

ANALYSIS OF LIQUIDITY, SOLVENCY, AND PROFITABILITY RATIOS TO ASSESS THE COMPANY FINANCIAL PERFORMANCE OF PT. INDOFOOD CBP SUKSES MAKMUR, TBK

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ABSTRACT

The purpose of this study was to assess the company financial performance of PT. Indofood CBP Sukses Makmur, Tbk using financial ratio analysis for the period 2016-2018. The financial ratios used are liquidity, solvency, and profitability. This type of research is a case study. Data collection techniques used are documentation and literature. The results of this study indicate that the liquidity ratio in 2016-2018 can be seen from the current ratio, which is good. The quick ratio in 2016 and 2017 results are good, while in 2018 it is not good. The cash ratio in 2016-2018 are good. The solvency ratio measured using DAR in 2016 and 2017 are not good while in 2018 is good. The DER in 2016-2018 is good. ROA profitability ratio in 2016-2018 results are not good, ROE in 2016-2018 results are not good, GPM in 2016-2018 results are good, and NPM in 2016-2018 results are not good, OPM in 2016-2018 results are not good, and ROA in 2016- 2018 results are not good.

Keywords: Liquidity , Solvency, Profitability Ratios.

BACKGROUND OF THE STUDY

Financial statements presented by companies in Indonesia must refer to the prevailing rules as stated in the Financial Accounting Standards, compiled and formed by the Indonesian Institute of Accountants. The basic financial statements of an enterprise include the following: 1) balance sheet (statement of financial position), 2) income statement, 3) cash flow statement, and 4) statement of changes in owners' equity or stockholders' equity. Leadership or management companies should pay attention to the company's financial statements to assess the efficiency and profitability of operations in research (Murphi, 2019).

the researcher chose PT. Indofood CBP Sukses Makmur, Tbk as the object of research because this company is one of the largest processed food and beverage industries in Indonesia. From the data obtained from PT. Indofood CBP Sukses Makmur, Tbk, it was found that the ratio of solvency in 2013-2015 based on the research by Irawan (2018):

1. Solvency Ratio

- a. Debt to Assets Ratio in 2013 is 37.62%, 2014 is 39.62%, 2015 is 38.30%.

In 2014 there was an increase in Debt to Assets Ratio due to an increase in inventory from 2.821.722 to 2.868.618 and in 2015 there was a decline due to the decrease in inventory in 2015 to 2.546.835. Inventory increased because in 2014 purchases of goods increased and the purchases were financed with debt or borrowed, and in 2015 inventory was reduced because purchases of goods were reduced and not refinanced with debt.

Research Objectives

Based on the problems above, the objectives of this research are the following:

1. To know the financial condition of PT. Indofood CBP Sukses Makmur, Tbk as measured using the ratio of liquidity, solvency, and profitability in the years 2016, 2017 and 2018.
2. To know how the performance of PT. Indofood CBP Sukses Makmur, Tbk as measured using the ratio of liquidity, solvency, and profitability in the years 2016, 2017 and 2018.

REVIEW OF RELATED LITERATURE

Financial Statements

Hery (2015) adds that financial statements are the final product of a series of processes for recording and summarizing business transaction data. data

Financial Statement Analysis

Financial statement analysis is a thoughtful process in helping to evaluate the company's financial position and operating results in the present and the past, with the main objective of determining the most likely estimates and predictions regarding the company's condition and performance in the future (Pohan, 2017).

Financial Ratios

Financial ratio is a company's financial analysis tool to assess the performance of a company based on the comparison of financial data contained in the financial statement items (balance sheet, profit / loss statement, cash flow statement). Ratio describes a relationship or a balance (mathematical relationship) between a certain amount with another amount (Financial Ratio, 2017).

Types of Financial Ratio Analysis

The following are the forms of financial ratios according to Hery (2017). The types of financial ratios include Liquidity Ratio, Solvency Ratio, and Profitability Ratio.

1. Liquidity Ratio

Liquidity ratios explain a company's ability to pay its short-term debt. The following are some types of liquidity ratios that are commonly used in practice to assess a company's ability to pay the short-term debt:

1. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current ratio is used to assess how much the company's ability to pay the short-term debt that will soon mature by using current assets available.

2. Quick ratio

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Quick ratio is used to assess how much the company's ability to pay the short-term debt using very smooth assets, except inventory. Total assets are very smoothly reduced by inventory.

3. Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Securities}}{\text{Current Liabilities}}$$

Cash ratio is used to measure how much cash or cash equivalents are actually available and ready to be used to pay the short-term debt.

Table 2.1
 Industry Standards Liquidity Ratio

No	Types of Ratio	Industry Standards
1	Current Ratio	2 Times
2	Quick Ratio	1.5 Times
3	Cash Ratio	0.5 Times

Source: Kasmir, *Analisis Laporan Keuangan* (2018)

2. Solvency Ratio

The following types of solvency ratios are commonly used in practice to measure a company's ability to meet all its obligations:

1. Debt to Asset Ratio (DAR)

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

This is the ratio used to measure the ratio between total debt and total assets.

2. Debt to Equity Ratio (DER)

$$\text{Debt To Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

This is the ratio that measures the debt and equity or a company's equity.

Table 2.2
 Industry Standards Solvency Ratio

No	Types of Ratio	Industry Standards
1	Debt to Asset Ratio	35%
2	Debt to Equity Ratio	90%

Source: Kasmir, *Analisis Laporan Keuangan* (2018)

3. Profitability Ratio

Profitability ratios are used to measure a company's ability to generate profits and normal business activities. The measurement of profitability ratios is done by comparing between various components in the income statement or balance sheet.

The types of profitability ratios commonly used in practice to measure a company's ability to generate profits are the following:

1. Return on Equity (ROE)

$$\text{Return on Equity} = \frac{\text{Earning After Interest and Tax}}{\text{Total Equity}}$$

Return on equity is a ratio that shows how much equity is contributed in creating a net income.

2. Return on Assets (ROA)

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Asset}}$$

Return on Assets is a ratio that shows how much is the contribution of assets in creating net income.

3. Return on Investment (ROI)

$$\text{Return on Investment} = \frac{\text{Earning After Interest and Tax}}{\text{Total Assets}}$$

Return on Investment is a ratio used to measure effectiveness in managing its investment. The bigger this ratio, the better.

4. Gross Profit Margin

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

Gross Profit Margin is a ratio that shows how big is the presentation of gross profit or net sales.

5. Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

Net Profit Margin is a ratio that shows how big is the presentation of net profit on net sales.

6. Operating Profit Margin

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Net Sales}}$$

Operating Profit Margin is a ratio that shows how big is the presentation of operating profit on net sales.

Table 2.3
 Industry Standards Profitability Ratio

No	Type of Ratios	Industry Standards
1	Return on Equity (ROE)	40%
2	Return on Assets (ROA)	30%
3	Return on Investment (ROI)	30%
4	Gross Profit Margin	30%
5	Net Profit Margin	20%
6	Operating Profit Margin	20%

Source: Kasmir, *Analisis Laporan Keuangan* (2018)

Research Design

This research uses the descriptive quantitative research method. Muslim and Indriani (2019) state that the quantitative descriptive method provides a regular picture of an event and describes the results of the calculation of the company's financial data in the form of financial statements. The data taken in this study are contained in the financial statements of PT. Indofood CBP Sukses Makmur, Tbk.

RESULTS AND DISCUSSION

Financial Ratios

1. Current Ratio

Current Ratio			
Item	2016	2017	2018
Current Assets	15.571.362	16.579.331	14.121.568
Current Liabilities	6.469.785	6.827.588	7.235.398
Current Ratio	2,40678199	2,428285216	1,951733408
Current Ratio (%)	241%	243%	195%
Industry Standard	2 Times	2 Times	2 Times
Conclusion	Good	Good	Good

Table shows that in 2016 the current ratio produced was 241%, in 2017 the current ratio produced was 243% so that it increased by 2% from the previous year, and in 2018 the current ratio produced was 195% which means that there was a decrease of 48% from the previous year. From the industry standard the percentage results are said to be good because they are above average for 2 times although in 2018 it decreased but it was still good by industry standards. From intracompany it was not good because in 2018 it decreased by 48%. This decrease occurred because of cash in 2017 from 8.796.690 to 4.726.822, which was a very significant decrease. The cash decreased because in 2018 there were purchases of inventory and fixed assets that affected the decrease in cash in 2018. In 2017 the company experienced an increase in current ratio from 8.371.980 to 8.796.690 due to the company's time deposit at a bank interest rate which increased in foreign currencies from 2.00% to 2.10%.

2. Quick Ratio

Quick Ratio			
Item	2016	2017	2018
Current Assets – Inventory	12.461.446	13.317.696	10.120.291
Current Liabilities	6.469.785	6.827.588	7.235.398
Current Ratio	1,92609894	1,950571124	1,398719324
Current Ratio (%)	193%	195%	140%
Industry Standard	1,5 Times	1,5 Times	1,5 Times
Conclusion	Good	Good	Not Good

Table shows that in 2016 the quick ratio was 193% and in 2017 it was 195%, thus there was an increase of 2%. In 2018 the quick ratio was 140% which means that it decreased by 55%. In terms of industry average and intracompany it can be said that in 2016 and 2017 the quick ratio was good because the percentage results are above average, but in 2018 it is not good because the percentage results are below average. This decrease happened because the declining cash results in a percentage result declining cash was used to buy fixed assets for the company.

3. Cash Ratio

Cash Ratio			
Item	2016	2017	2018
Cash + Securities	8.371.980	8.796.690	4.726.822
Current Liabilities	6.469.785	6.827.588	7.235.398
Cash Ratio	1,29401209	1,288403753	0,653291222
Current Ratio (%)	129%	129%	65%
Industry Standard	0.5 Times	0.5 Times	0.5 Times
Conclusion	Good	Good	Good

Table shows that in 2016 and 2017 the cash ratio was 129%. There was no increase or decrease because cash and current debt in these two years were almost the same. However, in 2018 the cash ratio was 65% which means that it decreased by 64 % from the previous year. In terms of industry average, it can be said that all is good, but in terms of intracompany it is not

good because of a decline in 2018. A decrease caused by the amount of cash in 2018 has decreased because in 2018 the company bought more inventory than the previous year and bought company fixed assets such as machinery and others.

3.Solvency Ratios

1. Debt to Assets Ratio

Debt to Assets Ratio			
Item	2016	2017	2018
Total Debt	10.401.125	11.295.184	11.660.003
Total Assets	28.901.948	31.619.514	34.367.153
DAR	0,359876262	0,357221936	0,33927754
DAR (%)	36%	36%	34%
Industry Standard	35%	35%	35%
Conclusion	Not Good	Not Good	Good

Table shows that in 2016 a debt to asset ratio of 36% was produced; in 2017 there was no change in 36%, and in 2018 it was 34%, a decrease of 2%. In terms of industry average and intracompany, the 2016 and 2017 percentage results were not good, but in 2018 it was good due to a decrease in percentage results. This decrease was caused by the number of assets increasing from the previous year so that efforts to cover debt were even better.

2. Debt to Equity Ratio

Debt to Equity Ratio			
Item	2016	2017	2018
Total Debt	10.401.125	11.295.184	11.660.003
Total Equity	18.500.823	20.324.330	22.707.150
DER	0,562197963	0,55574693	0,51349478
DER (%)	56%	56%	51%
Industry Standard	90%	90%	90%
Conclusion	Good	Good	Good

Table shows that in 2016, the debt to equity ratio was 56%, in 2017 it was 56% with no change compared to the previous year, and in 2018 the debt to equity ratio was 51%, a decline from the previous year by 5%. There was a decrease due to the increase in the amount of capital from the previous year.

3.Profitability Ratios

1. Return on Assets

Return on Assets			
Item	2016	2017	2018
Net Income	3.635.216	3.531.220	5.206.867
Total Assets	28.901.948	31.619.514	34.367.153
ROA	0,125777543	0,111678503	0,15150708

ROA (%)	13%	11%	15%
Industry Standard	30%	30%	30%
Conclusion	Not Good	Not Good	Not Good

Table shows that in 2016 the ratio of return on assets was 13%, in 2017 it was 11% thus it decreased from the previous year by 2%, and in 2018 it was 15%, an increase of 4%. In terms of industry average return on assets of PT. Indofood CBP Sukses Makmur, Tbk, results are not good because the percentage is below industry standards. Also in terms of intracompany, results are not good because it decreased in 2017. This decline occurred because the net income was reduced from the previous year due to the cost of goods sold. Moreover the cost of raw materials increased, resulting in a reduction in net income.

2. Return on Equity

Return on Equity			
Item	2016	2017	2018
Earning After Interest and Tax	3.635.216	3.531.220	5.206.867
Total Equity	18.500.823	20.324.330	22.707.150
ROE	0,196489421	0,173743489	0,229305175
ROE (%)	20%	17%	23%
Industry Standard	40%	40%	40%
Conclusion	Not Good	Not Good	Not Good

Table shows that in 2016 the ratio of return on capital was 20%, in 2017 it was 17%, which means that it decreased from the previous year by 3%, and in 2018 it was 23%, which means that there was an increase from the previous year by 6%. In terms of industry average return on equity, the percentage results were not good because they are below the industry standard value of 40%. Also in terms of intracompany results, they were not good because in 2017 it decreased. This decline occurred because earnings after interest decreased and equity increased. This was caused by the increase in unappropriated general reserves.

3. Gross Profit Margin

Gross Profit Margin			
Item	2016	2017	2018
Gross Profit	10.768.481	11.058.836	12.265.550
Net Sales	34.375.236	35.606.593	38.413.407
GPM	0,313262751	0,310583942	0,319303883
GPM (%)	31%	31%	32%
Industry Standard	30%	30%	30%
Conclusion	Good	Good	Good

Table shows that in 2016 there was a gross profit margin of 31%, in 2017 it was also 31% which means that there was no increase or decrease the following year, and in 2018 it was 32% which means that there was an increase of 1%. The increase occurred due to an increase in gross profit.

From the results of this percentage, it can be concluded that the gross profit margin of PT. Indofood CBP Sukses Makmur, Tbk from the perspective of industry average and intracompany in 206-2018 is good, because it is always above the industry standard average of 30%. The higher the gross profit margin, the better and expected above the average industry standard.

4. Net Profit Margin

Net Profit Margin			
Item	2016	2017	2018
Net Profit	3.635.216	3.531.220	5.206.867
Net Sales	34.375.236	35.606.593	38.413.407
NPM	0,105751012	0,099173206	0,135548169
NPM%	11%	10%	14%
Industry Standard	20%	20%	20%
Conclusion	Not Good	Not Good	Not Good

Table show that in 2016 the net profit margin was 11%, in 2017 it was 10% thus it decreased by 1%, and in 2018 it was 14%, thus it increased by 4%. In terms of industry average, the results of the percentage of net profit margin can be said to be not good because it is below the industry standard value, and but in terms of intracompany it is also not good because in 2017 it decreased. This decrease was due to the tax burden in 2017 increasing from the previous year.

5. Operating Profit Margin

Operating Profit Margin			
Item	2016	2017	2018
Operating Profit	4.864.168	5.206.561	6.447.921
Net Sales	34.375.236	35.606.593	38.413.407
OPM	0,141502098	0,146224633	0,167856004
OPM (%)	14%	15%	17%
Industry Standard	20%	20%	20%
Conclusion	Not Good	Not Good	Not Good

Table shows that in 2016, the operating profit was 14%, in 2017 it was 15% thus there was an increase of 1%, and in 2018 it was 17% thus there was an increase of 2%. In terms of industry average the percentage of operating profit margin is not good because it was below the industry standard, but in terms of intracompany the results are good because it increased. The increase occurred because of increased sales every year.

6. Return on Investment

Return on Investment			
Item	2016	2017	2018
Net Income	3.635.216	3.531.220	5.206.867
Total Assets	28.901.948	31.619.514	34.367.153
ROA	0,125777543	0,111678503	0,15150708

ROA (%)	13%	11%	15%
Industry Standard	30%	30%	30%
Conclusion	Not Good	Not Good	Not Good

Table shows that in 2016, the return on investment was 13%, in 2017 it was 11% thus the company experienced a decrease of 2%, and in 2018 it was 15% thus there was an increase of 4%. In terms of the Return on Investments, the percentage results are not good because the percentage results are below the industry standard. In terms of intracompany it is also not good because it decreased in 2017. This decline occurred because the cost of goods sold in 2017 also increased due to material costs.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions

Based on the results of the discussion that has been done, the writer can draw the following conclusions that are hereby presented:

1. The result of the liquidity ratio as seen from the current ratio is 2.26 times, the quick ratio is 1.76 times, and the cash ratio is 1.07 times. The result of the solvency ratio as seen from the debt to assets ratio is 35%, and debt to equity ratio is 54%. The result of the profitability ratio as seen from the return on equity is 20%, return on assets is 13%, return on investment is 13%, gross profit margin is 31%, net profit margin is 12%, and operating profit margin is 15%.
2. The overall financial performance in the liquidity ratio in terms of industry average is efficient (good), but in terms of intracompany is not good, because in 2018 it decreased. This decline was due to a decrease in the amount of cash, which decreased due to its allocation to fixed assets and inventory hoarding for company needs. In the results of the solvency ratio, the ratio of debt to assets in terms of industry average and intracompany been better although not yet below the industry standards in 2016 and 2017. The company's management has been efficient in using resources so the results are efficient (good), and the ratio debt to equity in terms of industry average and intracompany is efficient (good), because the percentage results were below the industry standard and each year they got better. In this ratio, the lower the value, the better. In profitability ratios, gross profit margins percentage results in terms of the average industry, and intracompany are efficient (good), while return on assets, return on equity, return on investment, net profit margins, and operating profit margins from the percentage of industry average and intracompany are not efficient (not good)

5.2 Recommendations

Based on the conclusions that have been described, the following suggestions were made:

1. For the Company

The liquidity ratios need to be increased, especially in 2018. The management needs to pay attention to avoid a decline, which is due to the management of fixed assets and inventory. For solvency ratios the company should maintain the percentage results. For profitability ratios, they need to be increased, especially in return on assets, return on equity, return on investment, gross profit margin, and operating profit margin because the percentage results are not good due to the waste in 2017 from the cost of

goods sold which had a large value resulting in decreased net income. So, it is hoped that the company's management will improve in terms of the use or management of resources to generate profits, and avoid waste, so that the company can grow and get better.

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