for AP Oil is 0.8079 and standard deviation is 0.1371. This shown that for every 1dollar debt, AP Oil can produce 80.79 cent of profit.

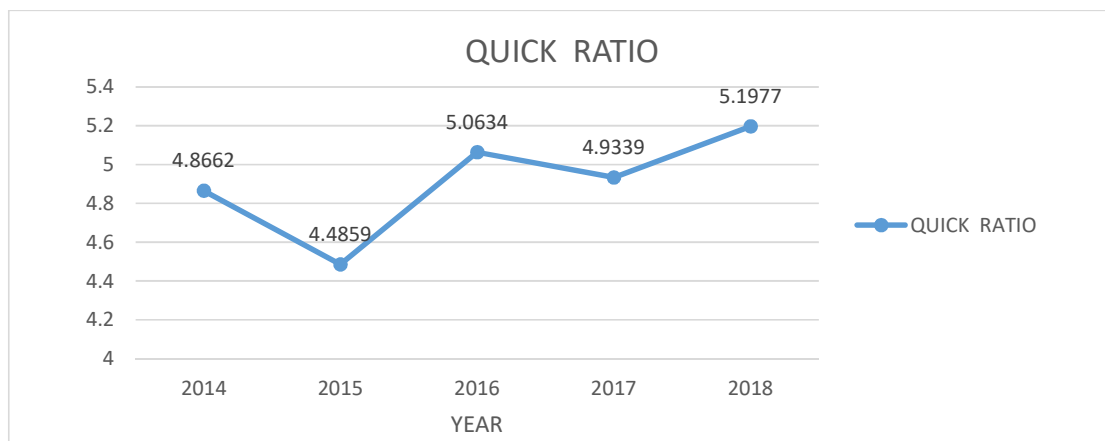
4.5 LIQUIDITY RISK



Graph 4: Current ratio

Graph 4 shows the current five-year correlation between 2014 and 2018. Liquidity risk is a business, company or even an individual's ability to pay their debts without experiencing catastrophic losses. In comparison, liquidity risk derives from an investment's lack of marketability that cannot be acquired or sold quickly enough to avoid or mitigate damage. A company was able to cover its debt obligation using the high liquidity ratio or current ratio as the amount of current asset can cover the liabilities. As we can see in figure 4 above, the current ratio was the highest in 2016 with a cost of 5.8368, suggesting that the firm used its current assets in the sector efficiently. Nonetheless, only 5.1445 were the lowest total rate in 2015. For AP Oil's, the average current ratio is 5.5522 and 0.2629 standard deviation. This means that the company may have issues with its short-term commitments as the current liabilities outweigh the existing assets.

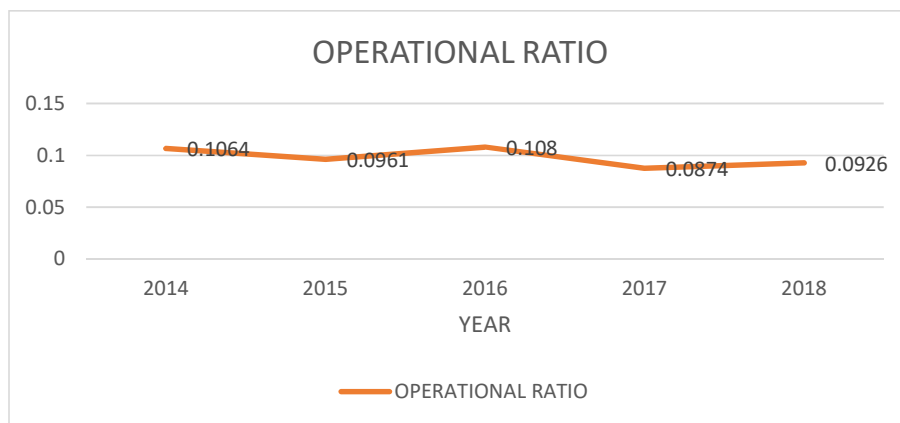
4.6 QUICK RATIO



Graph 5: Quick ratio of AP Oil from 2014 to 2018

Graph 5 demonstrates that the quick ratio or acid test ratio is a liquidity ratio that tests a company's ability to cover its current liabilities when only quick assets are due. Quick assets are current assets which can be converted into cash in 90 days or in the short term. The higher quick ratio, the liquidity to meet short-term liabilities is the business. Between 2014 (4.8662) to 2015 (4.4859), the AP Oil quick ratio has decreased in the year. It shows in 2015 that the lowest quick ratio while in 2018 shows that in AP Oil's company the highest quick ratio (5.1977) among 5-year study. AP Oil's average quick ratio in 5 years is (4.9094) and the standard quick ratio deviation is (0.2686).

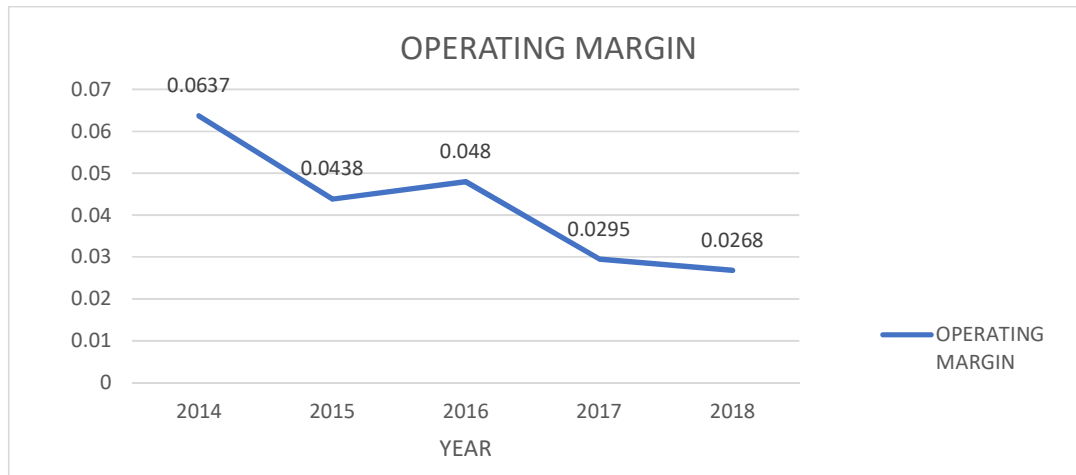
4.7 OPERATIONAL RISK



Graph 6: Operational risk of AP Oil from 2014 to 2018

Graph 6 indicates that operating risk summarizes the risks and hazards faced by an organization when it tries to conduct its daily business operations within a given field or industry. Operating hazard is calculated in five consecutive years (2014-2018) by measuring the operating ratio. In 2016, the highest five-year operating ratio was 0.108. Higher operating ratio illustrates the company's inability to effectively control its operation. In the meantime, the lowest operating ratio is 0.0874 in 2017. AP Oil's average operating ratio is 0.0981 and 0.0089 is the standard deviation. This research shows us the company's management performance

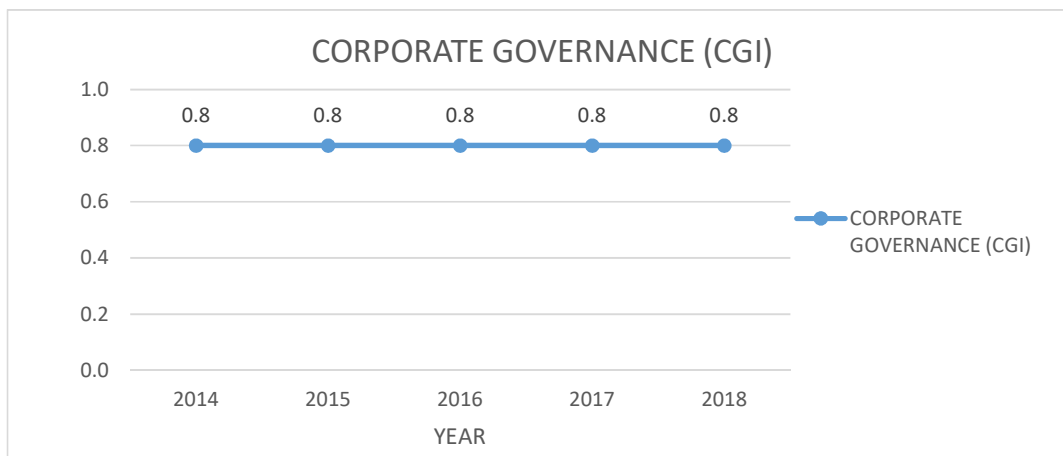
4.8 OPERATING MARGIN



Graph 7: Operating margin of AP Oil's in 2014 to 2018

Graph 7 demonstrates that the operating margin is a profitability ratio that calculates profits after covering a business' operating and non-operating expenses. The higher the margin of operation, the more profitable the core business of a company is. Until paying interest, many factors will impact operating margins such as pricing strategy, rates for raw materials or labor costs. The graph showed a fluctuating trend of decline. The lowest operating margin for AP Oil was in 2018 (0.0268), with 2014 (0.0637) being the highest. For the company of AP Oil the average operating margin is 0.0423 and the standard deviation is 0.01497. This means that 0.0637 of total revenue is AP Oil's average operating profit or AP Oil. This percentage is quite stable when the operating margin's standard deviation is closed to zero.

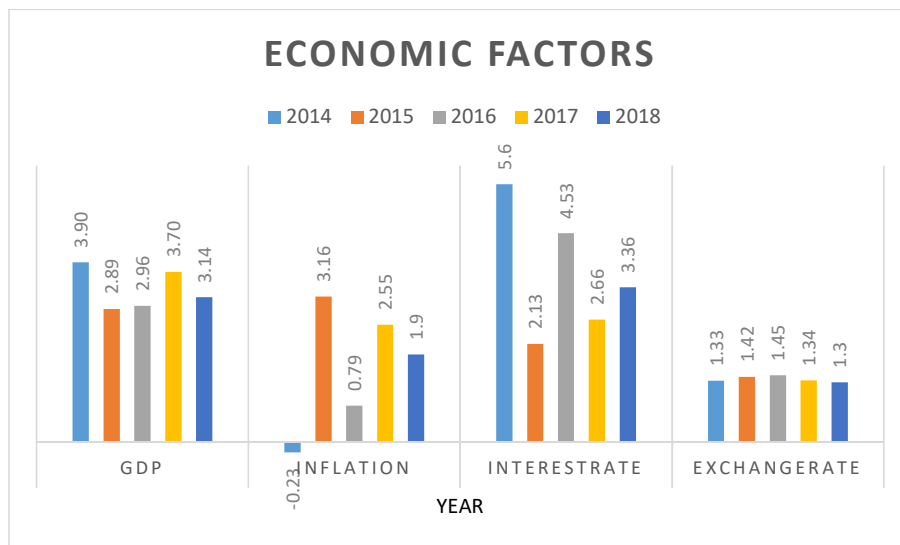
4.9 CORPORATE GOVERNANCE INDEX (CGI)



Graph 8: corporate governance index CGI (2014 to 2018)

Index score is used to calculate the company's corporate governance index to assess the company's degree of adherence based on corporate governance theory. It is as accountability, transparency, independence, fairness, and sustainability. The criteria representing each principle are meeting, the presence of the audit committee, more than 50% of the non-executive committee, the female executive on board and, respectively, the participation in the program of social responsibility. Each criteria on counted as 1 point or 0 and from 2014 to 2018 AP Oil International met 5 criteria, thus AP Oil International earns 4 out of 5 (80 percent) consecutively from the corporate governance index. AP Oil International's average CGI is 4 and 1 scoring dispersion is tested on this study by CGI sustainability.

4.10 MARKET RISK



Graph 9: Economic factors (2014 to 2018) Market risk is known as uncontrolled risk is systemic threat. The graphs show the movements of the economic factor that influence the performance of the company during this five-year period. During these five years, Singapore's GDP fluctuated from 2014 to 2018, with a value of 3.90%. It indicates that in the particular year, the country's economy is at its best. However, the GDP in Singapore was decline reaching the lowest point of 2.89% in 2015.

A fluctuated graph show the inflation rate for five year. The inflation rate was fluctuated from (0.79%) in 2016, (2.55%) in 2017 and (1.9%) in 2018. But, in 2014 the inflation rate is the lowest value (-0.23%) and increasing drastically to 3.16% in 2015. The increasing inflation rate is not good for the country. The higher interest rate is in 2014 (5.6%) while in 2015 shows

the lowest interest rate (2.13%). Besides that, the exchange rate (for five year) shows as fluctuated graph. In 2018, the lowest exchange rate is only 1.3% while the highest exchange rate is 1.45%.

4.11 PRICE CHANGE

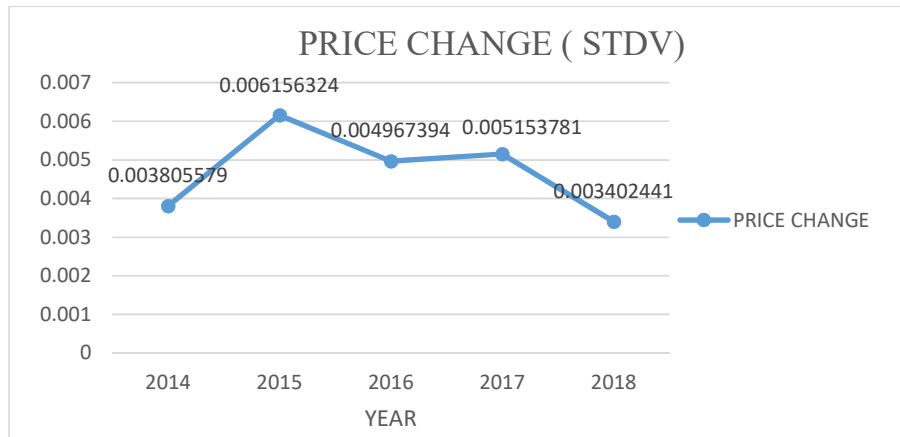


Figure 6: Price Change from 2014 to 2018

Based on the figure above, the price change of AP Oil's in 2014 is (0.38%). The higher price change for AP Oil's is (0.62%) in 2015. While the market got better the following years and finally dropped to (0.34%). The average for price change for AP Oil's is (0.47%) and standard deviation (0.11%).

4.12 SPSS ANALYSIS

The SPSS analysis of return on asset on company specific variables will be discussed in the four perspective, namely correlation, model summary, anova and coefficient.

I. Correlation

Table 2: Correlation of dependent variable and company internal and external factors of AP Oil International Limited.

Correlations														
		ROA	CR	QR	ACP	DTI	OR	OM	CGI	GDP	INF	I	AOP	PC
Pearson Correlation	ROA	1.000	-.237	-.462	-.100	-.840	.678	.960	.	.425	-.539	.627	.121	-.017
	CR	-.237	1.000	.927	-.780	.138	.359	-.042	.	.063	-.689	.602	-.119	-.655
	QR	-.462	.927	1.000	-.751	.432	.017	-.340	.	.121	-.473	.388	-.409	-.758
	ACP	-.100	-.780	-.751	1.000	.184	-.243	-.159	.	-.673	.761	-.729	.448	.720
	DTI	-.840	.138	.432	.184	1.000	-.639	-.866	.	-.412	.480	-.532	-.410	-.279
	OR	.678	.359	.017	-.243	-.639	1.000	.852	.	-.060	-.797	.801	.470	-.138
	OM	.960	-.042	-.340	-.159	-.866	.852	1.000	.	.280	-.667	.730	.300	-.017
	CGI	.	.	.	.	.	.	.	1.000	.	.	.	.	.
	GDP	.425	.063	.121	-.673	-.412	-.060	.280	.	1.000	-.392	.446	-.623	-.416
	INF	-.539	-.689	-.473	.761	.480	-.797	-.667	.	-.392	1.000	-.993	.064	.620
	I	.627	.602	.388	-.729	-.532	.801	.730	.	.446	-.993	1.000	-.093	-.609
	AOP	.121	-.119	-.409	.448	-.410	.470	.300	.	-.623	.064	-.093	1.000	.735
	PC	-.017	-.655	-.758	.720	-.279	-.138	-.017	.	-.416	.620	-.609	.735	1.000
Sig. (1-tailed)	ROA	.	.351	.216	.436	.037	.104	.005	.000	.238	.174	.129	.423	.489
	CR	.351	.	.012	.060	.413	.277	.473	.000	.460	.099	.142	.425	.115
	QR	.216	.012	.	.072	.234	.489	.288	.000	.423	.210	.260	.247	.069
	ACP	.436	.060	.072	.	.383	.347	.399	.000	.107	.068	.081	.225	.085
	DTI	.037	.413	.234	.383	.	.123	.029	.000	.246	.207	.178	.246	.325
	OR	.104	.277	.489	.347	.123	.	.033	.000	.462	.053	.052	.212	.413
	OM	.005	.473	.288	.399	.029	.033	.	.000	.324	.109	.081	.312	.489
	CGI	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	GDP	.238	.460	.423	.107	.246	.462	.324	.000	.	.257	.226	.131	.243
	INF	.174	.099	.210	.068	.207	.053	.109	.000	.257	.	.000	.459	.132
I	.129	.142	.260	.081	.178	.052	.081	.000	.226	.000	.	.441	.138	

	AOP	.423	.425	.247	.225	.246	.212	.312	.000	.131	.459	.441	.	.079
	PC	.489	.115	.069	.085	.325	.413	.489	.000	.243	.132	.138	.079	.
N	ROA	5	5	5	5	5	5	5	5	5	5	5	5	5
	CR	5	5	5	5	5	5	5	5	5	5	5	5	5
	QR	5	5	5	5	5	5	5	5	5	5	5	5	5
	ACP	5	5	5	5	5	5	5	5	5	5	5	5	5
	DTI	5	5	5	5	5	5	5	5	5	5	5	5	5
	OR	5	5	5	5	5	5	5	5	5	5	5	5	5
	OM	5	5	5	5	5	5	5	5	5	5	5	5	5
	CGI	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
	INF	5	5	5	5	5	5	5	5	5	5	5	5	5
	I	5	5	5	5	5	5	5	5	5	5	5	5	5
	AOP	5	5	5	5	5	5	5	5	5	5	5	5	5
	PC	5	5	5	5	5	5	5	5	5	5	5	5	5

The correlation of return on asset to both internal and external factors of AP Oil is shown in Table 2. The ROA, operational ratio, operating margin, GDP, interest rate and exchange rate of AP Oil are positively correlated to return on asset, while current ratio, quick ratio, average-collection period, debt to income, inflation and price change are negatively correlated to return on asset. CGI has no correlated to ROA. From the table, we can see that price change is the least significant to return on asset in external factor while operating margin is the most significance to return on asset in AP Oil's internal factor/

II. MODEL 1: RETURN ON ASSETS ON INTERNAL FACTORS

TABLE 3: Model summary of AP Oil's return on assets and internal factors.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.960 ^a	.921	.894	.007517171565132	2.616
a. Predictors: (Constant), OPERATING MARGIN					
b. Dependent Variable: RETURN ON ASSET					

Table 3 show, model summary of AP Oil's for internal factors, this tell us that 89.4% of the variance in the dependent variable is explained by the operating margin. In this case operating margin is more influence for return on asset.

TABLE 4: Anova of AP Oil's return on asset on internal factors

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	34.881	.010 ^b
	Residual	.000	3	.000		
	Total	.002	4			
a. Dependent Variable: RETURN ON ASSET						
b. Predictors: (Constant), OPERATING MARGIN						

Table 4 show, we can learn that operating margin has a great effect to the dependent variable. This result is consistent with pass study by Merritt,C., 2017 that states the higher operating margin is better because there's more money left over for other thing such as interest on debt.

TABLE 5: Coefficients of AP Oil's return on asset on internal factors

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)	-.009			.011		-.780	.492	-.044	.027
	OPERATING MARGIN	1.483	.251	.960	5.906	.010	.684	2.281	1.000	1.000

a. Dependent Variable: RETURN ON ASSET

Lastly, from coefficient Table 5, we found that operating margin was the high significant effect to return on asset (ROA) with P value < 0.05 . This indicates that the company ROA is increase when the net income increased. Then the beta show the positive influence of ROA. This result is consistent with the study of impact of ROA on operating margin of firm.

III. Model 2: Return on asset on external factors

TABLE 6: Model summary of AP Oil's return on asset on external factors

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.712 ^a	.508	-.970	.032467394853244	1.127
a. Predictors: (Constant), EXCHANGE RATE, INFLATION, GDP					
b. Dependent Variable: RETURN ON ASSET					

Table 6, model summary of dependent and external factors, tell us that -97% of the variance in the dependent variable is explained by the exchange rate, GDP, inflation and interest rate. GDP is real terms shows a negative relationship with the ROA. In this case, GDP increase while ROA became decrease (Issah, M., Antwi, S., & Oxford Brookes University).

TABLE 7: Anova of AP Oil's return on asset on external factors

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	.344	.813 ^b
	Residual	.001	1	.001		
	Total	.002	4			
a. Dependent Variable: RETURN ON ASSET						
b. Predictors: (Constant), EXCHANGE RATE, INFLATION, GDP						

Table 7 show, we can learn that price change, GDP, inflation and interest rate has greatest effect to the return on asset. In this case, the predictor are not significant to return on asset.

Table 8: Coefficients of AP Oil’s return on asset on external factors

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)	-			.594		-	.697	-	7.239
		.306			.516		7.852			
	GDP	.032	.051	.630	.626	.644	-.618	.682	.487	2.053
	INFLATION	-	.015	-.326	-	.751	-.197	.185	.793	1.261
		.006			.413					
	EXCHANGE RATE	.194	.336	.534	.576	.667	-	4.464	.573	1.744
							4.076			

a. Dependent Variable: RETURN ON ASSET

From coefficient table 8, we found that GDP, Inflation, interest rate and exchange rate has no significant effect to return on asset with P-value < 0.05. This indicates that the company return on asset is not affected when the country GDP, Inflation, interest rate and price change increased.

III. Model 3: return on asset on internal and external factors

Table 9: Model summary of AP Oil’s return on asset on both internal and external factors.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.960 ^a	.921	.894	.007517171565132	2.616

a. Predictors: (Constant), OPERATING MARGIN

b. Dependent Variable: RETURN ON ASSET

Table 9 show, model summary of dependent and both internal and external factors, tell us that 89.4% of the variance in the dependent variable is explained by the operating margin.

Table 10: Anova of AP Oil's return on asset on both internal and external factors

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	34.881	.010 ^b
	Residual	.000	3	.000		
	Total	.002	4			
a. Dependent Variable: RETURN ON ASSET						
b. Predictors: (Constant), OPERATING MARGIN						

Table 10 show, we can learn that operating margin has the greatest effect to the dependent variable which is return on asset.

Table 11: coefficients of AP Oil's return on asset on both internal and external factors

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)	-.009			.011		-.780	.492	-.044	.027
	OPERATING MARGIN	1.483	.251	.960	5.906	.010	.684	2.281	1.000	1.000
a. Dependent Variable: RETURN ON ASSET										

Lastly, from coefficient table 11, we found that operating margin has the most significant effect to return on asset with show that their P value < 0.05.

5.0 DISCUSSION AND CONCLUSION

5.1 Introduction

This study's aim is to evaluate the internal and external factor affecting AP Oil's company's return on assets. In this analysis, internal factors (return on assets, corporate performance and corporate governance) and external factors (gross domestic product, inflation, interest rate, exchange rate and price change) have been used to complete the objective.

5.2 Limitations

This study is limited only to oil and gas industry in Singapore. This study also limited to the data used, as it only includes five years performance and financial statement of AP Oil International Limited's company.

5.3 Conclusion

In conclusion, the company of AP Oil has been showing its profitability performance, which is calculated as a dependent variable that is asset return (ROA). From the study, the internal variables influencing ROA are the operating margin. Nevertheless, inflation and exchange rates are dependent on external factors that are GDP. Whereby, company must consider all those in internal and external variable that may give an impact to the AP Oil's profitability to make a certain that the company are well-managed.

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