Financial Ratio Analysis As A Tool To Assessing Financial Performance At PT XYZ

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Abstract: This study is to determine the financial performance of PT XYZ in 2018-2021 by using financial ratio analysis, namely with four financial ratios including liquidity, solvency, profitability and activity ratios. This research is a qualitative descriptive study with data collection techniques, namely documentation and interviews with the data used in the form of a statement of financial position and income statement of PT XYZ in 2018-2021. The results showed that the financial performance of PT XYZ in 2018-2021 when viewed from the level of liquidity obtained very good results even though the liquidity ratio group decreased every year, but this condition still showed very good performance. Judging from its solvency ratio from 2018-2020, PT XYZ's financial performance is very good. However, in 2021 the company's performance is considered less good. If judged from the profitability ratios in 2018, it showed very good performance, in 2019 it showed good performance but in 2020 and 2021 the company's performance was not good. Judging from the activity ratio, it showed good performance in 2018 and 2019 but there was a decline in performance in 2020 and 2021 which showed poor performance.

Keywords: financial performance, liquidity, solvency, profitability and activity

Introduction

Financial performance appraisal is used to prove the state of a company is in good condition or not. Financial performance is a representation of the company's condition seen through the achievement of work in a certain period in line with the company's goals (Kasmir, 2019). Company performance can be said as an effort carried out by the company to evaluate the efficiency and effectiveness of the company's activities that have been carried out in a certain period (Sofyan, 2019).External factors that can affect the company's performance are economic conditions. The condition of the national economy will indirectly affect the company's performance. The worse economic conditions will provide obstacles for companies in developing their performance (Emalusianti and Sufiyanti, 2021). Indonesia's economic growth experienced a decline in early 2020 due to the Covid-19 pandemic This impact is felt by hotel and restaurant business players in Bali (Purwahita et al., 2021).

PT XYZ is a restaurant located in the heart of Bali tourism. Based on the company's financial reports from before the pandemic to the current pandemic, there have been significant changes. The increase in debt reached 37% from 2018 to 2021. The increase in debt was not matched by an increase in the company's total assets. The company's assets decreased in 2018 and 2021, the decline reached 34% from the previous year. Profit decline is very significant and occurs continuously even to the point of experiencing losses that greatly affect the financial performance of a company. Lack of management of assets owned by the company is also influenced by the performance of a company. Based on the existing phenomena, this study aims to analyze the company's financial performance which can be used to plan future strategies. Financial performance analysis requires a basis that is used as a comparison for each component contained in the company's financial statements that reflect a picture of the company's relative condition (Rudiwantoro, 2020). In this study the basis used is to use financial ratios.

Several researchers who have examined financial performance have been carried out but with different variables, a study to measure financial performance at PT Indofarma (Persero) Tbk with analysis of profitability ratios, and activity ratios in the 2014-2018 period. The conclusions of the study prove that PT Indofarma

(Persero) Tbk based on profitability ratios and activity ratios shows a fairly good condition based on industry standards of financial ratios according to Kasmir 2015 (Fernawati and Putri, 2020). A study to analyze financial performance using solvency ratios at the company PT Timah Tbk and in his research shows that the financial performance has decreased in the company (Ivo Arsela and Panggiarti, 2020). A study to measure financial performance using solvency and profitability ratios at PT Sri Rejeki Isman Tbk which in their research showed the company had a fairly good performance based on industry standards according to the Decree of the Minister of Finance No. 740/KMK.00/1989 (Sunanto and SWI, 2020). A study to measure financial performance using liquidity and profitability ratios at PT Nasrum Djam Gasindo for the 2019-2020 period and her research shows a fairly good financial performance based on financial industry standards according to Kasmir 2015 (Misnawati, 2021). Furthermore, a study to analyzing the financial performance of the Pontianak Tanjungpura University Civil Servant cooperative for the 2014-2019 period with the leverage ratio and profitability ratio showing a very good performance based on the Regulation of the Deputy for Supervision of the Ministry of Cooperatives and SMEs No. 06/Per/Dep.6./IV/2016 (Sulastri and Ryanto, 2021). In this study, adding the ratios used with four financial ratios, namely liquidity ratios, solvency ratios, profitability ratios and activity ratios.

Method

This research is a type of qualitative descriptive research. Qualitative descriptive research is a type of research that has the aim of interpreting a phenomenon that occurs as well as describing the results of the analysis in accordance with research questions (Sugiyono, 2018). This research aims to obtain an explanation of the financial performance of PT XYZ by analyzing financial reports with ratios -financial ratios. Data collection techniques used in this research are documentation and interview techniques. The data used is in the form of data related to company finances such as the number of assets, liabilities, equity, revenues and expenses of the company. The data analysis technique used is to study the company's financial statements and then calculate each financial ratio which will later be compared with the standard criteria for financial ratios according to Kasmir in 2019 and analyze changes to financial ratios and conclude financial performance.

Result and Discussion

1. *Result of PT XYZ Liquidity Ratio Analysis in 2018-2021*

Tabel 1. PT XYZ Financial Performance 2018-2021 Based on Liquidity Ratio

Rasio Likuiditas	2018	2019	2020	2021	Standar Kriteria
Current ratio	423%	309%	298%	204%	200%
Cash Ratio	106%	83%	58%	56%	50%
Quick Ratio	419%	288%	271%	182%	150%

Source: Procced data, 2022

Current ratio can be used to evaluate the company's performance in paying off its obligations with its current assets. The company's liquidity when viewed from the current ratio will show the condition of the company being more liquid if the value of the current ratio is higher. The higher the current ratio, the higher the company's ability to meet its short-term obligations. A good current ratio shows that the current assets exceed the company's current liabilities. The current ratio during 2018-2021 has decreased, which means that every Rp1.00 of current debt is guaranteed by current assets of Rp4.23 in 2018, Rp3.09 in Rp2.98 in 2020 and Rp2.04 in 2021. When compared with the criteria standard according to Kasmir (2019) is 200%. So the resulting ratio is still above the standard criteria so that the current ratio value in 2018 is very good. A significant change in 2021 was due to the impact of the Covid-19 pandemic which required the company to increase its debt which was not matched by an increase in the company's assets.

Cash Ratio will assess the company's performance in paying off its short-term obligations by using its cash and cash equivalents. The higher the cash ratio, the more liquid the cash flow of the company is. Cash Ratio shows an increase from 2018-2021 which means that every Rp1.00 of current debt guaranteed cash and cash equivalents is Rp. 1.06 in 2018, Rp. 0.83 in 2019, Rp.0.58 in 2020 and Rp.0.56 in 2021. When compared to the standard criteria according to Kasmir (2019), it is 50%. So the resulting ratio is above the standard criteria so that the cash ratio in 2020 and 2021 is considered very good. Judging from the last four years, the company's cash ratio value is above the standard criteria but is still decreasing every year which indicates a decline in company liquidity.

Quick Ratio is used to assess the company's performance in paying off its short-term obligations using the company's current assets without involving inventory. An increase in the value of the quick ratio will indicate the more liquid the company's assets are without considering the company's inventory. The results of the Quick Ratio calculation that have been carried out show that every Rp. 1.00 of current debt is guaranteed by current assets without inventory of Rp. 4.19 in 2018, Rp. 2.88 in 2019, Rp. 2.71 in 2020 and Rp. 1.82 in 2021. When compared with the standard criteria according to Kasmir (2019), it is 150%. So the resulting ratio is still above the standard criteria so that the quick ratio in 2019 is considered very good. Judging from the last four years, the value of the company's quick ratio is above the standard criteria but is still decreasing every year which indicates a decline in company liquidity. The decrease was caused by an increase in the amount of inventory every year due to the reduced number of sales caused by the pandemic in 2020 and 2021. However, the company's current liabilities were still able to be fulfilled by using the company's current assets without selling inventory.

2. *Result of PT XYZ Solvability Ratio Analysis in 2018-2021*

Tabel 2. PT XYZ Financial Performance 2018-2021 Based on Solvability Ratio

Rasio Solvabilitas	2018	2019	2020	2021	Standar Kriteria
Debt to Asset Ratio (DAR)	22%	30%	32%	45%	35%
Debt to Equity Ratio (DER)	28%	43%	47%	83%	80%
Equity Multiplier (EM)	128%	143%	147%	183%	50%

Source: Procced data, 2022

Debt to Asset Ratio is used to compare the total assets and total liabilities of the company. With this, it can be seen to what extent PT XYZ's assets are financed by its debts. The increase in the Debt to Asset Ratio owned by the company will increase the risk faced by the company.The Debt to Asset Ratio from 2018-2021 shows that every IDR1.00 of assets owned is financed by debt of IDR0.22 in 2018, IDR0.30 in 2019, IDR0.32 in 2020 and IDR0.45 in 2021. When compared to the standard criteria according to Kasmir (2019), it is 35%. So the ratio produced in 2018-2020 is below the criterion standard so that the Debt to Asset Ratio in 2018-2020 is considered very good while in 2021 it is above the criterion standard so that financial performance is not good. Judging from the last four years, the value of the company's Debt to Asset Ratio has increased, in the first 3 years the Debt to Asset Ratio is still below the standard criteria. Meanwhile, in 2021 the Debt to Asset Ratio is above the standard criteria which indicates an unfavorable decline in the company's solvency. The increase in the Debt to Asset Ratio is due to an increase in the company's debt each year without being offset by an increase in company assets.

Debt to Equity Ratio is used to compare the total assets and total equity of the company. With this ratio, it is known to what extent PT XYZ relies on equity and debt to finance the company's business activities. The increase in the company's Debt to Equity Ratio means that the risks faced by the company are also higher.The Debt to Equity Ratio shows that for every IDR 1.00 the company's debt is guaranteed by IDR 0.28 in 2018, IDR 0.43 in 2019, IDR 0.47 in 2020 and IDR 0.83 in 2021. When compared with the standard criteria according to Kasmir (2019) by 80%. So the ratio produced in 2018-2020 is still below the criteria standard so that the Debt to Equity Ratio in 2018-2020 is considered very good. While the ratio produced in 2021 is above the standard criteria so that the Debt to Equity Ratio in 2021 is considered less good because the higher this ratio indicates the higher risk faced by the company. Judging from the last four years, the value of the company's Debt to Equity Ratio has increased, in the first 3 years the Debt to Equity Ratio is below the standard criteria which indicates a decrease in the company's solvency level. Meanwhile, in 2021 the Debt to Equity Ratio is above the standard criteria which indicates an unfavorable decline in the company's solvency. The increase in the Debt to Equity Ratio is caused by an increase in the company's debt each year without being offset by an increase in company equity.

Equity Multiplier is used to see the size of the company's assets that have been successfully funded by the company's equity. The higher the value shown from this ratio, the higher the risk that will be faced by the company.The Equity Multiplier from 2018-2021 shows that every Rp1.00 of assets financed by the company's equity is Rp1.28 in 2018, Rp1.43 in 2019, Rp1.47 in 2020 and Rp1.83 in 2021. When compared to the standard criteria according to Sukamulja (2019) is 50%. So the resulting ratio is very high above the standard criteria so that the Equity Multiplier in 2018-2021 is considered less good. Judging from the last four years, the value of the company's Equity Multiplier has increased, and the increase is above the standard financial ratio criteria. The increase in this ratio indicates the risk faced by the company is also getting higher. The increase occurred in a row and the increase was above the standard criteria.

3. Result of PT XYZ Profitability Ratio Analysis in 2018-2021

Tabel 3. PT XYZ Financial Performance 2018-2021 Based on Profitability Ratio

Rasio Profitabilitas	2018	2019	2020	2021	Standar Kriteria
Net Profit Margin (NPM)	22%	15%	-18%	-46%	20%
Gross Profit Margin (GPM)	30%	21%	-20%	-46%	30%
Return on Asset (ROA)	36%	30%	-10%	-22%	30%
Return on Equity (ROE)	46%	42%	-14%	-40%	40%

Source: Procced data, 2022

Net Profit Margin is used to assess the performance of PT XYZ in generating net profit from sales activities carried out. The Net Profit Margin in 2018-2021 shows that every Rp1.00 of sales generates a net profit of Rp.0.22 for 2018 and Rp.0.15 for 2019 while generating a loss of Rp.0.18 in 2020 and Rp.0.46 for 2021. When compared with the standard criteria according to Kasmir (2019), it is 20%. So the resulting ratio is very good in 2018 and 2019 and not good in 2020 and 2021. Judging from the last four years, the company's Net Profit Margin value has decreased, the decline is below the standard criteria for financial ratios. The lower this ratio indicates the risk faced by the company is also higher. The decrease occurred in a row and the decrease was below the standard criteria.

Gross Profit Margin assesses the performance of PT XYZ in obtaining gross profit from sales activities carried out by the company. This ratio also shows the proportion of cost of goods sold to sales. Gross Profit Margin in 2018-2021 shows that every IDR1.00 of sales can generate a gross profit of IDR0.30 for 2018, IDR0.21 for 2019 and generate a loss of IDR0.20 for 2020 and IDR0.46 for 2021 When compared to the standard criteria according to Kasmir (2019), it is 30%. So the resulting ratio is good in 2018 and 2019 while it is not good in 2020 and 2021 because it is below the financial ratio standard. Judging from the last four years, the value of the company's Gross Profit Margin has decreased, and the decline is below the standard criteria for financial ratios. The lower the Gross Profit Margin ratio shows the higher the risk faced by the company. The decrease occurred in a row and the decrease was below the standard criteria. The low sales with high operating expenses incurred by the company caused the company to experience substantial losses, thus reflecting the performance that experienced a serious decline. Based on this analysis, the company's financial performance based on profitability analysis using Gross Profit Margin is considered less good.

Return on Assets Ratio assesses the performance of PT XYZ in generating net profit from the company's assets and assesses performance based on the company's rate of return on investment. Return on Assets shows that every Rp1.00 of assets owned by PT XYZ is only able to generate a net profit of the total assets owned of Rp.0.36 in 2018, Rp.0.30 in 2019 and generates a loss of Rp.0.10 in 2020 and Rp.0 .22 in 2021. When compared with the standard criteria according to Kasmir (2019), it is 30%. So the resulting ratio is very good in 2018 and good in 2019 while not good in 2020 and 2021. Judging from the last four years, the company's Return on Assets has decreased, in 2018 the Return on Assets values were each in the good category because they were above the standard criteria, while in the last three years there was a decrease in the ratio and the decline was below the standard financial ratio criteria. . The lower the Return on Assets ratio, the higher the risk the company is facing. The decline that occurred in a row and three years of decline was below the standard criteria. PT XYZ's financial performance was not good in its ability to generate profits from sales which was also caused by the Covid-19 pandemic which resulted in the number of sales dropping drastically until the company suffered losses.

Return on Equity Ratio assesses the performance of PT XYZ in obtaining a net profit from its equity and assesses performance based on the company's rate of return on investment. Return on Equity shows that every Rp1.00 of equity owned by PT XYZ is only able to generate a net profit of Rp0.46 in 2018 and Rp0.42 in 2019 while generating a loss of Rp0.14 in 2020 and Rp0.40 in 2021. When compared to the standard criteria according to Kasmir (2019), it is 40%. So the ratios produced in 2018 and 2019 are very good while 2020 and 2021 are not good. Judging from the last four years, the company's Return on Equity value has decreased, in 2018 and 2019 the Return on Equity value was in the good category because it was above the standard criteria, while in the last two years there was a decrease in the ratio and the decline was below the standard ratio criteria. finance. The decrease in this ratio indicates the risk faced by the company is also getting higher. The decline that occurred in a row and two years of decline was below the standard criteria. PT XYZ's financial performance was not good in its ability to generate profits from sales which was also caused by the pandemic that year which resulted in the number of sales dropping drastically until the company suffered losses.

4. Result of PT XYZ Activity Ratio Analysis in 2018-2021

Tabel 4. PT XYZ Financial Performance 2018-2021 Based on Activity Ratio

Rasio Aktivitas	2018	2019	2020	2021	Standar Kriteria
Total Asset Turn Over (TATO)	1,64	2	0,53	0,47	2 kali
Inventory Turn Over (ITO)	58,10	20	4,38	2,16	20 kali
Working Capital to Turn Over (WCTO)	2,32	3,16	0,84	0,99	6 kali

Source: Procced data, 2022

Total Asset Turn Over assesses PT XYZ's ability to generate sales or income through its assets. The increase in asset turnover shows the more efficient the company's performance in managing the assets it owns because the faster the asset turnover and profit. Total Asset Turn Over shows that every Rp1.00 of the company's assets is able to generate net sales of 1.64 times for 2018 and 2 times for 2019 while 0.53 times for 2020 and 0.43 times for 2021. When compared with the criteria standard according to Kasmir (2019) is 2 times. So the ratio produced in 2018 is not good and 2019 is in the good category while in 2020 and 2021 it is considered less good. Judging from the last four years, the company's Total Asset Turn Over value has decreased, in 2018 the Total Asset Turn Over value was not good and 2019 the Total Asset Turn Over value was still in the good category because it was close to the standard criteria, but in the last two years there was a decline. ratio and the decrease is below the standard criteria of financial ratios. The lower this ratio indicates the risk faced by the company is also higher. The decline that occurred in a row and two years of decline was below the standard criteria. This decrease shows the inefficient use of company assets in generating sales in the last two years.

Asset Turn Over Ratio assesses the ability of PT XYZ to generate profits from sales activities through the company's total stock. The increase in this ratio indicates the more efficient the company's inventory is managed. Inventory Turn Over shows that PT XYZ's financial performance based on the Inventory Turn Over ratio has rotated 58.10 times for 2018, 20 times in 2019 and 4.38 times and 2.16 times in 2020 and 2021. When compared with the standard the criteria according to Kasmir (2019) is 20 times. So the ratio produced in 2018 is very good, 2019 is good and in 2020 and 2021 it is very low below the standard criteria so that Inventory Turn Over in 2020 and 2021 is considered less good. Judging from the last four years, the company's Inventory Turn Over value has decreased, in 2018 the Inventory Turn Over value was very good and 2019 the Inventory Turn Over value was still in the good category because it was close to the standard criteria, but in the last two years the ratio decreased and decreased is below the standard criteria of financial ratios. The lower the Inventory Turn Over ratio reflects the higher the risk faced by the company. The decline that occurred in a row and two years of decline was below the standard criteria. This is due to the declining level of sales in the last two years causing the amount of inventory to accumulate in the company's warehouse resulting in a decrease in the company's inventory turnover.

Working Capital Turn Over Ratio is used to assess the effectiveness of the company's working capital in generating sales. Working Capital Turn Over shows that every Rp. 1.00 of the company's working capital was able to generate net sales of Rp. 2.32 for 2018 and Rp. 3.16 for 2019. Meanwhile, 0.84 times for 2020 and Rp. 0.99 times for 2021. When compared with the standard criteria according to Kasmir (2019) by 6 times. So the ratio produced in 2018 - 2021 is low, below the criteria standard so that the Working Capital Turn Over is considered less good. Judging from the last four years, the value of the company's Working Capital Turn Over has decreased, and the decline is below the kreetria standard, although in 2021 it has slightly increased but the position is still below the standard criteria. The decline shows the inefficient use of the company's working capital in generating sales in the last two years.

Conclusion

Based on the liquidity ratio analysis from 2018-2021, PT XYZ's financial performance shows a very good performance. This can be seen from the value of each ratio which is above the standard financial ratio criteria, although the company's liquidity has decreased every year, but it is still in the very good category. Based on the analysis of the solvency ratio from 2018-2021 it shows very good financial performance but from 2020 to 2021 it has decreased so that the company's solvency in 2021 is considered less good. This happens because the increase in debt is getting higher and is not matched by an increase in company assets. Based on the analysis of profitability ratios from 2018-2021, it shows very good financial performance in 2018 and in 2019 shows good financial performance. declining performance in 2020 and 2021 which indicates poor profitability. Based on the analysis of the activity ratio from 2018-2021, the company's performance was good in 2018 to 2019, but in 2020 to 2021 the company's performance was considered poor due to a drastic decline in company sales which was not matched by an increase in the company's working capital turnover. Thus, the effectiveness of the company in managing its assets is considered less good.

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