# A STUDY OF DIAGNOSIS ON THE FINANCIAL CRISIS OF THE REAL ESTATE INDUSTRY THROUGH THE INFLUENCE OF LOCAL FINANCIAL TURMOI

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## ABSTRACT

There are various reasons for corporations to arise financial crises, such as mal- Operation of the core business, overdoing of cross-investment, excavation of the company's assets, holding the stock price by subsidiaries, inappropriate transmission of interests, over-investment and drastic expansion, wrong doing of promoting stock price, short of cash, over debt, and check bounce, and the like. How to diagnose certain unusual warning signals from the figures of financial report prior to the crisis emerged, in order to let the corporate to plan and to improve in a proper manner, and to avoid losses for the entire social resources and the interest parties of the corporate generated by mal decision-making becomes a crucial issue. Influenced by the slow recession of the market for a long time, local real estate industry has caused the gradual increase of the delinquency rate of the banking industry, and has formed the tendency of financial crisis in an invisible fashion. Government has proposed plenty encouraging treatments in uplifting the housing industry; however, the managerial level of the corporate needs more urgently to measure its financial situation and nature from the practice of financial management. Conventionally, we adopt many indices to conduct financial analyses, and through computation and observation, we obtain the understanding to judge the profit-gaining ability, stability, potential of growth, and production efficiency of the corporate. These factors are all considered as parts of the corporate performance. Usually, these financial figures represent the economy of the corporate performance. In this study, we employ multiple quantitative indicators of financial analysis, and sort them out. From the figurative output performed the corporate management, we may therefore observe, analyze, and understand the managerial characteristics of the corporate. Such analysis of the managerial characteristics is named Japanese Five Forces Analysis. It can in-depth diagnose the internal, external, and all aspects of the corporate entity; and it can further shoot the real problematic. In so doing, we may enhance the nature of the corporate, and then firmly enhance the performance of the corporate. This study diagnoses the financial performance of a corporate by means of analyzing its managerial characteristics from five financial facets. The five forces are earning power, growth potential, productivity, activity, and stability. We conduct a comparative analysis via both the eighteen major rates/ ratios selected from the financial report and weighted average level of the like industry to diagnose the financial performance of the corporate. In addition, we establish a warning system for the financial crisis of the industry. In so doing, we need to evaluate whether we may detect the common unusual figures for the industry through the past and present financial reports. In order to test the practicality of the Five Forces Analysis method, we undertake case study and synthetic analysis onto four selected cases. After carefully comparison, we found that there are common warning signals for nine financial rates/ratios. They are: net profit ratio, profit rate of operating income, return on capital, earning growth rate, ROE, return on total assets, turnover rate of working capital, debt ratio, and equity ratio. After the empirical analysis of the cases, we found out that three years prior to the financial crisis occurred to the corporations, most of the nine common warning signals of the multi-financial rates/ratios had emerged. We, therefore, proved the corresponding conclusion of the study to the facts. The findings of the study contribute to the reference of related further studies as well as decision-making for the academy, financial industry, corporation, investors, creditors, and governmental authorities. However, in practice, the study has its limitations. And under the slow recession of the domestic economic situation, corporations still have the hidden worries of financial crisis, the conclusion of the study; namely the establishment of the warning system to the financial crisis, has its significance.

Keywords: financial crises; delinquency rate of banking industry; Japanese five forces analysis; financial facet

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