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Financial Statement Analysis to Assess Company Financial Performance

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Abstract

PT Shinrai Indonesia is one type of distributor company engaged in the marketing of products, especially food support materials. Therefore, the purpose of this study is to determine the financial condition and developments occurring within the company, to identify problems or problems in the company's finances by providing inputs and suggestions that can assist in overcoming weaknesses and to support management policies that have been implemented. set together. The research method carried out by the author is library research by taking references from books that are closely related to the subject matter and research objects, both from the library and from other sources. And field research (field research) by collecting data from companies. Based on the results of research on the financial statements of PT Shinrai Indonesia from 2014 – 2018, it can be seen that in 2014 the company had fairly good financial ratios, both for liquidity ratios, activity ratios, profitability and solvency ratios. The conclusion that can be drawn by the author is that the state of the company from 2014 to 2018 has decreased and increased for all ratios used, although there are several ratios that have improved for that year therefore it is necessary to do better handling for the progress of the company. In addition, the profits contained in the company also tend to experience a small increase from 2014 - 2018. Based on these conclusions the authors suggest the company to take various corrective actions, including negotiating with creditors to extend or reschedule payments on debt, increase the level of sales, do more vigorous promotion

I. Introduction

Financial problems are one of the most vital problems for companies in their business development. The main purpose of establishing a company is to get as much profit or profit as possible. The profits earned by the company are used again to finance activities in the company every day. The development or failure of a business run by a company depends on the role of financial management in managing its business.

The company's ability to generate profits or profits is the key to the success obtained by the company and can be used as a measure of the level of development of the company during the company's establishment.

Financial statements are basically a source of information regarding the company's financial position and financial performance. The financial data is further analyzed so that information will be obtained that can support the decisions made. This financial report must describe all relevant financial data and procedures have been established so that financial statements can be compared so that the level of accuracy of the analysis can be accounted for.

Financial analysis and interpretation categorizes several techniques and analytical tools that can be used to produce useful information for internal and external parties related to the company. For management, the information obtained serves as one of the basic considerations in the decision-making process of coordinating and controlling the company. In fact, often these analytical tools have not been utilized by companies. Strategic decision making in companies is

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often carried out by business founders and the decisions taken are personal, courageous and high risk. In the short term decision-making in this way is quite successful but for the long term and along with the growth of the company this method is not adequate. This means that the utilization of financial reports as a source of information for managers in making planning and controlling decisions has not been carried out optimally even though making decisions based on financial performance is a must for every company.

In general, the measure that is often used in the analysis of financial statements is to use financial ratios. Financial ratio analysis is a company performance analysis instrument that explains various company relationships and indicators to show changes in financial condition or operating performance in the past and helps describe trends in these patterns of change, then shows the risks and opportunities inherent in the company concerned. By using these methods and techniques, it can be seen the development of a company for now and in the future. According to Herry (2015:161), financial ratios are numbers obtained from the comparison of one financial statement post with other financial statement posts that have a relevant and significant relationship.

According to Munawir (2010:5), in general, the financial statements consist of a balance sheet and the calculation of profit and loss as well as a report on changes in equity. The balance sheet shows / describes the total assets, liabilities and equity of a company at a certain date. While the income statement (report) shows the results that have been achieved by the company and the expenses incurred during a certain period, and the statement of changes in equity shows the sources and uses or reasons that cause changes in the company's equity.

According to Fahmi (2014) financial performance is an analysis carried out to see the extent to which a company has implemented it using financial implementation rules properly and correctly. Financial performance can be seen from the ability of management to improve company performance and improve financial conditions in terms of efficiency or management planning for the company's success in fulfilling its obligations. Financial performance information is needed to assess potential changes in economic resources that may be controlled in the future. Performance information is useful for predicting the company's capacity to generate cash flow from existing resources. In addition, the information is useful in formulating considerations about the effectiveness of the company in utilizing additional resources.

This financial performance assessment is not only useful for managers as a tool in decision making, but is also useful for interested parties such as company owners, investors and potential investors, as well as creditors and potential creditors. Performance measurement is also carried out to determine whether the company in carrying out its operations is in accordance with the plans and objectives that have been set.

The company's financial performance is so important that it is very useful for management to continue to know the company's financial condition, including the increase in operating profit and other financial posts. With good company performance, it is expected to be able to achieve short-term and long-term goals, as well as maintain the viability of the company from profitable business results.

PT Shinrai Indonesia is engaged in the distribution of supporting materials for food products and is still classified as a new company category. Therefore, the author wants to conduct an analysis of the existing financial statements of PT Shinrai Indonesia because this analysis has never been done. This is the first time this has been done with the support of previous research theories of a similar type.

II. Related Works/Literature Review (Optional)

Financial Statement Analysis

According to Kasmir (2012:66) in his book Financial Statement Analysis states that:
Financial statement analysis is an analytical tool for comprehensive company financial management, can be used to detect/diagnose the company's health level, through analysis of cash flow conditions or company organizational performance, both partial and overall organizational performance. Financial statement analysis is generally carried out by capital buyers such as creditors, investors, and by the company itself related to managerial interests and company performance appraisals.

According to Irham Fahmi (2011:44) in his book Financial Performance Analysis states that: "Financial Ratio is a company financial analysis tool to assess the performance of a company based on a comparison of financial data contained in financial statement posts (balance sheet, profit or loss statement, cash flow statement). The ratio describes a relationship or balance (mathematical relationship) between a certain amount and another amount.
According to Kasmir in the book Analysis of Financial Statements states that:
"Financial ratios are activities to compare the numbers in the financial statements by dividing one number by another."
The definition of Financial Performance according to Irham Fahmi (2011:2) in his book Financial Statement Analysis states that:

"Financial performance is an analysis carried out to see the extent to which a company has implemented it by using financial implementation rules properly and correctly".

III. Methods

Literature Studies (Library Research
In the literature study, the authors obtain data by studying theories from books, lecture notes and literature that are directly related to the topic of the thesis problem in order to obtain information that needs to be known, mastered and used as a basis in the preparation of the thesis. The results of this study can be used to compile theoretical matters relating to the object of research.
Field research (field research)
This research was conducted by visiting the company that became the main research object. The purpose of this field research is to better understand and explore the problems faced by the company which will be used as topics in the discussion of this thesis. Through this field research, it is hoped that the data and information obtained will be more accurate.

Data source
1. Primary data, namely data obtained from direct sources based on the results of interviews and questionnaires.
2. Secondary data, namely data obtained based on the study of reading sources used in analyzing the problem under study.

Data Type
1. Qualitative data is data that is presented in the form of verbal words not in the form of numbers.
2. Quantitative data is a type of data that can be measured or calculated directly, in the form of information or explanation expressed in numbers or in the form of numbers.

IV. Results

Ratio Type	Formula	2014	2015	2016	2017	2018
1. Rasio Likuiditas						
Current Ratio	$\frac{Current\ assets}{\text{Current Obligations}}$	12,20	9,29	6,56	2,73	2,45
Quick Ratio	$\frac{Current\ a\text{Current Assets}}{\text{Current Obligations}}$	4,80	3,91	3,24	1,19	1,18
Cash Ratio	$\frac{Cash\ or\ Cash\ equivalents}{\text{Current Obligations}}$	0,69	0,65	0,66	0,25	0,17
2. Rasio Aktivitas						
Fixed Assets Turn Over	$\frac{Sales}{\text{Total Fixed Assets}}$	1,05	1,58	2,96	3,15	3,40
Total Assets Turn Over	$\frac{Sales}{\text{Total Assets}}$	0,50	0,72	1,09	0,95	0,85

Receivable Turn Over Days Of Receivable	$\frac{Sales}{\text{Accounts Receivable}}$ $\frac{365}{\text{Accounts Receivable}}$	5,74 64 hari	7,62 48 hari	8,78 42 hari	7,95 46 hari	5,54 66 hari
Inventory Turn Over Days Of Inventory	$\frac{\text{Cost } of\ Goods\ Sold}{\text{Average } Inventory}$ $\frac{365}{\text{Inventory turnover}}$	2,71 135 hari	3,93 93 hari	5,86 63 hari	4,11 89 hari	3,75 98 hari
3. Rasio Profitabilitas						
Net Profit Margin	$\frac{\text{Net Profit}}{Sales}$	5,82%	5,71%	8,99%	8,88%	9,10%
ROA (Return on Assets)	$\frac{\text{Net Profit}}{Total\ Asset} x100$	2,94%	4,13%	9,84%	8,99%	8,22%
ROE (Return on Equity)	$\frac{\text{Net Profit}}{Total\ Asset} x100$	17,48%	21,12%	39,54%	33,00%	26,95%
4. Rasio Solvabilitas						
Debt To Total Assets	$\frac{Total\ Debt}{Total\ Asset}$ Total Asset	57,10%	53,35%	43,60%	39,51%	33,73%
Debt To Total Equity	$\frac{\text{Total Debt}}{Total}$	3,40	2,73	1,75	1,54	1,17
Time Interest Earning	$\frac{EBIT}{\text{Interest Expense}}$	596,86	615,67	888,74	16,49	17,97

RESULTS OF FINANCIAL RATIO ANALYSIS

A. Liquidity Analysis

Liquidity analysis is an analysis that measures the components of a company to meet its short-term obligations as they fall due. Liquidity analysis consists of:

1. Current ratio

The Current Ratio in 2014 is the best ratio when compared to the current ratio in the following years. In 2014 the current ratio was 12.2 times, where this year the company's current assets were able to cover its current liabilities. This value can be interpreted that one rupiah of liabilities is guaranteed by 122% of current assets, then in 2015 the current ratio is in the position of 9.29 times. In 2016 the current ratio was at 6.56 times, in 2014 it decreased to 2.73 times and in 2018 it became 2.45 times. From a comparison of five periods, it can be seen that there was a decrease in the current ratio from 2014 to 2018. The declining current ratio indicates that the management of current assets is not good because there are still many idle assets.

2. Quick ratio
   The Quick Ratio in 2014 is the best ratio when compared to the current ratio in the following years. In 2014 the fast ratio was 4.80 times, then in 2015 the current ratio was in the position of 3.91 times. In 2013 the current ratio was at 3.24 times, in 2014 it decreased to 1.19 times and in 2018 to 1.18 times. In 2014, the position of total current liabilities could be fully covered by very current assets when compared to the following years. The quick ratio of one indicates that the fast asset guarantee is inadequate because it does not take into account the possibility of a decline in fast assets. The quick ratio that ranges from 1 to 2 indicates that assets that are quickly cashed out are sufficient to pay obligations that are due in the short term.
3. Cash ratio
   Cash Ratio in 2014 is the best ratio when compared to the cash ratio in the following years. In 2014 the cash ratio was 0.69 times, then in 2015 the cash ratio was at 0.65 times. In 2016 the cash ratio was at 0.66 times, in 2014 it decreased to 0.25 times and in 2018 it was 0.17 times. This shows that the company in 5 years can pay its current debts with cash and banks, although not in full.

B. Activity Analysis
   Activity analysis is an analysis that measures the effectiveness of the company in using its resources. The ratios in activity analysis are:
1. Fixed asset turnover
   In 2014, the fixed assets turnover of PT Shinrai Indonesia was 1.05 times, in 2015, decreased by 1.57 times, in 2016, decreased by 2.96 times, in 2014 decreased by 3.14 times , and in 2018 it decreased by 3.39 times. This shows that the company is less able to manage its assets effectively every year.
2. Total assets turnover
   In 2014 the total assets turnover of PT Shinrai Indonesia was 0.50 times, in 2015 the total assets turnover decreased by 0.72 times, in 2016 the total assets turnover decreased by 1.09 times, in 2017 the total assets turnover decreased by 0.95 times, and in 2018 it increased by 0.85 times.
3. Account Receivable Turnover
   PT Shinrai Indonesia in 2014 had an account receivable turnover of 5.74 times with an average receivables collection of 63 days, in 2015 it increased to 7.62 times with an average receivables collectible of 48 days, in 2016 it had an account receivable turnover of 8.78 times with an average of 41 days of collectibles, in 2014 it decreased to 7.95 times with an average of 46 days of collectibles, in 2018 it increased to 5.54 times with an average of 65 days of collectibles . This shows that the collection of receivables by the company's management has not been stable because the decline has decreased quite large and is not in accordance with the industry average.
4. Inventory turnover
   PT Shinrai Indonesia 2014 had an inventory turnover of 2.71 times with an average inventory of 133 days, in 2015 an increase of 3.93 times with an average inventory of 92 days, in 2013 an increase of 5.86 times with an average – average inventory of 62 days, in 2014 it decreased by 4.11 times with an average inventory of 88 days, and in 2018 it decreased again by 3.75 times with an average inventory of 96 days. This shows that there is an improvement in management in controlling capital turnover in the company which is quite good.

C. Profitability analysis
   Probability analysis is also known as profitability analysis, which is an analysis that describes the company's ability to earn a profit through all existing capabilities and sources such as sales, cash, capital and investment activities. The ratios used in probability analysis are:
1. Net Profit Margin
   In 2014, PT Shinrai Indonesia's net profit margin was 5.82%, in 2015 it decreased to 5.71%, in 2016 it increased to 8.99%, in 2014 it decreased to 8.88%, and in 2015 it increased to 9.10%. This shows that the company experienced an increase from 2014 to 2016 and was able to generate net income from sales, but in 2014 the company experienced a decline due to an increase in operating costs.
2. Return on Assets
   In 2014, the return on assets of PT Shinrai Indonesia was 2.94%. So for every one rupiah the company is able to manage each of its assets to earn a profit of Rp. 0.0294. Meanwhile, in 2015 it increased to 4.13%, so for every one rupiah the company is able to manage each of its assets to earn a profit of Rp. 0.0413. Meanwhile, in 2016 it increased to 9.84%. So for every one rupiah the company is able to manage each of its assets to earn a profit of Rp. 0.0984. Meanwhile, in 2014 it decreased to 8.99% So for every one rupiah the company is able to manage

each of its assets to earn a profit of Rp. 0.09 , and while in 2015 it decreased by 8.22% So every one rupiah the company is able to manage each of its assets to earn a profit of Rp. 0.0822. This shows that the company has increased from 2014 to 2016 because the company is able to manage each of its assets to earn profits efficiently and in 2014 it decreased due to the influence of the company's operating costs which grew in 2014.

3. Return on Equity
   In 2014, PT Shinrai Indonesia's return on equity was 17.48%, in 2015 it increased by 21.12%, in 2013 it increased by 39.54%, in 2014 it decreased by 33%, and in 2014. 2015 decreased by 26.95%. This shows that the company experienced an increase from 2014 to 2016 because the company was able to manage its own capital to generate profits and in 2014 to 2015 it decreased due to an increase in the company's total equity in 2014 and 2018. It can be concluded that the company is less able to provide a rate of return. which is higher for shareholders compared to investments in deposits or savings.

D. Solvency Analysis
   The leverage ratio is also known as the solvency ratio. Leverage ratio or solvency ratio is a ratio to determine the company's ability to pay obligations if the company is liquidated. The ratios used in the solvency analysis are:

1. Debt To Total Assets Ratio
   In 2014, PT Shinrai Indonesia's Debt To Total Assets Ratio was 57.10%, in 2015 it decreased to 53.35%, in 2016 it decreased to 43.60%, in 2014 it decreased to 39.51 % , and in 2015 it increased to 33.73%. This shows that the company has decreased from 2014 to 2018 if the industry standard for the Debt Ratio is 35%, it can be concluded that the company shows that its financial performance is included in the good category.

2. Debt to Total Equity Ratio
   In 2014, PT Shinrai Indonesia's Debt To Total Equity Ratio was 3.40, in 2015 it decreased to 2.73, in 2013 it decreased to 1.75, in 2014 it decreased to 1.54, and in 2014 it decreased to 1.54. in 2015 increased to 1.17. This shows that the company experienced a decline from 2014 to 2018. The higher this ratio will indicate poor performance for the company. However, because the company has a lower ratio every period, this shows that the company's financial performance can be considered quite good.
3. Time Interest Earning Ratio
   In 2014, PT Shinrai Indonesia's Time Interest Earning Ratio was 596.86, in 2015 it increased to 615.67, in 2013 it increased to 888.74, in 2014 it decreased to 16.49, and in 2014. 2015 has increased to 17.97. This shows the results of a comparison of the company's ability to pay interest and debt. If in general the standard measurement of Time Interest Earning Ratio is 1.5, it means that the company is able to meet its interest obligations every year with operating profit.

V. CONCLUSIONS

Based on the results of the analysis of the financial statements of PT Shinrai Indonesia in terms of liquidity ratios, activity ratios, profitability ratios, and solvency ratios in 2014 to 2018, the following conclusions can be drawn:

a. Liquidity Ratio
   During the period 2014 to 2018 PT Shinrai Indonesia experienced an increase and decrease in the components in the financial statements, namely the Balance Sheet and Income Statement. In terms of liquidity, the company is said to be in the most liquid condition in 2014. Because 2014 compared to the other four years has the highest ratio results, both Current Ratio, Quick Ratio and Cash Ratio. Thus, it can be seen that the company is in a fairly liquid state and is able to pay its obligations with cash and banks owned by the company during 2014 to 2018 although not completely.
b. Activity Ratio
   The financial performance of PT Shinrai Indonesia is based on the ratio of Fixed Assets Turn over and its Total asset turnover in 2014 to 2018 has decreased slightly, this shows that the company has not been able to maximize its assets. If the activity ratio seen from receivable turnover in 2014 to 2015 is less stable, this shows that the collection of receivables by the company's management is not stable and customers are also not able to pay their debts in accordance with the specified time because the increase and decrease have increased quite a bit. and the decline is quite large each year. When viewed from the inventory turnover ratio in 2014 to 2018 there was a slight decrease and increase, this shows that there is an improvement in management in controlling the capital

turnover in the company which is quite good, this shows that the company's capital turnover can be managed properly.

c. Profitability Ratio
PT Shinrai Indonesia's financial performance based on the profitability ratio when viewed from the net profit margin in 2014 to 2018 has decreased, when viewed from the net profit margin in 2015 to 2016 the net profit margin has increased, then the net profit margin has decreased again in 2014, while in 2015 it increased again, this is because the increase in net profit from 2014 to 2015 experienced different increases and decreases, as well as increases and decreases in sales in 2014 to 2015. When viewed from the return on assets in 2014 to 2016 has increased, this is because the company is able to make good returns on assets owned by the company. Whereas in 2016 to 2015 there was a decline, this was because the company was less able to make good returns on the assets owned by the company. When viewed from the return on equity in 2014 to 2016 it has increased, because the company is able to manage its own capital to generate profits and in 2014 to 2018 it has decreased due to the increase in total company equity in 2014 and 2018. It can be concluded that the company is less able to provide a higher rate of return to shareholders.

d. Solvency Ratio
PT Shinrai Indonesia's financial performance based on the solvency ratio when viewed from the side of the Debt To Total Asset Ratio in 2014 to 2018 has decreased and this shows that the company's condition is declining. However, if the industry standard for the Debt Ratio is 35%, it can be concluded that the company shows that its financial performance is in the good category. Viewed from the side of the Debt To Equity Ratio, from 2014 to 2015 it decreased, so in this case it can be concluded that the company's performance is considered good enough, on the contrary if the ratio is increasing every year, the company's financial performance will be considered bad for the company. When viewed from the side of the Time Interest Earning Ratio, from 2014 to 2016 there was an increase, this shows the company's ability to pay interest is increasing. In 2014 there was a significant decrease due to an increase in interest expense which was far compared to the interest expense in 2016, while in 2015 it increased again compared to 2014.

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