



Analysis of Financial Ratio in Assessing Financial Performance

Edison Hamid

Sekolah Tinggi Ilmu Ekonomi Tribuana

Email: edisonvgh@yahoo.com

Article Info

Article History:

Received: July 30, 2021

Revised: August 27, 2021

Published: August 2021

e-ISSN: 2623-2324

p-ISSN: 2654-2528

DOI:10.5281/zenodo.5535037

Abstract:

This study aims to determine the financial performance of the company PT. Indofood Sukses Makmur, Tbk. With the financial ratio analysis method consisting of liquidity ratios including, current ratio, quick ratio and cash ratio, solvency ratio includes debt ratio and debt to equity, activity ratio includes receivable turn over, inventory turn over, fixed assets turn over and total asset turn over, and profitability ratios include gross profit margin ratio, net profit margin ratio, return of equity and return of assets. The data used in this research is secondary data. Data collection techniques using library techniques and documentation techniques. The data analysis technique used was quantitative descriptive analysis technique. Based on the results of data analysis and discussions that have been carried out at PT. Indofood Sukses Makmur, Tbk. 2015-2019, it can be concluded that the financial performance of PT. Indofood Sukses Makmur, Tbk. when viewed from the liquidity ratio of PT. Indofood Sukses Makmur, Tbk. which has been measured using CR and QR is non-liquid, while the Cash Ratio is liquid. The solvency ratio that has been measured using DAR and DER is not good. The activity ratio that has been measured using RTO, ITO, FATO, and TATO is not good. The profitability ratios that have been measured using GPM, NPM, ROE, and ROA are very good and efficient.

Keywords: financial statements, financial ratio analysis, company performance

INTRODUCTION

Since late 2019 until now, the world is being hit by the Covid-19 pandemic, almost the whole world has changed lifestyles, education, interactions to keep distance more so that it can prevent more transmission. (Tiara, 2021) Corona Virus Disease is a virus that has recently taken the world by storm. This virus was first reported by the Chinese government on December 31, 2019. At that time the WHO office in China received a report that there was a type of lung inflammation that caused it is still unknown.

Over time the Corona Virus Disease or COVID-19 pandemic has disrupted economic, social, and political activities almost throughout the world. Indonesia is one of the countries affected by COVID-19 which has spread since early March 2020. This virus outbreak is continuously increasing until the government and the World Health Organization (WHO) create a "Social Distancing" program or social restrictions. In this situation, activities outside the home began to be slowly limited by switching to online methods.

Measures to prevent the spread of COVID-19 have made the Indonesian economy and even the world slow down significantly. Some companies also enforce their employees to work from home which is then known as work from home (WFH).

This makes companies to develop strategies in order to compete and be able to develop in the industrial world at this time. The company is a form of organization that generally has goals to be achieved in its business and fulfills the interests of its members. The success of a company can be measured by the performance of the company that is able to generate the desired profit or profit.

The company's financial performance is a description of the financial condition of a company which is analyzed with financial analysis tools, with which the company can find out whether the company's financial condition is good or bad which reflects the company's performance in a certain period. One of the ways used to assess and measure financial performance is to look at the condition of the financial statements. By looking at the financial statements of a company, the activities of a particular company will be described.

Assessment of company performance in a company is one way that can be done by management so that it can fulfill obligations to funders and also to achieve goals that have been set by the company. The assessment of the company's performance that arises as a result of the management decision-making process is a complex issue because it involves the effectiveness of the use of capital and the efficiency of the company's activities concerning the value and security of various demands that arise against the company.

According to Edison (2016:146) "Performance is the result of a process that refers and is measured over a certain period of time based on pre-determined provisions or agreements".

Financial statement analysis is very important to know and assess the company's health level. The company's ability can be seen in paying its debts, both long-term and short-term debt, optimally utilizing the assets owned and the company's ability to earn profits, both in sales, assets, and share capital.

Financial statements are basically the result of the accounting process that can be used as a tool to communicate between financial data or the activities of a company and parties with an interest in financial position. In general, financial statements are needed to measure the results of operations and the development of the company from time to time to find out the extent to which the company has achieved its goals.

In assessing the company's financial performance, we can analyze the financial statements by measuring financial ratios, including liquidity ratios, solvency ratios, activity ratios, and profitability ratios. Financial ratios are useful for evaluating the company's financial position, and financial operations as well as an overview of the results of the company's overall financial performance.

It can be found that a company can measure the company's financial performance by means of financial ratio analysis in financial statements including income statements, balance sheets and cash flow statements, so that the company can find out the level of effectiveness and efficiency in using resources and capital in the company's activities.

METHODS

The research method used in this study is a qualitative descriptive method. The purpose of this research is to make a systematic, factual and accurate description, picture, or painting of the facts, properties and relationships between phenomena that occur during the research by presenting what actually happened. Secondary data used in this study is in the form of data - data financial statements of PT. Indofood Sukses Makmur Tbk is listed on the Indonesia Stock Exchange (IDX) through the official website, namely www.idx.co.id for the 2015-2019 period.

RESULT AND DISCUSSION

Result

1. Liquidity Ratio

a. Current Ratio (Current Ratio)

Based on the results of the calculation of the current ratio of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the current ratio of PT. Indofood Sukses Makmur Tbk was 170.5%, then in 2016 it was 150.8%, in 2017 it was 152.2%, in 2018 it was 106.6% and in 2019 it was 127.2%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average current ratio for 5 years, namely 2015-2019 of 139%. According to table 3.2 industry standard results of liquidity analysis with the current ratio formula (Current Ratio) at PT. Indofood Sukses Makmur, Tbk is still considered not good, because the results of 139% are below 200%.

b. Quick Ratio (Quick Ratio)

Based on the results of the quick ratio calculation of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the fast ratio of PT. Indofood Sukses Makmur Tbk was 140.1%, then in 2016 it was 106.7%, in 2017 it was 107%, in 2018 it was 69.3% and in 2019 it was 88%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average fast ratio for 5 years, namely 2015-2019 of 100.3%. According to table 3.2 industry standard results of liquidity analysis with the quick ratio formula (Quick Ratio) at PT. Indofood Sukses Makmur, Tbk is still considered not good, because the results of 100.3% are below 150%.

c. Cash Ratio

Based on the results of the calculation of the cash ratio of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the cash ratio of PT. Indofood Sukses Makmur Tbk by 52%, then in 2016 by 69.5%, in 2017 by 63.2%, in 2018 by 28.2% and in 2019 by 55.6%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average cash ratio for 5 years in 2015-2019 of 51.4%. According to table 3.2 industry standard results of liquidity analysis with the formula cash ratio (Cash Ratio) at PT. Indofood Sukses Makmur, Tbk is considered good, because the results of 51.4% are above 50%.

2. Solvency Ratio

a. Ratio of Total Debt to Total Assets (Debt To Asset Ratio)

Based on the results of the calculation of the ratio of debt to total assets of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the ratio of debt to total assets of PT. Indofood Sukses Makmur Tbk by 53%, then in 2016 it was 46.5%, in 2017 it was 46.7%, in 2018 it was 48.2% and in 2019 it was 43.6%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average debt-to-total-asset ratio for 5 years in 2015-2019 of 47.6%. According to table 3.3 industry standards solvency analysis results with the formula for the ratio of debt to total assets (Debt To Total Asset Ratio) at PT. Indofood Sukses Makmur, Tbk is considered less good, because the results of 47.6% are above 35%.

b. Debt to Equity Ratio (Debt To Equity Ratio)

Based on the results of the calculation of the debt to equity ratio of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the debt to equity ratio of PT. Indofood Sukses Makmur Tbk amounted to 112.9%, then in 2016 it was 87%, in 2017 it was 87.6%, in 2018 it was 93.3% and in 2019 it was 77.4%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average debt-to-equity ratio of 91% for 2015-2019. According to table 3.3 industry standards solvency analysis results with the formula debt to equity ratio (Debt To Equity Ratio) at PT. Indofood Sukses Makmur, Tbk is considered less good, because the results of 91% are above 90%.

3. Activity Ratio

a. Receivable Turn Over Ratio

Based on the results of the calculation of receivables turnover of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the receivables turnover of PT. Indofood Sukses Makmur Tbk was 12.5 times, then in 2016 it was 12.8 times, in 2017 it was 10.2 times, in 2018 it was 11.1 times and in 2019 it was 12.8 times.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average receivables turnover for 5 years, namely 2015-2019 of 11.8 times. According to table 3.4, the industry standard activity ratio with the Receivable Turn Over Ratio formula at PT. Indofood Sukses Makmur, Tbk is still considered not good enough, because the result of 11.8 times is under 15 times.

b. Inventory Turn Over Ratio

Based on the calculation of inventory turnover of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the inventory turnover of PT. Indofood Sukses Makmur Tbk amounted to 8.3 times, then in 2016 it was 7.8 times, in 2017 it was 7.1 times, in 2018 it was 6.3 times and in 2019 it was 7.9 times.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average inventory turnover for 5 years, namely 2015-2019 of 7.4 times. According to table 3.4 the industry standard activity ratio with the inventory turnover formula (Inventory Turn Over Ratio) at PT. Indofood Sukses Makmur, Tbk is still considered not good enough, because the results of 7.4 times are below 20 times.

c. Fixed Assets Turn Over

Based on the calculation of the fixed asset turnover of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the turnover of fixed assets of PT. Indofood Sukses Makmur Tbk amounted to 2.55 times, then in 2016 it was 2.3 times, in 2017 it was 1.77 times, in 2018 it was 1.73 times and in 2019 it was 1.77 times.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average fixed asset turnover for 5 years, namely 2015-2019 of 1.96 times. According to table 3.4 industry standard activity ratio with fixed asset turnover formula (Fixed Assets Turn Over Ratio) at PT. Indofood Sukses Makmur, Tbk is still considered not good enough, because the result of 1.96 times is below 5 times.

d. Total Asset Turn Over

Based on table 4.10 the results of the calculation of the total asset turnover of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the total asset turnover of PT. Indofood Sukses Makmur Tbk was 0.69 times, then in 2016 it was 0.81 times, in 2017 it was 0.79 times, in 2018 it was 0.76 times and in 2019 it was 0.79 times.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average total asset turnover for 5 years, namely 2015-2019 of 0.77 times. According to table 3.4 the industry standard activity ratio with the formula for total asset turnover (Total Assets Turn Over Ratio) at PT. Indofood Sukses Makmur, Tbk is still considered not good enough, because the result of 0.77 times is under 2 times.

4. Profitability Ratio

a. Gross Profit Margin (Gross Profit Margin)

Based on the results of the calculation of the gross profit margin ratio of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the gross profit margin ratio of PT. Indofood Sukses Makmur Tbk was 26.9%, then in 2016 it was 29.1%, in 2017 it was 28.1%, in 2018 it was 27.5% and in 2019 it was 29.6%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average gross profit margin ratio of 28.3% for 2015-2019. According to table 3.5 industry standard results of profitability analysis with the gross profit margin ratio formula (Gross Profit Margin Ratio) at PT. Indofood Sukses Makmur, Tbk is considered very good, because the results of 28.3% are above 24.9%.

b. Net Profit Margin (Net Profit Margin)

Based on the results of the calculation of the net profit margin ratio of PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the net profit margin ratio of PT. Indofood Sukses Makmur Tbk by 5%, then in 2016 by 7.2%, in 2017 by 7.3%, in 2018 by 6.7% and in 2019 by 7.7%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average net profit margin ratio for 5 years, namely 2015-2019 of 6.8%. According to table 3.6 industry standard results of profitability analysis with the net profit margin ratio formula (Net Profit Margin Ratio) at PT. Indofood Sukses Makmur, Tbk is considered very good, because the results of 6.8% are above 3.92%.

c. Return Of Equity (ROE)

Based on the results of the calculation of the ratio of return of equity (ROE) PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the ratio of return of equity (ROE) of PT. Indofood Sukses Makmur Tbk was 7.3%, in 2016 it was 11.2%, in 2017 it was 11.7%, in 2018 it was 10.5% and in 2019 it was 11.8%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average return of equity (ROE) ratio for 5 years, namely 2015-2019 of 8.8%. According to table 3.7 the industry standard results of profitability analysis with the return of equity (ROE) formula at PT. Indofood Sukses Makmur, Tbk is considered very good, because the results of 8.8% are above 8.32%.

d. Return Of Assets (ROA)

Based on the results of the calculation of the ratio of return of assets (ROA) PT. Indofood Sukses Makmur Tbk for 5 years, it can be seen that in 2015 the ratio of return of assets (ROA) of PT. Indofood Sukses Makmur Tbk was 3.5%, then in 2016 it was 5.9%, in 2017 it was 5.8%, in 2018 it was 5.1% and in 2019 it was 6.1%.

So it can be concluded that PT. Indofood Sukses Makmur Tbk has an average return of asset (ROA) ratio for 5 years, namely 2015-2019 of 5.2%. According to table 3.8 industry standards the results of profitability analysis with the return of assets (ROA) formula at PT. Indofood Sukses Makmur, Tbk is considered good, because the results of 5.2% are between 4.99% - 5.97%.

DISCUSSION

In this study the authors conducted an analysis of financial ratios in assessing financial performance at PT. Indofood Sukses Makmur Tbk for 5 years starting from 2015 to 2019, which was measured using 4 types of financial ratios, namely (1) Liquidity Ratio represented by current ratio, quick ratio, and cash ratio, (2) Solvency Ratio which is represented by the ratio of debt to fixed assets and the ratio of debt to equity or capital, (3) Activity Ratio which is represented by receivables turnover, inventory turnover, fixed asset turnover, and total asset turnover, and (4) Profitability Ratio which is represented by profit margin gross, net profit margin, return on investment (ROI), return of equity (ROE) and return of assets (ROA).

Based on the liquidity ratio analysis of PT. Indofood Sukses Makmur Tbk, which is seen from the current ratio and the quick ratio, can be considered less good because it has not been able to pay its current debts with its current assets and the number of inventories and inventories cannot necessarily be sold, but if viewed from the cash ratio of PT. Indofood Sukses Makmur is considered very good because the company is able to pay its current debts with its cash. Based on the analysis of the solvency ratio of PT. Indofood Sukses Makmur Tbk can be considered unfavorable because it has not been able to pay off its total debt with total assets and capital owned. Based on the activity ratio of PT. Indofood Sukses Makmur Tbk can be considered less good because it has not been able to process receivables, inventories, total fixed assets, and total assets owned in increasing sales. Based on the profitability ratio of PT. Indofood Sukses Makmur Tbk can be considered very good because it is able to process sales, total assets, and owned equity in increasing profits.

The results of this study support the old theory according to Kasmir that liquidity ratios, solvency ratios, activity ratios and profitability ratios can assess financial performance.

CONCLUSION

Financial performance of PT. Indofood Sukses Makmur Tbk when viewed from the liquidity ratio with an average current ratio (Current Ratio) and a quick ratio (Quick Ratio) of 100.3% can be considered less, but if viewed from the cash ratio (Cash Ratio) with an average of 51.4% got a very good score, the solvency ratio when viewed from the debt to total assets ratio (Debt Of Total Assets) the results obtained were 47.6% and the debt to equity ratio (Debt Of Equity) of 91% the company was considered still not enough. In the activity ratio, PT. Indofood Sukses Makmur can be considered unfavorable because the results obtained from the calculation of accounts receivable turnover of 11.8 times, inventory turnover of 7.4 times, fixed asset turnover of 1.96 times, and total asset turnover of 0.77 times. While the profitability ratio of PT. Indofood Sukses Makmur Tbk, can be considered very good because it gets results above the industry average.

Of all types of financial ratios used in assessing the financial performance of PT. Indofood Sukses Makmur Tbk for 5 years, namely from 2015 – 2019, PT. Indofood Sukses Makmur Tbk, is still considered unfavorable because the results obtained from the calculation of

financial ratios are dominated by the calculation results which are still below the industry average.

REFERENCES

- Arikunto, Suharsimi. 2013. *Prosedur Penelitian: Suatu Pendekatan Praktek*. Jakarta: Rineka Cipta
- Edison, Emron, dkk. 2016. *Manajemen Sumber Daya Manusia*. Cetakan Kesatu April 2016. Bandung: Alfabeta.
- Hamid, E. (2020). Analisis Perputaran Persediaan Terhadap Profitabilitas Pada PT Gudang Garam Tbk. Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Proaksi*, 7(2), 15-24.
<https://doi.org/10.32534/jpk.v7i2.1158>
- <https://www.idx.co.id/perusahaan-tercatat/laporan-keuangan-dan-tahunan/>
<https://www.indofood.com/menu/financial-statements>
- Noviarini, T. (2021). Dampak Pandemi Covid-19 Terhadap Sikap Pembelajaran Bahasa Pada Mahasiswa Universitas Mitra Karya Bekasi. *Jurnal Ilmiah Wahana Pendidikan*, 7(1), 75-81. <https://doi.org/10.5281/zenodo.4444307>