PROFITABILITY ANALYSIS OF SELECTED MULTI-NATIONAL COMPANIES LISTED ON LONDON STOCK EXCHANGE BY PRINCIPAL COMPONENT METHOD

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Degree of Master of Science

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December 2021

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Thesis submitted in partial fulfilment of the requirements for the degree Master of Science in Financial Mathematics

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Declaration

I declare that this is my own work, and this dissertation does not incorporate without acknowledgement any material previously submitted for a degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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Acknowledgements

This study has been given an opportunity to develop research silks, decision making, and personal skills developments. Attaining our goals in this study would not be possible without acquiring proper guidance, assistance, and encouragements from number of people, who have experience in specific fields. On that basis, my supervisor Mr. Rohana Dissanayake, Senior Lecture in Mathematics, Department of Mathematics, University of Moratuwa, gave all the supports and encouragements to finish my works effectively. Thus, I wish to express my grateful thanks to my supervisor.

My grateful thanks are further extended to the course coordinator Mr.T.M.J. A Cooray, Senior Lecturer, Department of Mathematics, University of Moratuwa, for the valuable guidance and advice throughout this Postgraduate degree program.

In addition, I wish to thank all my colleagues who helped me to continue the studies from start to end in the post-graduate programme, and other staff and technical assistants in our department, who gave all the assistance constantly throughout my studies.

Abstract

Investment decisions include higher level of risk due to the uncertainty nature in the business environment. Thus, investors take investment decisions more wisely by considering several internal and external factors. As a result, this study is mainly focusing on the profitable industries in a developed country like United Kingdom and it has considered analysing for the top 10 companies listed in the share market. Further, it investigates how changes in the financial performance of those selected companies influencing the profit of first 10 best. Thus, Multinational National Companies (MNC) in the UK during the period of 2005 to 2019 was selected as the sample of this study. Accordingly, eight performance indicators were used to carry out this study as current ratio, Quick ratio, Debt to equity ratio, Return on Asset ratio, earning per share ratio, Return on Investment ratio, Return on Equity ratio and number of employees. Moreover, secondary data was collected through annual financial statements of the organizations. In this research Principal Component Analysis (PCA) tools have been used to analysis and discuss the profitability of performance indicators of the selected MNC. As per the analysed data, principal component analysis was run to come up with variables from each component. However, all the variables involved in this analysis are not recorded within the expected range as some showed higher level of deviations. Accordingly, this study demonstrates the position of the MNCs in the UK to different stakeholders who are interested in the financial performance of each company by giving them a quick analyse to show the performance of each company. It also assists those who do financial reporting on picking the ratios which matter in reflecting the performance of their companies. The use of PCA gives unbiased ratios that are most significant to assess the performance financially. As a result, this study will be beneficial for the future investors in financial market to select the best MNC to make them invest decisions based on the financial performances of the organizations. Moreover, this study suggests future research to use other alternative multivariate methods to reduce the complexity of the obtained model.

Keywords: Performance Indicators, Principal Component Analysis, Multi-National Companies and United Kingdom

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