



ANALYSIS OF FINANCIAL PERFORMANCE IN TERM OF LIQUIDITY RATIO, SOLVABILITY AND PROFITABILITY

Study Case in PT. Hacı Mitra Gas Sidrap

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Abstract: The study aims to determine the financial performance of PT. Hacı Mitra Gas Sidrap in period 2016-2018. Based on the research, the authors use the Balance Sheet report and Income statement analysis data in this study so that it can be interpreted and understood easily also as the proof of the hypothesis that has been stated, which the authors use the financial ratio below: It shows that the Current ratio, Cash ratio, Debt to total assets, Long-term debt to equity ratio, Profit Margin on sales are categorized as Good.

Keywords: Financial performance, Liquidity Ratio, Solvability, Profitability

I. INTRODUCTION

In general, a company is one of the economic activities in the business world that always changes in expected that it could sustain its business to actualize its expectations. Therefore, every company which conducting its business must take new steps and better business management in order to achieve their goals.

A trading company is a trading business company in which to purchase the products and then resell it without changing its form. Company which classified as trading companies are including distributors, sole agents, retailers, supermarkets, convenience stores, plazas, shopping centers, or wholesale centers. The main activity of a trading company are buying and selling. Based on its scope, trading companies can be divided into two, which are large traders and small traders. Wholesalers are traders who buy products from producers and sell them to small traders on a small way, while small traders are traders who buy products from wholesalers and sell them to consumers at retail.

Company management really need to know how is the financial condition of a company. The financial condition of a company can be seen based on the company's financial statements which consist of balance sheets, income statements, cash flow reports and others. By analyzing the balance sheet items, we will be able to find a description of the company's financial position.

The company's financial performance is the company's ability or achievement in running its business which is financially stated in the financial statements. To assess the company's financial performance, it requires relevant information relate to the company's activities at a certain time for the concerned parties. The financial performance of a company is very beneficial for (stakeholders) including investors, creditors, analysts, financial consultants, brokers, government, and the management itself. If the financial statement report be arranged properly and accurately, financial statements in the form of balance sheet and income statement can provide a real picture of the results or achievements that a company has achieved during a certain period of time. This situation will be used to assess the company's performance.

The financial analysis which usually use to assess the performance of a company is financial ratio analysis. Using financial ratio analysis could find out the level of liquidity possibly, level of solvency and level of company profitability. By knowing the rate of change, it will be possible to know the company's ability to fulfill its short-term obligations with the guarantee of its current assets. This level of liquidity is very useful for company, especially creditor who provide short-term credit. In the activity level, it will possibly find out the company's ability to fulfill all of its inventory and sales. This level of profitability is very useful for creditors, to provide short and long-

term credit. By knowing the level of profitability, it will be presented the company's ability to generate profits with its capital, which is very important to know the efficiency of the company.

Based on the background which is described above, the author formulates the problems in this research is:

"Is the Financial Performance in PT. Hacı Mitra Gas Sidrap in terms of the liquidity, solvency and profitability ratios are in a good category? "

II. THEORETICAL FRAMEWORK

2.1. Financial Management

In a company, a financial arrangement is commonly referred to financial management. Financial management is all action or activities in the company including how to get funding for working capital, use or allocate this fund also manage the asset that the company had in order to achieve the main goals of the company. According to James C. Van Horne in Kasmir (2009:5), define the financial management is all activity relate to the acquisition, funding and management of assets with several objectives entirely.

According to Sutrisno (2009:3), define the financial management is all company activities related to efforts to obtain company funds at low costs and efforts to use and allocate these funds efficiently. According to Kasmir (2009: 5), define the financial management is all activities related to the acquisition, funding and management of assets with several objectives entirely

So it can be concluded that financial management has an interest on how to create and maintain the economic value of a company. The outcome, all decision making must be focused on creating the welfare of its employees.

2.2 Financial Statements

According to Kasmir (2012:7) in a simple definition, financial statement is a reports that show the company's current financial condition or in a certain period. According to Irham Fahmi (2014: 22), financial statement is information that describes the condition of a company, then it becomes information that describes the performance of a company. According to Munawir (2002: 56), financial report is a very important tool to obtain information regarding the financial position and result that are achieved by the certain company. According to Sutrisno (2009: 9), financial statements are the final result of the accounting process which includes two main reports, which are the balance sheet and income statement.

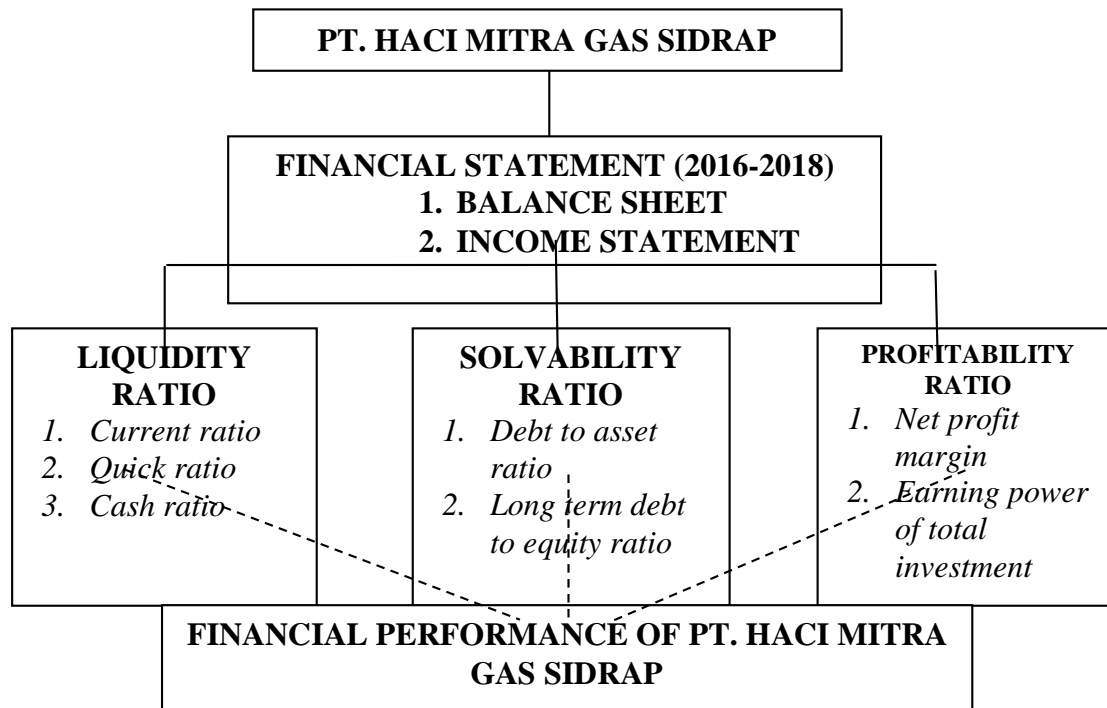
According to Arief Sugiono and Edi Untung (2016: 1), financial statements in the company is the final result of accounting activities (accounting cycle) that reflect the company's financial condition and results of operations. Based on the financial concept, financial statement is strongly needed to measure the company's business result and development during the time and to determine the extent to which the company has achieved its objectives.

Financial statements is the obligation of every company to make and report their company financial for a certain period. It is reported then analyzed so that the current condition and position of the company can be found. Then the financial statements will also determine which steps the company will take right now and in the future, by looking in the various problems, both weaknesses and strengths. According to Kasmir (2012: 66), after the financial statement is prepared based on relevant data, along with correct accounting and valuation procedures, the actual financial condition of the company will be presented. The financial condition means is knowing how much assets (wealth), liabilities (debt), and capital (equity) are in the balance sheet. Then it will also show the amount of income received and the amount of expenses during a certain period. Therefore, it can be found how the results of operations (profit or loss) are obtained during a certain period from the income statement presented. Making the financial reports can be more meaningful so that it can be known and understood by various parties, it has to be analyzed.

2.3 Forms of Financial Ratios

According to Kasmir (2012: 106), to measure the company's financial performance using financial ratios, it can be done with several financial ratios. Every financial ratio has a specific purpose, use and meaning. Each result of the ratio which being measured is interpreted so that it can be significant for decision making.

2.4 Conceptual Framework



2.4. Hypothesis

Based on the problem formulation of the theory stated, the authors propose a hypothesis, is:

"It is assumed that the financial performance of PT. Hacı Mitra Gas Sidrap in terms of liquidity, solvency and profitability ratios in 2016–2018 is being categorized as good.

III. RESEARCH METHODS

The research subject is the financial statements in PT. Hacı Mitra Gas Sidrap. The sample is part of a number of characteristics possessed by population which used for research. Therefore, researcher use the Balance Sheet and Profit and Loss Report in PT. Hacı Mitra Gas Sidrap for 3 years since 2016–2018. This study uses a quantitative approach which emphasizes theory examination by measuring research variables with numbers and analyzing data using liquidity ratio analysis procedures, solvency ratio and profitability ratio.

The data source of this research uses primary data in the form of interviews with the company including media (Email, Facebook, and Chat available on the company's official website) and secondary data which including financial reports which are the Balance Sheet and Profit and Loss Report. Analysis data which is used in the study so that it can be interpreted and understood easily also as proof of the hypothesis that stated previously, the authors uses the following financial ratios:

The ratio analysis used is:

1. Liquidity Ratio

$$a. \text{ current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$b. \text{ Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

$$c. \text{ quick ratio} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$$

2. Solvability Ratio

$$a. \text{ debt to total asset ratio} = \frac{\text{total debt}}{\text{total assets}}$$

$$b. \text{ Long term debt to equity ratio} = \frac{\text{long term debt}}{\text{equity}}$$

3. Profitability Ratio

$$\text{Profit margin} = \frac{\text{net sales} - \text{cost of good sold}}{\text{sales}}$$

IV. RESEARCH FINDINGS AND DISCUSSION

4.1 Hypothesis Testing

The management of the data that has been collected then it could provide the interpretation. The analytical method used in this research is quantitative analysis using financial ratios. After getting the calculation results of the ratios of profitability, liquidity, solvency, then compared to the industry average ratios.

Table 1. CURRENT RATIO PERIOD 2016-2018

| Year | Current assets | Current liabilities | Current Ratio | Industry standard | Description |
|---------|----------------|---------------------|---------------|-------------------|-------------|
| 2016 | 330.297.596 | 77.462.798 | 4 | 2 times | Good |
| 2017 | 292.152.745 | 68.954.273 | 4 | 2 times | Good |
| 2018 | 407.984.516 | 45.137.650 | 9 | 2 times | Good |
| Average | 343.478.285,6 | 63.851.573,6 | 5 | 2 times | Good |

The data source have been processed

Based on the result analysis of the financial statements in PT. Haji Mitra Gas Sidrap by using the current ratio in 2016-2018 can be concluded that the financial condition in PT. Haji Mitra Gas Sidrap is in good condition because the average value for 3 years was 5 times. In which its value above the industry standard value which is 2 times.

Table 2. CASH RATIO PERIOD 2016-2018

| Year | Cash or cash equivalent | Current liabilities | Cash Ratio (%) | Industry standard | Description |
|---------|-------------------------|---------------------|----------------|-------------------|-------------|
| 2016 | 274.009.315 | 77.462.798 | 353 | 50% | Good |
| 2017 | 237.732.574 | 68.954.273 | 344 | 50% | Good |
| 2018 | 342.713.048 | 45.137.650 | 759 | 50% | Good |
| Average | 284.818.312,3 | 63.851.573,6 | 485 | 50% | Good |

Based on the results of the financial statements analysis in PT. Haji Mitra Gas Sidrap by using the cash ratio in 2016-2018 can be concluded that the financial condition in PT. Haji Mitra Gas Sidrap is in good condition because the average score for 3 years was 485%. In which the score is above the industry standard score which is 50%.

Table 3. DEBT TO ASSET PERIOD 2016-2018

| Year | Total debt | Total asset | Debt to asset Ratio | Industry standard | Description |
|---------|---------------|-----------------|---------------------|-------------------|-------------|
| 2016 | 204.672.610 | 1.270.047.596 | 16% | 35% | Good |
| 2017 | 168.526.605 | 1.152.652.745 | 14% | 35% | Good |
| 2018 | 157.894.444 | 1.395.984.516 | 11% | 35% | Good |
| Average | 177.031.219,6 | 1.272.894.952,3 | 13% | 35% | Good |

The data source have been processed

Based on the results of financial statement analysis in PT. Haji Mitra Gas Sidrap by using a debt to asset ratio in 2016-2018 can be concluded that the financial condition in PT. Haji Mitra Gas Sidrap is in good condition because the average value for 3 years is 13%. In which this value is below the industry standard value which is 35%.

Table 4. LONG TERM DEBT EQUITY PERIOD 2016-2018

| Year | Long term debt | Equity | Long term debt to equity | Standar industri | Description |
|---------|----------------|-----------------|--------------------------|------------------|-------------|
| 2016 | 127.209.812 | 1.065.374.986 | 11 % | 10 % | Fair |
| 2017 | 99.575.332 | 984.123.140 | 10 % | 10 % | Good |
| 2018 | 112.756.794 | 1.238.090.072 | 9% | 10 % | Good |
| Average | 113.180.646 | 1.095.862.732,6 | 10 % | 10 % | Good |

The data sources have been processed

Based on results of the financial statements analysis in PT. Hacı Mitra Gas Sidrap by using the long term debt to equity ratio in 2016-2018 can be concluded that the financial condition in PT. Hacı Mitra Gas Sidrap is in good condition because the average score for 3 years is 11%. In which its value is in the industry standard value of 10%.

Table 5. PROFIT MARGIN ON SALES PERIOD 2016-2018

| Year | Sale | Cost of Goods Sold (COGS) | Sale | Profit Margin on sales | Industry standard | Description |
|---------|-----------------|---------------------------|-----------------|------------------------|-------------------|-------------|
| 2015 | 9.112.027.502 | 8.710.325.415 | 9.112.027.502 | 4,4% | 20% | Fair |
| 2016 | 8.982.707.649 | 8.568.817.469 | 8.982.707.649 | 4,6% | 20% | Fair |
| 2017 | 10.061.026.955 | 9.135.080.300 | 10.061.026.955 | 9% | 20% | Fair |
| Average | 9.385.254.035,3 | 8.804.741.061,3 | 9.385.254.035,3 | 6% | 20% | Fair |

Based on the results of financial statements analysis in PT. Hacı Mitra Gas Sidrap by using profit margin on sales in 2016-2018 can be concluded that the financial condition in PT. Hacı Mitra Gas Sidrap is in fair condition because the average value for 3 years is 6%. In which this value is below the industry standard value is 20%.

4.2 Discussion

TABLE 6

Table 6. SUMMARY OF FINANCIAL STATEMENT RATIO ANALYSIS OF PT. HACI MITRA GAS SIDRAP 2016-2018

| No | Ratio | Year | | | The average ratio | Industry standard | Description |
|----------|--------------------------|-------|--------------|------|-------------------|-------------------|-------------|
| | | 2015 | 2016 | 2017 | | | |
| 1 | Liquidity | | | | | | |
| | Current ratio | 4 k | 4 k | 9 k | 5 k | 2 k | Good |
| | Quick ratio | 4 k | | 8 k | 5,6 | 1,5 k | Good |
| | Cash ratio | 353 % | 4 k 344 % | 759% | 485 % | 50 % | Good |
| 2 | Solvency | | | | | | |
| | Debt to asset ratio | 16% | 14% | 11% | 13 % | 35% | Good |
| | Long term debt to equity | 11% | 10% | 9 % | 10 % | 10 % | Fair |
| 3 | Profitability | | | | | | |
| | Profit margin on sales | 4,4 % | 4,6 % | 9 % | 6% | 20% | Fair |

1. Liquidity ratio

a) Current ratio

Based on current ratio calculation in PT. Haci Mitra Gas Sidrap since 2016-2018 shows that the company's condition is in good condition because the current ratio value every year shows a value above the industry standard, which is 2 times where the value every year are 4 times, 4 times and 9 times. means PT. Haci Mitra Gas Sidrap has the ability to pay its short-term debt with total current assets.

b) Quick ratio

Based on the results of financial statements analysis in PT. Haci Mitra Gas Sidrap by using the Quick ratio in 2016-2018 can be concluded that the financial condition in PT. Haci Mitra Gas Sidrap is in good condition because the average value for 3 years was 4 times. Which the value is above the industry standard value which is 1.5 times.

c) Cash ratio

Based on the calculation of cash ratio in PT. Haci Mitra Gas Sidrap from 2016-2018 shows that the company's condition is in good condition because the cash ratio value in each year shows a value above the industry standard value is 50% which the value are 353%, 344%, and 759% every year. It means that the amount of cash to pay short-term debt shows the use of fund isn't optimal because of the amount of available cash.

2. Solvability

a) Debt to asset ratio

Based on the result of the debt to asset ratio calculation in PT. Haci Mitra Gas Sidrap since 2016-2018 shows that the company's condition is in good condition because every year the value of the debt to asset ratio shows a value below the industry standard value of 35% which the values are 16%, 14%, and 11% every year. It means that the amount of debt value for company funding is not too high

b) Long term debt to equity ratio

Based on the calculation of long term debt to equity ratio in PT. Haci Mitra Gas Sidrap From 2016-2018 shows that the condition of the company is in good condition because the average value of the long term debt to equity ratio for 3 years is 10% means that IDR 10 of capital is used as a guarantee for long-term debt the condition of the company is good because the average value for 3 years is above the standard value which is 10%.

3. Profitability ratio

Profit margin

Based on the calculation of profit margin in PT. Hacı Mitra Gas Sidrap since 2016-2018 showed that the condition of the company is poor because the value of profit margin each year shows a value below the industry standard value of 20% in which the value each year is 4.4%, 4.6%, and 9%. It means that the amount of profit that earned in each sell is insufficient.

V. CONCLUSION

In the end of this research, the authors will suggest some conclusions from the results of the analysis which necessary considered as feedback for the company. Based on the result of research conducted by the author in PT. Hacı Mitra Gas Sidrap, the author states several conclusions are:

1. Based on the result of the financial performance measurement of PT. Hacı Mitra Gas Sidrap through financial statements analysis using liquidity ratios for 3 years since 2016-2018 shows that the level of guarantee of current assets to current debt is good and also the value of cash that available to pay short-term debt is also good but the value of cash available is too high which shows the use of the data ineffectively.
2. Based on the results of the financial performance measurement of PT. Hacı Mitra Gas Sidrap through financial statements analysis using solvency ratios shows that the value of debt in company funding is good because the value is still below the industry standard value while the amount of capital used as guarantee of long-term debt is same as the industry standard value of 10%.
3. Based on the result of financial performance measurement of PT. Hacı Mitra Gas Sidrap, through analysis of financial statements using profitability ratios, shows that the company's ability to generate profits of each sell is still not good because the average value for 3 years is still under the industry standard value.

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