

ABSTRACT

This research aims to study the corporate liquidity analysis, both the static and dynamic analyses of Thai corporations. Liquidity analysis as financial ratio is obtained from financial statements analysis that involves using accounting information to make business and investment decisions. While the static analysis is a relevant and useful measure of liquidity and short-term solvency, it is subjected to certain limitations because static analysis measures resources available at a point in time to meet current obligations. Therefore, to examine the dynamic analysis is to provide a complete future picture of corporate liquidity.

Cash conversion cycle (Dynamic Analysis) is the lengths of time between the firm's actual cash expenditures for productive resources and its own cash receipts from the sale of products. The cash conversion cycle concept portrays these by integrating respective time intervals derived from a firm's typical receivable, inventory, and payables' turnover experience.

This study used the cash conversion cycle as a measurement to indicate the firm's liquidity. The method of the study is separated into two parts: Part one is the test based on the test of usefulness of stepwise logistic regression analysis as an indicator of corporate liquidity. There are two independent variables, which are static ratios (current and quick ratios) and dynamic ratio (cash conversion cycle) to indicate the probability corporate liquidity. Part two compared the proportion of assets and liabilities of each group as the supplementary ratio. The data used in this study are collected from the Stock Exchange of Thailand (SET) database. The samples are divided into two groups that are liquid and illiquid groups with a paired sample of 49 companies within 19 sectors for the year 2001 financial statement data.

The findings indicated that the overall accuracy rates of static and dynamic analyses are 63.3% and 70.4% respectively. It means that the dynamic analysis has more significant power than the static analysis. The supplementary ratios show that there was a negative relationship correlation between the size of the company and the corporate liquidity. The results also suggest that other important variables influencing the liquidity should be introduced into the method, in order to improve the model specification. Hence, future researchers should consider other important variables that have not been discussed in this research.