Financial Performance Analysis of PT A Based on Liquidity Ratio

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ABSTRACT

The research objective is to determine the financial performance of PT A from 2018 to 2022 in terms of the liquidity ratio. The type of data used in writing this final project report is quantitative data using secondary data, namely the financial position report from 2018 to 2022. The results of this study indicate that the financial performance of PT A is said to be in bad financial condition because the average liquidity ratio results are below industry standards. It can be concluded that PT A is an illiquid company and has an unfavorable financial condition.

Keywords:
Liquidity Ratio
Current Ratio
Cash Ratio

1. INTRODUCTION

In the current era of globalization, more and more companies are established in Indonesia. Every company must have a different financial plan. Today, all enterprises must compile reports on the economic development of enterprises over a certain period of time. Parties interested in the development of the company appear in the annual financial statements. Financial statements are essentially a source of information for investors as one of the fundamental factors in making investment decisions in the capital market and also as a tool of management accountability for the resources entrusted to them. The information obtained from the company's annual accounts depends on the degree of publication of the respective annual accounts. Financial statements are "reports that show the company's current financial condition or in a certain period" [1], [2].

The purpose of financial statements is "to provide information about the financial position, financial performance, and cash flow of entities that are useful for most report users in making economic decisions" [3], [4]. A company is in a balanced financial position when it can finance its operations and has no difficulty meeting its obligations to others, both in the short and long term. In addition, the more developed a company is, the more it is necessary to know to what extent it has achieved its financial results. A commonly used metric to analyze a company's financial performance is ratio analysis [5]. With the help of ratio analysis, the company can determine the current and future development of the company in such a way that it can be known whether the company's financial performance is correct or not [6], [7]. Ratios that are often used to measure a company's financial performance are liquidity, solvency, profitability, and activity ratios [8].
Liquidity ratio analysis is one of the methods used by companies and financial analysts to evaluate the ability of a company to meet its short-term obligations [9][10]. The liquidity ratio measures a company's ability to pay its short-term liabilities using current assets. This ratio gives an idea of the liquidity of the company, that is, the extent to which the company can quickly convert its current assets into cash to meet maturing obligations in the near future.

Liquidity ratio analysis is very important for companies because sufficient liquidity is a key factor in maintaining the continuity of company operations [11]. Companies can easily meet short-term obligations such as employee salary payments, inventory purchases, or debt repayment by having sufficient liquidity. Liquidity ratios are also used in financial analysis to evaluate the financial health of a company [12], [13]. A low liquidity ratio may indicate the presence of liquidity risk, that is, the inability of the company to pay its short-term obligations. This can indicate larger financial problems, such as poor cash flow problems or high levels of debt. Liquidity ratio analysis also allows comparisons between companies with competitors or similar industries [14].

A company can find out its liquidity position compared to its competitors by comparing liquidity ratios and competitive advantages in terms of liquidity. A company with a higher liquidity ratio than its competitors may have an advantage in terms of its ability to pay short-term obligations. However, it is worth remembering that no single liquidity ratio can give a complete picture of the financial state of a company. Liquidity ratio analysis should always be done in conjunction with other ratio analyses, such as profitability ratio, debt ratio, or activity ratio, to get a comprehensive picture of the company's financial health [15], [16].

As one of the companies that has been listed on the IDX (Indonesia Stock Exchange), of course, PT A must provide information related to the liquidity ratio, where this ratio will later determine how liquid or how much the company's ability to meet its current obligations using current assets owned by the company is. Not only to provide information to external parties, this analysis is carried out to measure the extent to which the company's performance has been in managing its working capital during the current period. PT A is one of the most competitive premium cocoa and chocolate companies in Indonesia, processing high-quality cocoa and chocolate from cocoa beans to the final products served on the shelves of cabinets. PT A was established in 2006 and became PT A in 2019. To evaluate the company's financial performance during the period 2018–2022, we can look at the liquidity ratio analysis, which includes ratios such as the current ratio, quick ratio, and cash ratio.

2. METHOD

2.1 Location and Time

Research has done at PT A, and data is coming from on The Indonesia Stock Exchange (IDX). This research was conducted over a period of approximately 5 months, namely from March 2023 to July 2023.

2.2 Data Types and Source

The type of data used in writing this research is quantitative data. Quantitative data is a research method based on positivistic (concrete) research data in the form of numbers to be measured using statistics as a calculation test tool related to the problem studied to produce a conclusion. Positivistic philosophy is used on specific populations or samples. Primary data is data obtained from respondents through questionnaires, focus groups, panels, or also data from interviews with resource person researchers. Secondary data is data obtained from records, books, and magazines. For example, data in the form of financial statements of company publications, government reports, articles, books as theories, magazines, and so on. The data source used in research is secondary data. Secondary data is data processed by PT A from 2018 to 2022.

2.3 Data Collection

The data collection used in research is document analysis. Document analysis is one of the most important methods of quantitative research to obtain data derived from written records. Data collection related to research variables was obtained by collecting data needed from 2018 to 2022.

2.4 Data Processing

The liquidity analysis processing used to calculate. It is based on quantitative-comparative research methods. The application of comparative research in this study is used to determine the comparison between liquidity ratios produced by companies from 2018 to 2022. Comparative research is research that compares the presence of one or more variables in two or more different samples or at different times. The ways to analyze or process data are as follows:

Financial Performance Analysis of PT A Based on Liquidity Ratio (Indri Dithisari)
1) Calculate liquidity ratios, namely current assets, cash and cash equivalents, fixed assets (cash and cash equivalents and receivables), current liabilities, total debt, and total assets.

2) Calculate liquidity ratios with tables and liquidity ratio figures with tables from 2018 to 2022 by comparing the previous year.

3) Interpret liquidity ratios with liquidity ratio tables and liquidity ratio graphs and compare them to industry ratio figures.

4) Summing up the results of the analysis of the highest and lowest liquidity ratios and their causes.

3. RESULTS

3.1. Data Collection Results

The variables present in the liquidity ratio are current assets, current debt, cash and cash equivalents, and inventories. The variable liquidity ratio can be seen in the following Table 1.

<table>
<thead>
<tr>
<th>Part</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current Assets</td>
<td>89,464,521,517</td>
<td>145,913,697,234</td>
<td>161,986,171,773</td>
<td>273,848,147,193</td>
<td>284,173,876,309</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>101,161,992,091</td>
<td>124,836,918,044</td>
<td>135,290,031,399</td>
<td>140,133,633,808</td>
<td>146,027,758,910</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>260,190,290</td>
<td>489,696,250</td>
<td>88,644,590</td>
<td>75,065,944,920</td>
<td>1,221,110,631</td>
</tr>
<tr>
<td>Supplies</td>
<td>33,904,281,544</td>
<td>57,820,845,432</td>
<td>76,910,896,783</td>
<td>79,881,572,808</td>
<td>94,138,505,136</td>
</tr>
</tbody>
</table>

Source: Financial Position Report of PT A (Data processed)

3.2. Data Processing Results

The data processing technique used is liquidity ratio analysis, and the analysis method used is the quantitative-comparative method. The analysis is carried out by comparing financial statements for several years so that it can be seen the comparison of companies from one year to the next.

1) Current Ratio

Based on the financial statement data obtained, the company's current ratio in 2018, 2019, 2020, 2021, and 2022 can be calculated using the following formula:

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%
\]

Current Ratio 2018 = 88.44%
Current Ratio 2019 = 116.88%
Current Ratio 2020 = 119.73%
Current Ratio 2021 = 195.42%

2) Cash Ratio

Based on the financial statement data obtained, the company's cash ratio in 2018, 2019, 2020, 2021, and 2022 can be calculated using the following formula:

\[
\text{Cash Ratio} = \frac{\text{Cash or Cash Equivalent}}{\text{Current Liabilities}} \times 100\%
\]

Cash Ratio 2018 = 0.26%
Cash Ratio 2019 = 0.39%
Cash Ratio 2020 =
3.3. Discussion

Based on the data processing above, it can be seen that there has been a percentage increase or decrease in the number of liquidity stations at PT A. Next, it will be depicted in graphs for the current ratio and cash ratio as in Figure 1 and Figure 2.

The current ratio in 2018 is 88.44%, it means that the total current assets account for 88.44% of the total current liabilities, or for every IDR 1.00 of current debt guaranteed by IDR 0.8844 of current assets. The current ratio figure in 2019 is 116.88%, it means that the amount of current assets is 116.88% of the total current liabilities, or for every IDR 1.00 of current debt guaranteed by IDR 1.1688 of current assets. The current ratio figure in 2020 is 119.73%, it means that the amount of current assets is 119.73% of the total current liabilities, or for every IDR 1.00 of current debt guaranteed by IDR 1.1973 of current assets. The current ratio in 2021 is 195.42%, it means that the total current assets are 195.42% of the total current liabilities, or for every IDR 1.00 of current debt guaranteed by IDR 1.9542 of current assets.

The cash ratio in 2018 is 0.26%, it means that the amount of cash and cash equivalents is IDR 0.0026 of the total current liabilities IDR 1.00 current liabilities are not guaranteed by IDR 0.0026 cash and cash equivalents. The cash ratio figure in 2019 is 0.39%, this means that the amount of cash and cash equivalents is IDR 0.0039 of the total current liabilities or for every IDR 1.00 current liabilities are not guaranteed by IDR 0.0039 cash and cash equivalents. The cash ratio figure in 2020 is 0.07%, this means that the amount of cash and cash equivalents is IDR 0.0007 of the total current liabilities or for every IDR 1.00 current liabilities are not guaranteed by IDR 0.0007 cash and cash equivalents. The cash ratio figure in 2021 is 53.57% or 0.5357: 1, this means that the amount of cash and cash equivalents is 53.57% of the total current liabilities or for every IDR 1.00 current liabilities guaranteed by IDR 0.5357 cash and cash equivalents. The cash ratio in 2022 is 0.84%, this means that the amount of cash and cash equivalents is IDR 0.0084 of the total current liabilities or for every IDR 1.00 current liabilities are not guaranteed by IDR 0.0084 cash and cash equivalents.
4. CONCLUSION

Based on the results of the data processing of PT A from 2018 to 2022, it can be seen that the liquidity ratio in the company is experiencing instability. In addition, PT A is said to have a bad financial condition because the average liquidity ratio is below industry standards. It can be concluded that PT A is an illiquid company and has an unfavorable financial condition.

ACKNOWLEDGEMENTS

The authors would like to thank you to Director of Politeknik Negeri Medan and P3M who have fully supported this research. This research has been funded by DIPA POLMED 2023.

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