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อาจารย์ประจำภาควิชาการบัญชี คณะพาณิชยศาสตร์และการบัญชี

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Education:

- 2000-2006 University of Nebraska-Lincoln, Nebraska, U.S.A.
Doctor of Philosophy (Accounting Specialization)
Doctoral Dissertation: Using the Combinations of Cash Flows Components to Predict Financial Distress under the supervision of Dr. Arthur C. Allen
- 1995-1996 The University of Queensland, Brisbane, Australia
Master of Financial Management
Master Dissertation: Corporate Environmental Disclosure in Response to the Ok Tedi Copper Mine Disaster: A Legitimacy Theory Perspective under the supervision of Dr. Pamela Kent
- 1988-1992 Thammasat University, Bangkok, Thailand
Bachelor of Business Administration (BBA), 1st class honors (Gold Medal),
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Research Interests:

Financial Accounting and Reporting, Voluntary Disclosure, and Capital Markets

Doctoral Dissertation Abstract:

The study examines whether the combinations of cash flow components segregated by activities help predict impending financial distress relative to other financial information.¹

¹ Net cash provided by (i.e., *positive* net cash flow) or net cash used for (i.e., *negative* net cash flow) operating, investing, and financing activities reported in the statement of cash flows of a firm during a fiscal period constitute a cash flow combination. An example of a cash flow combination is the combination of *negative* net operating cash flow and *positive* net investing and financing cash flows. This combination suggests that a firm faces serious financial problems. It cannot generate sufficient cash to meet its

Firms experience financial distress if they cannot generate adequate cash to meet their needs. When financially distressed firms fall short of cash from operations, they obtain cash from investing and financing activities to mend their financial problems. Information about the relationships among operating, investing and financing cash flows is expected to provide users with another approach for evaluating whether firms are performing well or facing financial distress. In this study, eight combinations of operating, investing, and financing cash flows are used as predictors in the financial distress prediction models.²

This study obtains a sample of 1,084 financially distressed and 2,798 healthy firms during 2001-2004 from the COMPUSTAT Industrial Annual file. Four events are used to measure early signs of financial distress: (1) three consecutive years of losses; (2) the suspension of preferred stock dividends; (3) the reduction of annual cash dividend payments; and (4) the downgrade of bond rating from investment grade to non-investment grade. Binary logistic regression analysis is used to test the ability of cash flow combinations in predicting financial distress.

The findings support the hypothesis that the combinations of cash flows from operating, investing, and financing activities reported in the statement of cash flows during a fiscal period are predictive of financial distress incremental to other financial information. Relative to healthy firms, distressed firms are more likely to have the following cash flow combinations: (1) the combination of *negative* net operating cash flow, *positive* net investing cash flow, and

operating needs. The firm has to sell property, plant, and equipment (and/or other investments) and borrow from lenders (and/or issue new shares) to cover up cash deficits. In the near term, the firm can face loan default if it continues to have insufficient cash from operations and cannot generate adequate cash inflows from investing and financing activities.

² Net cash flows from operating, investing, and financing activities of a firm during a fiscal period can be in the form of either *positive* net cash flow or *negative* net cash flow. As a result, the total possibility of occurrence for the combinations of cash flows as resulting by operating, investing and financing activities is eight (i.e., 2x2x2).

negative net financing cash flow; and (2) the combination of *negative* net operating, investing, and financing cash flows. In contrast, compared to healthy firms, distressed firms are less likely to have the following cash flow combinations: (1) the combination of *positive* net operating cash flow, *negative* net investing cash flow, and *positive* net financing cash flow; and (2) the combination of *positive* net operating cash flow and *negative* net investing and financing cash flows.

Empirical evidence in the study suggests that firms are highly likely to experience financial distress in the near term if they generate insufficient cash from operations to meet ongoing cash needs, especially operating and financing needs. Distressed firms cover up cash deficits and solve their financial problems by acquiring cash inflows from investing activities (e.g., selling assets and/or other investments) or using their cash reserve since they have difficulty obtaining cash externally. However, their financial problems are getting more serious when insufficient assets remain to be sold or when firms use up their cash reserve.