AN ASSESSMENT ON THE PREDICTIVE POWER OF FINANCIAL INDICATORS ON BUSINESS FAILURE. A CASE STUDY OF DAVID WHITEHEAD TEXILES FROM 2003 TO 2008.

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE BACHELOR OF BUSINESS STUDIES (HONOURS) OF BINDURA UNIVERSITY OF SCIENCE EDUCATION FACULTY OF COMMERCE

OCTOBER 2012
Abstract

This research sought to assess the predictive power of financial on business failure using the case study of David Whitehead. The objectives of the study was to establish the benefits of business failure models, to identify the ratios and models used to predict business failure, to test the strength, accuracy, ability of these models to predict business failure and to establish other indicators, other than financial that help predict business failure in Zimbabwe. The target population was the management of David Whitehead based in Kadoma on which questionnaires were administered and interviews were held. Stratified sampling was also adopted in this study to come up with a sample size of 30 respondents. Tables, graphs and pie charts were used to present results collected from all the questionnaires and interviews, the results of the study showed that the use of financial indicators have predictive power of predicting business failure at David Whitehead. The study also showed the benefits and limitations associated with the use of financial indicators. The benefit includes accurate assessment of firm financial situation, reduced market imperfections. The study also the major causes of business failure and highlight other non financial indicators for business failure. The non financial indicators that were found include outdated equipment, low motivation, lack of management skills and poor response to change. The study recommends that the management should make use of financial indicators to work towards the interest of their stakeholders.