BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

CORPORATE FINANCIAL RESTRUCTURING AND ITS IMPACT ON FINANCIAL PERFORMANCE AND DEMAND. CASE STUDY OF BRAKE AND CLUTCH GROUP OF COMPANIES

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ABSTRACT

The fundamental reason for carrying out corporate restructuring is to further enhance the long-term survival of firms through greater efficiency and cost-effectiveness. As a result, firms are bound to conduct financial restructuring as part of their corporate restructuring program. This involves some adjustment on their capital structure as there is a need to have changes on either their debt proportions or equity proportions. This study explores the impact of corporate financial restructuring on financial performance and demand in Brake and Clutch Group of company’s products. The motive of this study had been driven by a decline in profitability, cash shortage on the assets side of the balance sheet and a debt overhang in liabilities. The research addressed the impact of financial restructuring on financial performance and ways to identify the key financial performance indicators. Descriptive research methods were used. A case study was conducted on 5 branches of Brake and Clutch headquarters in Harare. In each of the five branches, 10 customers and 18 staff members were selected. As a result 140 was the targeted population, where a sample size of 35 was used. A random sampling technique was accommodated in this study. Desk research was sourced from the company records and trade publications whilst primary data was obtained using questionnaires and interviews. From the 20 questionnaires distributed, 85% was the response rate. Interviews were also conducted with finance managers and accountants, of which 100% response rate was obtained. Data was clearly presented in the form of graphs, tables and pie charts, and analyzed using the spreadsheet tool. The research findings showed that poor performance was mainly influenced by mismanagement, paying too much for products and service, failure to differentiate or innovate and competition. The study recommended that the company should do corporate financial restructuring through eliminating or reducing old debts, injecting of capital for new investments, debt to equity swaps were creditors of the company agrees to accept ownership of shares and review the corporate financial structure from the shareholders’ viewpoint.