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Financial Statement Analysis to assess financial performance at PT. Gudang Garam Tbk

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Abstract

This study aims to provide an assessment of the financial condition and performance of PT. Gudang Garam Tbk during the period 2012-2016.this research method is Descriptive quantitative, namely collecting, processing and interpartying the data obtained so as to obtain an overview of the financial condition and performance of PT. Gudang Garam Tbk during the period 2012-2016.The results of this study show that the company's work of PT. Gudang Garam Tbk Indonesia based on the calculation results of liquidity ratio analysis can be said to be not good enough because the company will have difficulties in paying off current obligations. Company performance PT. Gudang Garam Tbk based on solvency ratio analysis is also quite good where every year it always increases. This is due to the low expenditure of companies sourced from loans. Company performance PT. Gudang Garam Tbk uses activity analysis which is also quite healthy where every year it increases every year. This is maintained so that users of company assets every year are more efficient and effective. 4. Company performance of PT. Gudang Garam Tbk based on calculations using profitability ratio analysis is quite good where every year it increases and only one year decreases because every year the profit owned by the company from each asset increases.

Keywords: Financial Performance, Financial Statements, PT. Gudang Garam

Introduction

The company's financial performance is a description of the company's financial condition in a certain period, both regarding aspects of fund providers and fund distribution, which is usually measured by capital adequacy indicators. One aspect that needs to be considered is efficiency in allocating capital, because efficiency can affect the amount of costs incurred by a company. The higher the efficiency of a company in carrying out its operations, the smaller the costs incurred this can strengthen the company's position in facing competition from other companies (Deny,2014).

Given the importance of the role of financial performance and company achievement, it is mandatory for companies to maintain financial performance always in a stable state, because if financial performance experiences a decrease due to the consequences that can be caused, among others, the company will have difficulty financing

operations, this has an impact on sales volume. If sales decline, the company's profit will also decrease, and if this continues, the company will go bankrupt.
This effort to improve financial performance can be achieved where the company is able to optimize the effectiveness of value creation. By increasing the value of the company, it is hoped that it will have an impact on creating the company's ability to meet the welfare of all parties. With significant competition in the business in the cigarette industry, PT. Gudang Garam Tbk Medan as one of the companies that has high enough potential to compete with other cigarette industries. PT. PT. Gudang Garam Tbk Medan is a company engaged in the long-established, experienced and large cigarette industry in Indonesia and is quite successful in competition with other cigarette industry companies.

Literature Review

Financial statements are the result of an accounting process that can be used as a tool to communicate financial data or company activities to interested parties. This financial statement serves as an information tool that connects the company with interested parties, which shows the company's health condition (Hery 2016: 3). According to Fahmi (2014: 31), financial statements are information that draws the financial condition of a company, and furthermore the information can be used as a picture of the company's financial performance. The above definition can be implied that the financial statements are a summary of a recording process of transactions using certain techniques and procedures used by interested parties to the performance of the covering company, income statement, statement of financial position, statement of changes in equity, statement of cash flows and notes to financial statements that occur during one book concerned. As a basis for knowing the financial condition of a company, analyzing financial statements is connecting between various items contained in financial statements (Grace, 2017). The results of this analysis are very useful for company leaders in making decisions, about steps that will be taken in the future and also to know about the financial development of the company. Ratio is a measure used in analyzing financial statements. according to James C Van quoted by Kasmir (2015: 104), stated that: "Financial ratio analysis is an index that connects two accounting figures and obtains by dividing one number by another".
Performance measurement is the qualification and efficiency and efficiency of the company in business operations during the accounting period.performance appraisal is the determination of operational effectiveness, organization and employees based on targets, standards and criteria that have been set periodically Munawir (2010: 31). Financial performance analysis is the process of critically reviewing data reviews, calculating, measuring, interpreting, and providing solutions to company finances at a certain perioe. For investors, the benefit of information about financial performance is to see if investors will keep investing in the company or look for other alternatives. If the company's performance is good, the business value will be high. With a high

business value, investors look at the company to invest so that it can increase in stock prices (Dwi prastowo, 2011 : 92).

As is well known, that this ratio consists of several kinds but in principle is the same, according to Fahmi (2011: 124), classifying ratios in six types, namely:

1. Liquidity ratio (*liquidity ratio),* is the ability of a company to meet its short-term obligations on a regular basis. There are generally 2 (two) liquidity ratios, namely *cerrent ratio* and *quick ratio (acid test ratio)*.

2. The solvency ratio (*sovable ratio)* is a measure of how much a company is financed with debt. There *are generally 3 (three)* leverage *ratios, namely debt to total assets, debt to equity ratio, long-term debt to eqity ratio.*
3. Activity *ratio* is a ratio that describes the extent to which a company uses the resources it has to show company activities.
4. The profitability ratio is *a* measure of the effectiveness of overall management aimed at the size of the level of profit obtained in relation to sales and investment. There are generally 4 (four) profitability ratios, namely *gross profit margin, net profit margin, return on investment* and *return on equity.*
5. Growth Ratio, which is a ratio that measures how much a company is able to maintain its position in the industry and in general economic development. Market Value Ratio, which is a ratio that describes the conditions that occur in the market

The results of this financial ratio are used to assess management performance in a period whether it reaches the targer as set.

1. Rasio Likuidit (*liquidity ratio)*

The liquidity ratio is one of the ratios used to analyze and interpret short-term financial positions. In addition, it is also used to determine the efficiency of working capital used, it is also important for creditors because good capital management allows the company to pay off its debts on time and so that working capital remains available for company activities.

The measures that can be used to measure company liquidity are as follows:

a. Current Ratio

Can be called the working *capital ratio* or working capital ratio, this ratio is calculated by dividing *current assets* (current assets) with *current liabilities* (current debt).

To calculate the ratio of the formula used (munawir, 2011):

$$\textit{Current ratio} = \frac{\text{Current assets}}{\text{Current debt}} \times 100\%$$

b. Quick Ratio (*actd test ratio)*

Become a measure of the company's ability to pay off short-term debt (munawir, 2011):

$$\textit{Quick ratio} = \frac{\text{Current assets – inventory}}{\text{Current debt}} \times 100\%$$

2. Rasio Solvabilitas

The solvency ratio is intended to measure the financial ability of the company to fulfill its obligations, both long-term and short-term at the time of liquidation. The measures used in calculating the solvency *ratio* are as follows:

a. *Debt Ratio*

This ratio shows the ratio between the amount of liabilities and total assets, or in other words that the ratio that compares the total debt with the total assets.

Can be calculated by formula (Dwi prastowo, 2011) :

$$\textit{Debet ration} = \frac{\textit{Total Debt}}{\textit{Total Aset}} \times 100\%$$

b. *Total Debt to Equity Ratio*

This ratio shows the own capital (*total equity)* used as collateral for all company loans.

To calculate this ratio, the following formula is used Dwi prastowo, 2011) :

$$\textit{Total debt to equity ratio} = \frac{\text{Total Utang}}{\textit{Total Ekuitas}} \times 100\%$$

3. *Activity Ratio*

This ratio is used to measure how effective the company is in managing its funds. This ratio is usually also called the efficiency ratio, where this ratio allows company management to analyze the results achieved by the company. As for other uses of this ratio, it can be used as a measure of achievements achieved by company management compared to rival companies.

A. Perputaran Aser usaha (*total asset turnover)*

This ratio shows the ability of an asset that rotates in a certain period to generate profits.for the company it will be useful if this ratio is high, because the high ratio will reflect the amount of investment needed so that the company's activities can be more efficient (kasmir, 2012 : 185).

$$\text{Operating Asset Turnover} = \frac{\text{Net sales}}{\text{Total Aset}} \times 100\%$$

B. F*ixed Assets Turnover*
This ratio is used to measure the turnover of fixed assets.
The formula used is (kasmir, 2012 : 184):

$$\text{Sales Fixed asset turnover} = \frac{\text{Sales} \times 100\%}{\text{Aset Tetap}}$$

4. P*rofitability Ratio*

This type of profitability ratio is used to assess and measure the company's financial position in a certain period or several periods. The use of a number or as a profitability ratio depends on management policy. Obviously, the more complete the type of ratio used, the more perfect the results will be achieved. That is, knowledge of the conditions and profitability position of the company.t is perfectly known. Every company applies to get maximum *profit* / profit. Profit is the main measure of the success of a company. Profitability is a ratio that aims to determine the ability to generate profits during a certain period and also provides an overview of the level of management effectiveness here seen from the profits generated against the company's sales and investment. This ratio is also called the profitability ratio. In addition, provitability (*profitabilty)* is the end result of a number of policies and decisions carried out by the company. according to Fahmi (2011: 135), profitability is measuring the effectiveness of management as a whole proposed by the small level of profit obtained in relation to sales and investment.

Understanding profitability put forward by Fahmi, it can be concluded that profitability is the ability of a company to achieve a certain lab, as a result of the use of a certain amount of company capital. The capital referred to here is limited to the capital used in company operations, because there are usually also companies that invest capital outside the company's operations, such as capital invested in service companies.

The profitability of the era is related to the company's profit, where the amount of profit obtained is determined by the amount of costs incurred. The higher the costs incurred, the relatively smaller the profit obtained, and vice versa. So that in the end it will affect the profitability of the company.

Profitability ratio is one of the financial analysis tools used to measure a company's ability to profit by using a certain amount of capital, over a certain period. This analysis is often used to answer questions about:

1. Ability to earn gross profit
2. How management funds its investments, and

3. The question of the adequacy of income that common shareholders can receive from the investments they make in the ownership of the company

Profitability ratio analysis can be done using financial ratios from the balance sheet and profit and loss statement presented by the company. The ratio consists of: *gross profit margin* (GPM), *net profit margin* (NPM), *return on investment* (ROI), and *return on equity* (ROE).

A. Types of profitability ratios

This ratio includes the ratio of prifitability, among others: *Gross profit margin. Gross profit margin* is a ratio that measures the efficiency of controlling the cost of goods or production costs, indicating the company's ability to produce efficiently. While *the gross profir margin* is calculated by the formula:

Penjualan - Harga pokok penjualan

Gross profit margin = Sales – Cost of goods sold x 100%

Net Sales

This ratio measures net profit after tax to sales, the higher the *net profit margin* , the better a company's operations.

net profit margin dihitung dengan rumus (kasmir, 2012 :99, 201) :

Net profit margin = Profit after tax x 100%

Net sales

1. *Return On Investment* (ROI)

   Return on invertment is a comparison between net income after tax and total assets. According to Munawir (2010: 89), that *return on investment* is one form of profitability ratio that is intended to measure the company's ability with the overall funds invested in assets used for company operations in generating profits. Thus, this ratio relates the profit earned from the company's operations (*net operating income*) with the amount of investment or assets used to generate the operating profit (*net operating assets*). The usefulness of the *return on investment* ratio can be stated as follows :

   A. As one of the uses whose principle is comprehensive. If the company has carried out good accounting practices, then management can be used *return on investment* analysis techniques to measure the efficiency of working capital users, production efficiency and sales efficiency. If a company in a period has achieved "*operating asset turnover*" in accordance with the standards or targets that have been set, but it turns out that *the return on investment* is still below the target standard, then the attention of management can be ignored to efforts to increase efficiency in the production and sales sector. Conversely, if the profit margin has reached the predetermined target, while *operating asset turnover* is still below the target, then management attention can be devoted to improving investment policy both in working capital and in fixed assets.

B. ROI analysis can be used to measure the efficiency of actions taken by divisions / sections, namely by allocating all costs and capital into the relevant parts

C. ROI analysis can be used to measure profitability and individual products that a company produces.

D. ROI is not only useful for control, but also useful for planning purposes. For example, ROI can be used as a basis for making decisions if the company will expand.

1) *Return on inverstment* dapat dihitung :
Return on inverstment = <u>Laba barsih setelah pajak x 100%</u>

Total Aset

2. *Return on equity* (ROE)
Return on equity is a comparison between net income and tax with total equity. *Return on equity* is a measurement of the results (*income*) available by company owners on the capital invested.

Return on equity calculated by formula (Dwi prastowo, 2011 : 92):
Return on equity = <u>Profit after tax </u>x 100 persen

Total Equity

Methods

The type of research used is quantitative descriptive, namely collecting, processing and integrating the data obtained so as to obtain a clear picture of the situation under study based on numbers.in this study researchers obtain data in the form of company financial statements analyzed using financial ratios then conclusions are drawn about the company's financial performance PT. Gudang Garam Tbk for the period 2012-2016.

The types of data used in this study are documentary data and literature studies. Documentary Data is in the form of data that is archived by containing what and when transactions and who is involved in an incident. The data was obtained from PT. Gudang Garam Tbk is in the form of company data on improving financial performance in the period 2012-2016. Literature Study Data in the form of data obtained from scientific books, research reports, scientific writings, theses, literature, including lecture materials related to financial statement analysis to assess financial performance.

Results
Based on the results of the analysis using financial ratios consisting of liquidity (current ratio, Quick ratio), solvency (debt ratio, total debt to equity ratio), activity (total asse turnover, fixed asset turnover) and profitability (grioss profit margin, net profit margin, return on investment, return on equity). then it can be assessed the financial performance of the company PT. Gudang Garam Tbk in the period 2012-2016 as a whole as follows :

TABLE 1. FINANCIAL PERFORMANCE PT. Gudang Garam Indonesia

Race	Year				
	2012	2013	2014	2015	2016
Liquidity ratio					
Current ratio	217,02%	172,20%	162,01%	177,03%	193,79%
Quich ratio	115,02%	171,14%	160,99%	175,74%	192,24%
Solvency ratio					
Debt ratio	35,90%	42,41%	42,92%	40,64%	36,82%
Debt equity ratio	56,01%	72,59%	75,21%	67,08%	56,58%
Activity ratio					
Asset turnover	101,25 kali	109,19 kali	111,96 kali	111,77 kali	120,10 kali
Fixed asset turnover	6,25 kali	6,36 kali	5,64 kali	3,36 kali	3,62 kali
Profitability ratio					
Gross profit	18,73%	19,61%	20,53%	22,00%	21,78%
marginNet profit	8,29%	7,90%	8,27%	9,17%	8,63%
magin ROI	9,80%	8,60%	9,20%	10,25%	10,37%
ROE	15,29%	14,90%	16,24%	17,00%	16,64%

Source : PT. Gudang GaramTbk Tahun 2017 (Data Reprocessed)

After measuring financial performance or evaluating the financial statements of PT. Gudang Garam Tbk in 2012, 2013, 2014, 2015 and 2016 using financial ratio analysis of current ratio, quich ratio for liquidity, total debt ratio, total debt to equity ratio for solvency level, total asset turnover, fixed asset turnover for activities, gross profit margin, net profit margin, ROI and ROE for profitability level as shown in the table above can be assessed that the financial performance of

PT. Gudang Garam Tbk is as follows:

Liquidity

Financial performance of PT. Gudang Garam Tbk from 2012, 2013, 2014, 2015 and 2016 is not good from a liquidity point of view marked by the company's declining ability to pay off current obligations. Although there was an increase in 2015, the increase was not too significant so that the company could be considered unhealthy because there was an increase in debt in 2015-2016 so that there was difficulty paying off debt on time.

1. Solvency

   Financial performance of PT. Gudang Garam Tbk from 2012, 2013, 2014, 2015 and 2016 the point of view on solvency ratio is also quite good marked by an increase every year although there was a decrease in 2013, 2015 and 2016, but the decline was not too significant. So that the company can be judged quite well. This is due to the lower spending of companies sourced from loans. So that the company's ability to pay off obligations has also increased.

2. Activity

   Financial performance of PT. Gudang Garam Tbk from 2012, 2013, 2014,2015 and 2016 is quite good from the point of view of activity, asset turnover is quite good. This is due to the scale of asset turnover of PT. Gudang Garam Tbk always increases every year. Meanwhile, the turnover of fixed assets is not good enough. This is due to the scale of asset turnover of PT. Gudang Garam Tbk has always experienced a decline for three years, namely 2014,2015,2016.

3. Profitability

   Financial performance of PT. Gudang Garam from 2012, 2013, 2014, 2015 and 2016 is quite bad from a profitability point of view where Gross profit margin, seen in 2012, 2013, 2014, 2015 there was an increase and in 2016 there was a decrease in Gross profit margin, this is because the gross profit generated by the company is low so that it does not have an impact on the company's operating costs. While the net profit margin every year is unstable as a result of unstable profits obtained. while ROI in 2014, 2015 and 2016 was quite good which increased although there was a decrease in 2013 while ROE in 2014 to 2015 increased this shows the company's success in generating net profit. From the description above, the author shows that the financial condition of PT. Gudang Garam Tbk in 2012, 2013, 2014, 2015 and 2016 can be said to be quite good and is expected to help the company in evaluating financial performance.

Conclusion

Based on the results of research for the assessment of financial performance using financial ratio analysis, namely the analysis of liquidity ratios, solvency ratios, activity ratios and profitability ratios in PT. Gudang Garam Tbk which is a sample of the study, the conclusions in this study in this study are:

1. Company performance PT. Gudang Garam Tbk Indonesia based on the calculation results of liquidity ratio analysis can be said to be not good enough because the company will have difficulties in paying off current obligations.
2. Company performance PT. Gudang Garam Tbk based on solvency ratio analysis is also quite good where every year it always increases. This is due to the low expenditure of companies sourced from loans.

Company performance PT. Gudang Garam Tbk uses activity analysis which is also quite healthy where every year it increases every year. This is maintained so that users of company assets every year are more efficient and effective. 4. Company performance of PT. Gudang Garam Tbk based on calculations using profitability ratio analysis is quite good where every year it increases and only one year decreases because every year the profit owned by the company from each asset increases.

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