International Journal of Research in Vocational Studies (IJRVOCAS)
Vol. 1, No. 1, April 2021, pp. 37~42

Operational Cash Flow Analysis of PT Waskita Beton Precast Tbk Financial Performance 2014-2018

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Article Info

Article history:

Received October 12, 2020
Revised February 10, 2020
Accepted April 25, 2021

Keywords:

Cash Flow
Financial Statement
Ratio Analysis
Operating
Management

ABSTRACT

This study aims to find the financial performance of PT Waskita Beton Precast Tbk during 2014-2018 in managing its operating cash flow. The analytical tool used in this study is ratio analysis. Types of ratio analysis used are operating cash flow ratios, a ratio of cash to interest coverage, ratio of cash to current debt ratio, ratio of capital expenditure, ratio of total debt, and the ratio of cash flow to net income. After calculating the cash flow ratio analysis, it can be concluded that for now, PT Waskita Beton Precast Tbk is still unable to be independent in capital expenditure. Despite that, PT Waskita Beton Precast Tbk has recorded a good improvement, therefore it can be estimated that in a few more years, the financial performance of PT Waskita Beton Precast Tbk will be very good

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1. INTRODUCTION

Investment is a promising activity at this time, besides being able to generate profits without working directly, investment can also be made by various groups, including retirees, civil servants, company employees, housewives, and even also investors who come from among students. Due to a large number of investors at this time, the presentation of information about company performance is an obligation for the company that must be given to investors and potential investors who will invest in the company.

Investments can be profitable when investors can understand how the performance of the company that will be given an injection of funds. Companies that have good financial performance will generate large profits, while companies with poor financial performance will generate smaller profits, and may even experience losses. To avoid losses in investing, investors must understand the contents of each financial report issued by the company.

The company's financial performance can be seen from the company's ability to manage the cash they have. Financial performance is a key indicator of operational achievements for a corporation. Financial indicators can help examine the financial conditions of corporations [1]. The cash flow statement is a financial report that contains information about the company's cash outflows and inflows in one accounting period. The categorizes cash flows as relating to operating, investing, or financing activities [2]. The cash flow statement can be used as an indicator of whether the company can finance all its operating activities using existing capital, or the company is forced to use loans to finance the entire company's operations.

Due to the lack of information about company performance that is easily understood by novice investors, the authors want to provide information about the effectiveness of company performance using cash flow ratio analysis, in this study the authors took the object of research in the form of an annual report on PT Waskita Beton Precast Tbk in 2018.

The Author chose PT Waskita Beton Precast as the object of research. PT Waskita Beton Precast Tbk. is a subsidiary of PT Waskita Karya Tbk. The reason the authors chose PT Waskita Beton Precast as the object of research was due to the financial performance of its parent company, namely PT Waskita Karya Tbk. inversely proportional to the financial performance of PT Waskita Beton Precast Tbk. which tends to experience a decline in profits in recent years. The difference in financial performance between the parent company and the subsidiary company made the author interested in finding the reasons why the decline in the financial performance of PT Waskita Beton Precast Tbk.

2. RESEARCH METHOD

Types of Research

This research method uses quantitative research methods, quantitative research is research that uses an objective approach, including collecting and analyzing quantitative data and using statistical testing methods. The quantitative research method used by the author in this study is to analyze the financial statements of PT Waskita Beton Precast Tbk and perform calculations using cash flow ratio analysis to find out how the company's financial performance in the previous few years and to prove that operating cash flows are of particular importance in the prediction of future operating cash flow [3].

Time of Research

Research This research was conducted from February 3, 2020, to June 30, 2020

Subject of Research

The subject of this study was PT Waskita Beton Precast Tbk which has its head office at Teraskita Building Jl. Lt. Gen. Mt. Haryono Kav. No. 10A, RT.11 / RW, 11, Cawang, Kramatjati, East Jakarta City, Special Capital Region of Jakarta.

Procedure of Research

The research procedure at PT Waskita Beton Precast Tbk starts from the problem formulation stage which is used as the research foundation, then performs data collection through literature study and study documents obtained from the internet, then the data that has been obtained from the official website of the Indonesia Stock Exchange will be processed using the cash flow ratio analysis formula.

Data, Instruments, and Data Collection Techniques

In this study, the authors used quantitative data as a reference. Quantitative data is data in the form of numbers. Following its form, quantitative data can be processed using statistical calculating techniques. Quantitative data are generally easier to understand when compared to qualitative data. Quantitative research methods involve the manipulation of the research field, a potentially careful choice of subjects (‘potentially’, because in quantitative research random sampling is frequent, so a careful choice of subjects is often hard to achieve in reality), and standardized data collection (e.g. in experiments in specially constructed laboratory situations). The data in quantitative research is considered reliable and replicable. It is ‘hard’ data, not ‘soft’ data. The use of test-statistically validated instruments is common, corresponding to postulates that results be objective, generalizable, and replicable [4]. Quantitative data can usually be explained by numbers. The author defines an unproductive or less productive understanding of quantitative data to be a schema that limits the reader's ability to interpret representations of cash flow data accurately [5].

The quantitative data used by the author is the financial statements belonging to PT Waskita Beton Precast Tbk from 2014 to 2018.

"Literature study is a series of activities relating to methods of collecting library data, reading and taking notes and processing research materials". The paper concludes with the results of the literature review, limitations of the study, and concluding remarks [6]. The literature study conducted by the author is by reading electronic books and reading journals related to cash flow ratio analysis and downloading the financial statements of PT Waskita Beton Precast Tbk which are on the official website of the Indonesia Stock Exchange.

Data Analysis Technique

The method used in data processing in this study is the cash flow ratio analysis method. The analysis of cash flow statements uses components in the cash flow statement and balance sheet components and income statement as a ratio analysis tool. The cash flow statement ratio analysis tool is needed to assess the Company's financial performance [7]. In the cash flow analysis method itself, several formulas are used according to the needs of the analysis [8], including the following:

a. Operating Cash Flow Ratio (AKO)

The operating cash flow ratio is the ratio used to calculate how much ability the company's operating cash flow to pay current liabilities.

$$AKO = \frac{Operating\ Cash\ Flow}{Current\ Liabilities}$$

b. Cash-to-Interest Coverage Ratio (CKB)

The cash-to-interest coverage ratio is a ratio that functions as a measure of the ability company to bear and pay interest on existing loans.

$$CKB = \frac{Operating\ Cash\ Flow + Bank\ Interest + Tax}{Bank\ Interest}$$

c. Cash to Current Liability Coverage Ratio (CKHL)

The cash-to-current debt coverage ratio is the ratio used to measure how much the company's ability to pay current loans based on the amount of net operating cash flows owned by the company.

$$CKHL = \frac{Operating\ Cash\ Flow + Cash\ Dividends}{Current\ Liabilities}$$

d. Capital Expenditure Ratio (PM)

Capital expenditure ratio is a ratio that serves to measure how much available capital a company has to invest and to pay off existing debt.

$$PM = \frac{Operating\ Cash\ Flow}{Capital\ Expenditure}$$

e. Total Debt Ratio (TH)

The ratio of total debt is the ratio of debt used to determine when to pay off a company's debt with the assumption that all operating cash flows are used to pay off debts.

$$TH = \frac{Operating\ Cash\ Flow}{Amount\ of\ Debt}$$

f. The ratio of Operating Cash Flow to Net Profit (LB)

The ratio of operating cash flow to net income is a ratio that serves to determine the progress or setbacks of accrual accounting adjustments and estimates in influencing the calculation of income net.

$$LB = \frac{Operating\ Cash\ Flow}{Net\ Profit}$$

3. RESULTS AND DISCUSSION

a. Description of Cash Flow of PT Waskita Beton Precast Tbk

Operational cash flow statement owned by PT Waskita Beton Precast Tbk. Record financial fluctuations which can be seen in the following table:

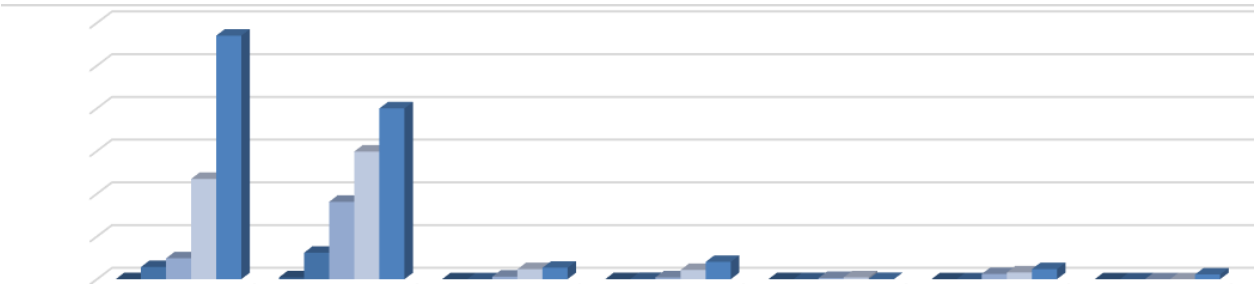
Table 1 Operational Cash Flow of PT Waskita Beton Precast

Year	Operational Cash Flow
2014	(IDR 85,007,000,000)
2015	(IDR 686,135,000,000)
2016	(IDR 3,034,905,000,000)
2017	(IDR 2,413,799,000,000)
2018	IDR 1,818,103,000,000

Source: PT Waskita Beton Annual Report Precast for 2018.

The financial fluctuation in table 1 shows that from 2015 to 2016 it continues to show a large negative cash flow, of course, this negative number is due to one thing. Negative operating cash flow is common for construction companies because payment for a project is made when the project is completed, so the company has to fund the entire cost to complete the project in question.

Details of the cash flow belonging to PT Waskita Beton Precast Tbk. The following is the data operating cash flow of the company from 2014 until 2018.



	Receipts from Customers	Payment to Suppliers	Expense Loan	Salaries	Interest Income	Tax Expense	Receipts Refunds Results VAT
2014	3.629.569.101	87.304.408.797	0	2.356.382.469	1.023.843.754	0	0
2015	573.118.833.27	1.238.658.566.	0	13.381.507.370	2.359.292.545	0	0
2016	978.966.203.75	3.620.933.382.	120.403.722.96	86.446.281.889	58.067.622.176	244.155.844.63	0
2017	4.693.276.446.	5.976.491.111.	469.743.788.35	431.922.927.23	87.893.613.760	316.810.905.50	0
2018	11.401.174.639	7.996.351.811.	536.712.675.80	810.222.569.29	9.308.815.329	472.052.995.67	222.959.929.38

Figure 1 Operational Cash Flow of PT Waskita Beton Precast Tbk in 2014-2018.

Figure 1 shows that annual operating cash flow activities have increased significantly in nominal terms. At first glance, the company has always recorded a satisfactory increase, except for interest income. Interest income in 2018 decreased by IDR 78,584,798,431 compared to 2017, this decrease was due to a decrease in demand deposit income of IDR 3,703,623,229 and company time deposits that have matured and only resulted in IDR 1,173,016,383, this figure shows a significant decrease. very drastic compared to 2017 which recorded income from time deposits of IDR 74,177,004,158

Calculation of PT Waskita Beton Precast Tbk's Operational Cash Flow Ratio Analysis Table 1 Results of Calculation of Cash Flow Ratio PT Waskita Beton Precast Tbk's operating cash flow ratio for 2014-2017 is quite disappointing because it continues to be in a negative number which indicates that the company cannot cover current liabilities owed by the company only with operating cash flow, but this situation is understandable

Tabel 2 Ratio Result.

No	Tahun	AKO	CKB	CKHL	PM	TH	LB
1	2014	(0,17)	0	(0,17)	(0,17)	(0,17)	(0,61)
2	2015	(0,27)	(76.703,8)	(0,27)	(0,3)	(0,23)	(2,1)
3	2016	(0,62)	(135,43)	(0,63)	(0,74)	(0,48)	(4,8)
4	2017	(0,32)	(4,04)	(0,28)	(0,4)	(0,32)	(2,41)
5	2018	0,25	5,11	0,35	0,26	0,24	1,65

Because PT Waskita Beton Precast Tbk was only established in 2014 and still uses loans to finance all operations carried out by the company because many projects are paid for after construction is completed, which means the company must bear all the costs collateral before payment from clients. In 2018 PT Waskita Beton Precast Tbk began to show fairly good management performance by recording an operating cash flow ratio of 0.23, this figure shows that the company can guarantee every one hundred rupiahs of current liabilities with twenty-three rupiah. Even though the company is still unable to pay off its current liabilities using operating cash flow, the 0.23 figure shows that PT Waskita Beton Precast Tbk has experienced an increase in operational cash flow management. The increase in operating cash flow was influenced by the payment of receivables for projects that were carried out in 2017. From the above statement, it can be concluded that the financial performance of PT Waskita Beton Precast Tbk in paying current liabilities is still not good but has shown an increase from the previous years. In most cases, if the quick ratio is below one, borrowers can’t pay

off current liabilities without Ratios Every Business Should Monitor 67 selling inventory. At a time when financial performance is deteriorating, the firm may be forced to sell inventory at below cost to pay existing obligations [9].

The ratio of cash to interest coverage owned by PT Waskita Beton Precast Tbk in 2014 was 0 because in 2014 the company still did not have interest expense. In 2015-2017, the turnover ratio of cash to interest coverage was always in a negative position, which meant that the company could not pay interest expenses using only operating cash flows. Even though it is always negative, the ratio of cash to interest coverage in 2015-2017 is always developing. In 2018 the company recorded a cash-to-interest coverage ratio of 5.11, which shows that the company can pay interest expenses of 5.11 times. Judging from the ratio of cash to interest coverage owned by PT Waskita Beton Precast Tbk shows that the company has experienced good development every year in the payment of interest expenses on all company loans.

The ratio of cash coverage to current debt owned by PT Waskita Beton Precast Tbk from 2014-2017 is always in a negative position because PT Waskita Beton Precast Tbk's operating cash flow is also in a negative position, so the company cannot depend only on operating cash flow to pay. current debt from the financial period 2014 to 2017. In 2018 PT Waskita Beton Precast Tbk began to be able to guarantee one hundred rupees of its current debt with 35 rupiahs, even though the ratio of cash coverage to current debt was still below the minimum ability to pay, the 2018 ratio showed a significant increase. satisfactory compared to the previous 4 years. The results of the calculation of the ratio of cash coverage to current debt owned by PT Waskita Beton Precast Tbk show that the company is still unable to pay current debts with fully operational cash flow. The capital expenditure ratio of PT Waskita Beton Precast Tbk from 2014-2017 is still in a negative position because operating cash flows are also in a negative position, so the company's ability to spend capital is still not good. Whereas in 2018, the value of the capital expenditure ratio of PT Waskita Beton Precast Tbk was recorded at 0.26 which proves that in every capital expenditure of IDR 100, IDR 26 of this capital is obtained from operating cash flows. This is understandable because construction service companies only receive payment after the project is completed, so it is common for construction service companies to have a lot of debt in every project work. From the above conclusions can be concluded that the company is still unable to be independent in preparing venture capital.

The ratio of total debt used to finance the capital structure would add a third party (as the creditor) [10], owned by PT Waskita Beton Precast Tbk recorded a negative number from 2014-2017. This negative figure is also influenced by operating cash flows that are in a negative position. The impact of negative cash flows affects all aspects of the operating cash flow ratio. Whereas in 2018, the total debt ratio of PT Waskita Beton Precast Tbk was 0.24 times, for every IDR 100 debt belonging to PT Waskita Beton Precast Tbk, the company could pay IDR 24 of the operating cash flow. This picture indicates that the company still cannot rely on operating cash flow to pay off the total existing debt. Although the total debt ratio of PT Waskita Beton Precast Tbk is still below standard, the increase from 2014 to 2018 shows that the financial performance of PT Waskita Beton Precast Tbk has increased every year.

The ratio of cash flow to net profit owned by PT Waskita Beton Precast from 2014-2017 still shows a negative number because the operating cash flow shows a negative number too, so the company is still unable to generate net profit from operating cash flow. The highest decline occurred in 2016 amounting to -4.8, although the company's net profit increased by Rp. 300,451,000,000, this ratio was influenced by the large negative number of operating cash flows, so that the increase in net income did not affect the increase in the cash flow ratio net income in 2016. In 2018, the ratio of cash flow to a net profit of PT Waskita Beton Precast Tbk showed a value of 1.65, which means the company's ability to generate net income is quite good. From the above opinion, it can be concluded that the ratio of the company's cash flow to the net profit of PT Waskita Beton Precast Tbk has begun to increase every year.

4. CONCLUSION

Conclusion

Based on the results of calculations using cash flow ratio analysis to assess how well the company's financial performance is in managing operational cash flow, here are some conclusions that can be drawn from the observations of the results of these calculations:

a. The cash flow description belonging to PT Waskita Beton Precast Tbk shows that in 2014 the company recorded a ratio of -0.17, then in 2015 it showed a decrease of 59%. In 2016 the company recorded a negative operating cash flow of at least IDR - 3,034,905,000,000. In 2017-2018, the company recorded a satisfactory increase in operational cash flow management, so it can be concluded that PT Waskita Beton Precast Tbk. has a good financial performance.
b. Of the overall cash flow ratios used to determine the financial performance of PT Waskita Beton Precast Tbk, most of them show an increase every year, The increase in cash holdings has important implications for corporate profitability, growth opportunities, and corporate risk [11]. so it can be

concluded that PT Waskita Beton Precast Tbk has a fairly good financial performance in managing the company's operating cash flow.

Suggestions

Based on some of the results of the research conducted by the author, here are some suggestions that are expected to help the company improve the company's financial performance:

a. The public should have a deeper understanding of the company's financial statements so that people can choose the right company to invest in.
b. Institutions should better facilitate students to conduct research, so that research conducted by students will be better and can be used as a reference by others.
c. Further research should focus more on the details of other cash flows so that more references are made to discuss the company's cash flows.
d. PT Waskita Beton Precast Tbk should focus more on attracting investors to invest as business capital and reducing loans to other parties, to reduce corporate debt and minimize company expenses to pay interest expenses. Thus the company will be able to be more independent in capital expenditures in each project work.

ACKNOWLEDGEMENTS

Alhamdulillahi rabil 'alamin, the researcher expresses his highest gratitude to Allah subhanahu wa ta'ala for blessing, love, opportunity, health, and mercy to complete this journal. This journal is entitled "Operational Cash Flow Analysis of PT Waskita Beton Precast Tbk Financial Performance 2014-2018".

In arranging this journal, a lot of people have provided motivation, advice, and support for the researcher. In this valuable chance, the researcher intended to express his gratitude and appreciation to all of them. First, the researcher's deepest appreciation goes to his beloved parents, his mother Murgiati for the endless love, prayers, and support, and his father Muhammad Ismadi for the phone call every week to remind me to keep going and never giving up.

The researcher presents his sincere appreciation goes to Rina Perbiana as the dean of Department Economics and Business of Politeknik Negeri Tanah Laut Also this journal would not have been possible without the help, support, and patience of his first advisor, Ms. Marliza Noor Hayatie for her supervision, advice, and guidance from the very early stage of this research as well as giving me extraordinary experiences throughout the past few years. Then to his second advisor who has helped him patiently finishing this undergraduate journal by giving suggestions, guidance, and correction until the completion of this journal.

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