

# Abstract

The amount of information about systematic risks that financial ratio measures convey help accountants to develop financial ratios measures of greater usefulness to business managers and investors. The objective of this research is to study the relationship between financial factors and systematic risks in all companies listed in Shenzhen Stock Exchange in China during the period 2009 to 2011. This study uses eleven financial factors which are firm size, asset growth rate, leverage (debt to equity), liquidity (quick ratio), profitability (return on asset and return on equity), operating efficiency (total asset turnover), asset liability ratio, dividend payout, asset efficiency ratio and asset coverage ratio as independent variables influencing systematic risks. Ordinary least square method was used to analyze the relationship of each year. Eleven financial factors were calculated from related accounting of each firm's financial reports of all the companies listed in Shenzhen Stock market and systematic risk was also measured by the return of market and return of stock price for each firm.

The result of the research showed that firm size has a positive relationship with systematic risk and the liquidity (quick ratio) has a negative relationship with systematic risk in year 2009. In the year 2010, the liquidity (quick ratio) also had a negative relationship with systematic risk and firm size that has a positive relationship with the systematic risk. Several factors, which are the firm size, profitability (return on asset), dividend payout, have negative relationship with systematic risk; growth rate, leverage (debt to equity), profitability (return on equity), and asset coverage ratio, have positive significant relationships with the systematic risk in the year 2011. Future studies might focus on the same variables but can change to other industries within China or other country. Use Time series and panel data may create different result, as the frequency of data may change from being yearly to quarterly or even monthly.