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FINANCIAL PERFORMANCE ANALYSIS BASED ON LIQUIDITY RATIO, PROFITABILITY RATIO AND SOLVENCY RATIO CASE STUDY ON CV. FRIENDS PRODUCTION

Umi Kulsum[1] and Siti Fauziah[2]
[1]Lecturer of the Faculty of Economics and Business
[2]Students of the Faculty of Economics and Business University of 17 August 1945 Samarinda

Corresponding author. *Umi Kulsum
Email: umykulsum835@gmail.com

ABSTRACT

The purpose of the study was to analyze the financial performance of CV. Friends Production using the Liquidity Ratio, Profitability Ratio and Solvency Ratio approach.This research was conducted for 3 months on CV. Friend's Production address Jl. AnggrekMerpati 6 No. 52 Rt. 23 Air Putih Urban Village, SamarindaUlusub District, Samarinda City, East Kalimantan Province.

This research is quantitative, data collection is carried out on the 2017-2021 financial statements which include statements of financial position, changes in equity, profit and loss and cash flows.Analysis of the data used are financial ratios which include: Liquidity Ratio, Solvency Ratio, and Profitability Ratio.

The results showed that: (1) the financial performance of CV. Friend's Production with liquidity ratio analysis shows good performance so that the company is included in the category of healthy industrial companies in its financial aspect; (2) the financial performance of CV. Friend's Production with analysis of the solvency ratio on the debt to equity ratio and debt to asset ratio shows poor performance. This is because the total debt generated by the company does not match the declining equity and the total debt generated by the company does not match the total assets generated by the company. increase; and (3) the financial performance of CV. Friend's Production with profitability ratio analysis on Gross Profit Margin, Net Profit Margin Return On Assets and Return On Equity shows good performance.

KEYWORDS

Financial Performance, Financial Ratios, CV. Friends Production.

INTRODUCTION

In the current era of globalization, the development of the business world has shown quite good growth, this situation has an impact on the Indonesian economy. Currently, the Indonesian economy is in a fairly stable condition.

Human needs, both material and non-material, can be an opportunity to be used as a business area. One of the human needs that can be used as a promising business area is the need for an event or event organizer. Event organizer services are now increasingly needed by the community; this is due to the demands of needs and the busyness of daily work. The development of people's lifestyles requires events and activities that are held regularly or that are momentum.

An event organizer or EO is an event organizer, or a business in the service sector that is legally appointed by the client, in order to organize the entire series of events, from planning, preparation, execution to evaluation, in order to help realize the goals expected by the client by making events.

Event organizer services have developed, but are considered not yet able to become an attractive option for some people to be used as a main source of income. This is what causes there are still few EOs who are able to dominate large markets, but on the other hand this can be an opportunity for the community to open a business in the field of EO services.

To open a business or company usually requires a large initial capital, a place of business and qualified human resources, while an event organizer business only requires an idea or concept capital and a wide network of friends. Starting an EO business does not even require a special place such as an office or a special workspace, but can be done by working from home, using a Personal Computer or Laptop and optimizing communication and presentation skills to prospective clients.

Creating creative ideas can be done by anyone and with any method; every idea created can be in the form of a new idea born from the result of a personal concept or an idea born from the development of a pre-existing idea and give birth to an interesting and different event concept. (unique) must be trained and accustomed.

Facing a competitive business situation, every company is required to mobilize all its resources optimally, in order to improve its competitive ability. This requires good financial management. According to Rhamadana (2016) that the company's financial performance is a description of the financial condition in a certain period concerning aspects of the distribution of funds, which is usually measured using indicators of capital adequacy, liquidity, and profitability. Furthermore, Jumingan (2016) stated that the financial report is a summary of the company's financial data that is used for the benefit of management and other parties who have an interest. Financial statements include balance sheets, income statements, and statements of changes in capital, cash flow statements, and notes to financial statements. According to Kasmir (2016) that the objectives and benefits of the results of financial statement analysis are to find out the company's financial position in a certain period, to find out the strengths of the company from a financial perspective, and as a comparison with similar companies about the results they achieve.

One of the financial statement analysis techniques commonly used is ratio analysis, the ratios used in financial statement analysis include liquidity ratios, solvency ratios, activity ratios, and profitability ratios. The results of this ratio analysis can determine the development of the company's financial performance in the relevant period and previous periods by comparing the items in the balance sheet and profit/loss.

CV. Friend's Production is a company engaged in the Event Organizer (EO), which is one of the well-known EOs in Kalimantan and Jakarta and has expanded its business by establishing several branches in several regions. So far, companies only assess financial performance based on increased profits or income. Therefore, it is necessary to analyze financial performance based on liquidity ratios, solvency ratios, and profitability ratios, which later this financial performance assessment can be used by companies in managing all existing assets in generating profits.

RESEARCH METHODS

A. Time and Place

This research was conducted for 3 months on CV. Friend's Production address Jl. AnggrekMerpati 6 No. 52 Rt. 23 Air Putih Urban Village, SamarindaUlusub District, Samarinda City, East Kalimantan Province.

B. Data Collection Techniques

This research is quantitative, namely research that uses data in the form of numbers, namely in the form of income statement data and CV. Friend's Production period 2017-2021. Data collection is done by direct observation to the field or the object under study, namely the 2017-2021 Financial Report.

C. Data Collection

The data collected are as follows:

1. Overview of CV. Friends' Production.
2. Statement of financial position of CV. Friend's Production in 2017-2021.
3. Statement of changes in equity of CV. Friend's Production in 2017-2021.
4. Income statement CV. Friend's Production in 2017-2021.
5. Cash flow statement CV. Friend's Production in 2017-2021.

D. Data Analysis

The analytical tool used is financial ratios which include: Liquidity Ratio, Solvency Ratio, and Profitability Ratio.

1. Liquidity Ratio

a. Current Ratio

According to Riyanto (2012) that if a company determines that the current ratio that must be maintained is 3:1 or 300%, this means that any current debt of Rp. 1.00 must be guaranteed with current assets of Rp. 3.00 or guaranteed by “net working capital” of Rp 2.00.” The Qurrent ratio formula is:

$$\boxed{\textit{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}} \text{ x } 100\%}$$

b. Quick Ratio

According to Handoko (2015) that inventory is everything or organizational resources that are stored in anticipation of meeting demand. The Quick ratio formula is :

$$\boxed{\textit{Quick Ratio} = \frac{\text{Current Assets-Inventory}}{\text{Current liabilities}} \text{x } 100\%}$$

c. *Cash Ratio*

According to Hery (2015) that the Cash Ratio is a ratio used to measure how much cash or cash equivalents are available to pay short-term debt. The Cash Ratio formula is:

$$\text{Rumus: Cash } \textit{Ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current Liabilities}} \text{ x } 100\%$$

2. Solvency Ratio

a. *Debt to Equity*

According to Joel G. Siegel and Jae K. Shim (2012), the measure used in analyzing financial statements is to show the amount of collateral available to creditors. The Debt Equity formula is:

$$\textit{Debt to Equity} = \frac{\text{totalAmoun of debt}}{\text{Equity}} \text{ x}100\%$$

b. *Debt to Asset Ratio*

According to Hery (2015) that the Debt to Asset Ratio is a ratio to measure how much the company's assets are financed by debt or how much the company's debt affects asset financing. The formula for the Debt Asset Ratio is :

$$\textit{Debt to Asset Ratio} = \frac{\text{Total Amoun of debt}}{\text{Total Asset}} \text{ x } 100\%$$

3. Profitability Ratio

a. *Return On Asset*

According to Hery (2015) that Return on Assets is a ratio that shows the magnitude of the contribution of assets in creating net income. The Return on Assets formula is:

$$\textit{Return On Asset} = \frac{\text{Net profit}}{\text{Total Aset}} \text{x } 100\%$$

b. *Return On Equity*

According to Hery (2015) that Return on Equity is a ratio measuring how much net profit will be generated from each rupiah of funds embedded in total equity. The Return on Equity formula is:

$$\textit{Return On Equity} = \frac{\text{Net profit}}{\text{Total Equity}} \text{ x } 100\%$$

c. *Net Profit Margin*

According to Kasmir (2016) that this ratio is used to measure the company's ability to generate profits with all assets owned. The formula for Net Profit Margin is :

$$\textit{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Net sales}} \text{x } 100\%$$

d. *Gross Profit Margin*

According to Joel G. Siegel and Jae K. Shim (2012) that the percentage of remaining sales after a company pays for the goods; also called gross profit margin. The Gross Profit Margin formula is

$$\textit{Gross Profit Margin} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100\%$$

RESULTS AND DISCUSSION

A. Company Description

1. Company Overview

CV. Frend'sProducton was established on June 23, 2007 based on the Notarial Deed of Maria Sophia, SH., M. Kn. Number 34 dated June 23, 2007. CV. Friend's Production has a small Trading Business License (SIUP) with the number: 100/00714/17-01/PK/100.26/2017 and has been updated with the Business Parent Number (NIB) number: 9120205990097 and NPWP with the number: 02.828.541.9-722,000 .and Letter of Confirmation of a Taxable Company with the number: PEM-10166/WPJ.14/KP.0203/2013. CV. Friend's Production is a company engaged in the Event Organizer (EO). CV. Friend's Production is also a well-known EO in Kalimantan and Jakarta, expanding its business by establishing several branches in several regions. At this time CV. Friend's Production is domiciled in Juanda 1 Perum BAP. Jl. AnggrekMerpati 6 No. 52 Rt. 23 Air Putih Urban Village, SamarindaUlusubDistrict. The company's goals and objectives are to take advantage of what is in Kalimantan so that it always develops every time.

2. Vision and Mission

The company's vision is: "To become an Event Organizer service company that is able to provide the best service for clients and is able to prosper employees by upholding noble values in all aspects of life".

The company's mission is as follows:
1) Build the widest possible network with personal and company in the field of Organizer Services and Product Promotion.
2) Building a team that is creative, full of unique ideas and is professional at work.
3) Conduct mutually beneficial synergies between business partners.
4) Implementing a business pattern that upholds spiritual values based on religious, social, societal and cultural norms.
5) Implement marketing patterns that are socially oriented, environmentally friendly, care for others and able to be a positive example for fellow business people and the general public.

3. Organizational Structure

In the company, there are many activities related to its business activities, the more activities carried out in the company, the more complex the relationships that exist between the parts and functions that exist so that a structured chart is needed that describes the relationship between each part. or functions within the company. The general purpose of the organizational structure is to regulate the duties and authorities of each section in order to facilitate the supervision and control of the company's activities. Organizational structure on CV. Friend's Production is as follows:

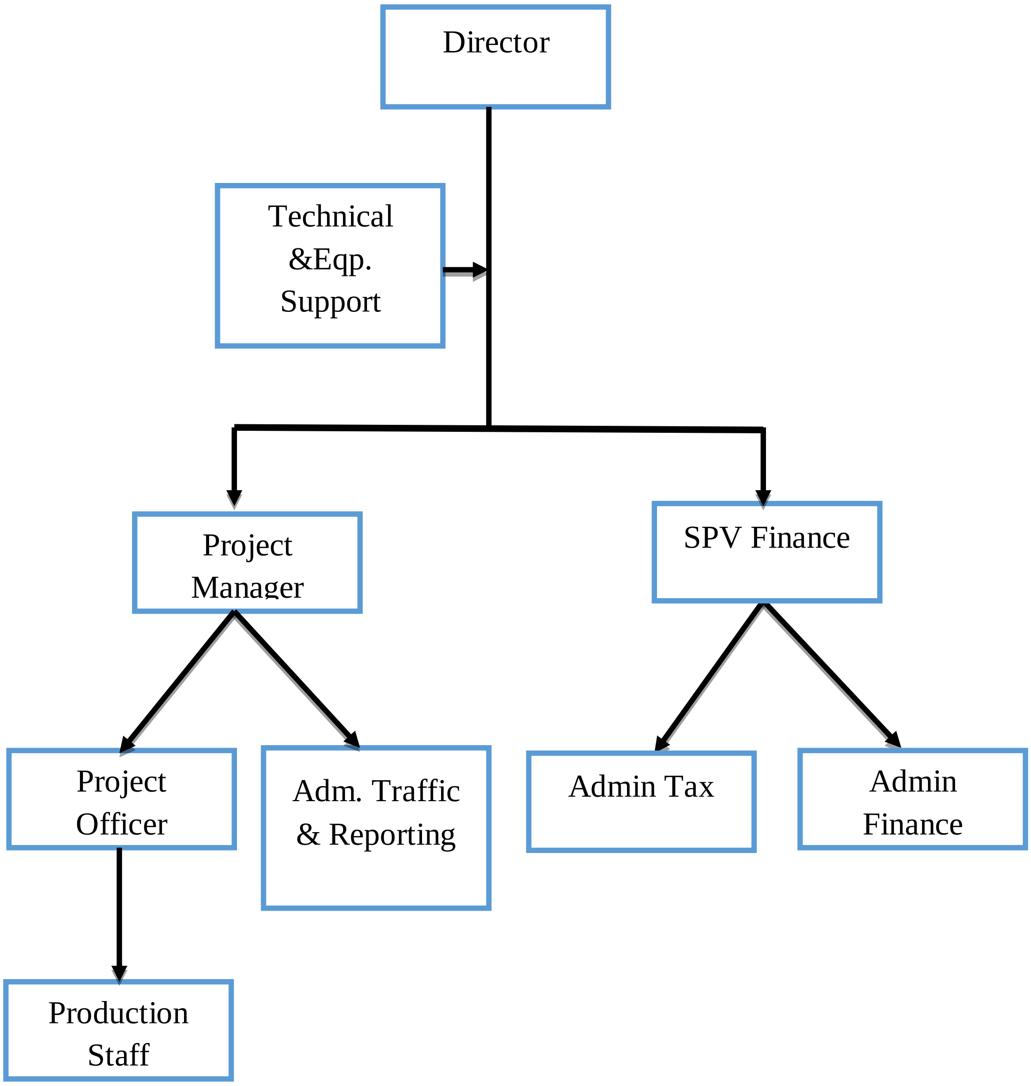

Figure 1. *Organizational Structure of CV. Friend's Production*

B. Financial Report

The results of the analysis of the financial performance of CV. Friend's Production in 2017, 2018, 2019, 2020 and 2021 in terms of liquidity, solvency, and profitability ratios are presented in Table 1.

Table 1. Recapitulation of Results of Grouping Liquidity, Solvency, and Profitability Ratio Data for 2017 – 2021

Data Type	2017	2018	2019	2020	2021
Current asset	353,347,555	537,470,122	549,762,853	271,556,452	717,707,484
Current liabilities	400,000,000	300,000,000	200,000,000	350,000,000	250,000,000
Supply	71,200,000	-	-	-	-
Cash	269,338,421	508,727,472	507,810,184	239,618,057	228,490,182
Total assets	1,086,722,555	1,268,032,622	1,277,512,853	996,493,952	958,697,666
Total Debt	400,000,000	300,000,000	200,000,000	350,000,000	250,000,000

Fixed assets	733,375,000	730,562,500	727,750,000	724,937,500	717,707,484
Owner's equity	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
Net profit	220,222,556	301,532,622	311,012,853	29,993,952	853,666,281
Gross profit	392,883,240	871,788,247	997,544,159	76,761,900	963,120,687
Sale	5,188,475,540	5,394,728,547	5,847,268,859	178,267,000	1,064,625,787

Source: *CV. Friend's Production, 2022*

Based on the data in Table 1, various analyzes were then carried out, namely as follows: (1) Liquidity ratio analysis including Current Ratio, Quick Ratio and Cash Ratio; (2) Solvency Ratio Analysis includes Debt to Equity Ratio and Debt To Asset Ratio; and (3) profitability ratio analysis includes Return on Assets, Return On Equity, Net Profit Margin, and Gross Profit Margin. Results of Calculation of Liquidity Ratios, Solvency Ratios and Profitability Ratios in CV. Friend's Production Period 2017-2021 is presented in Table 2.

Table 2. Results of Calculation of Liquidity Ratios, Solvency Ratios and Profitability Ratios in CV. Friend's Production Period 2017-2021

Keterangan	Satuan	2017	2018	2019	2020	2021
Liquidity Ratio						
Current Ratio	%	88,33	179,15	274,88	77,58	287,08
Quick Ratio/ Acid Test Ratio	%	70,53	179,15	274,88	77,58	287,08
Cash Ratio	%	67,33	169,57	253,9	68,46	91,39
Solvency Ratio						
Total Debt to Assets Ratio	%	54,54	41,06	27,48	48,28	34,83
Debt to Equity Ratio	%	160	120	80	140	100
Profitability Ratio						
Gross Profit Margin	%	7,57	16,16	17,06	43,06	90,46
Net Profit Margin	%	4,24	5,58	5,31	16,82	80,18
Return On Assets/ROA	%	30,02	41,27	42,73	4,13	118,94
Return On Equity	%	88,08	120,61	124,4	11,99	341,46

Source: *Research Result Data Processed Year 2022*

1. Liquidity Ratio Analysis

Based on the results of the analysis of financial report data, it shows that the Current Ratio in 2017-2018 has increased by 90.82%%, in 2018-2019 it has increased by 95.73%, in 2019-2020 it has decreased by -197.30% and the Curren Ratio in 2020-2021 has increased by 209.50%.

Based on the results of the analysis of financial report data, it shows that the Quick Ratio in 2017-2018 has increased by 108.62%, in 2018-2019 it has decreased by 95.73%, in 2019-2020 it has decreased by -197.30% and in 2020-2021 has increased by 209.50%.

Based on the results of the analysis of financial report data, it shows that the Cash Ratio in 2017-2018 has increased by 102.24%, the Cash Ratio in 2018-2019 has decreased by 84.33%, the Cash Ratio in 2019-2020 has decreased by -185 .44% and the Cash Ratio in 2020-2021 has increased by 23.93%. In general, the increase was due to an increase in current assets followed by a decrease in current liabilities in 2021. As stated by Samryn (2015) that the liquidity ratio is a comparison between total current assets and total current debt. The liquidity ratio shows the ability of a company to cover its short-term debts with current assets.

2. Solvency Ratio Analysis

Based on the results of data analysis, it shows that the Debt to Equity Ratio in 2017-2018 decreased by -40%, in 2018-2019 it decreased by -40%, in 2019-2020 it increased by 60% and in 2020-2021 decreased by -40%. Based on the results of data analysis, it shows that the Debt To Asset Ratio in 2017-2018 decreased by -13.48%, in 2018-2019 it decreased by -13.58%, in 2019-2020 it increased by 20.80% and in 2020-2021 decreased by -13.45%. The decrease was due to a decrease in total debt followed by a decrease in the company's total assets in 2021. As stated by Samryn (2015), this ratio is often used by long-term creditors to determine the success of a company in spending its assets; and the company's ability to generate profits to cover fixed expenses related to the use of funds from non-owners, including the use of funds to pay off bond interest and repay loan principal.

3. Profitability Ratio Analysis

Based on the results of data analysis shows that Return on Assets in 2017-2018 increased by 11.25%, in 2018-2019 decreased by 1.46%, in 2019-2020 decreased by -38.60% and in in 2020-2021 has increased by 114.81%.

Based on the results of data analysis, it shows that Return On Equity in 2017-2018 has increased by 32.53%, in 2018-2019 it has decreased by 3.79%, in 2019-2020 it has decreased by -112.41% and in 2019-2020 it has decreased by -112.41%. in 2020-2021 an increase of 329.47%.

Based on the results of data analysis, it shows that the Net Profit Margin in 2017-2018 has increased by 1.34%, in 2018-2019 it has decreased by -0.27%, in 2019-2020 it has increased by 11.51% and in in 2020-2021 has increased by 63.36%.

Based on the results of data analysis, it shows that the Gross Profit Margin in 2017-2018 has increased by 8.59%, in 2018-2019 it has decreased by 0.90%, in 2019-2020 it has increased by 25.99% and in 2020-2021 experienced an increase of 47.41%. This increase was due to an increase in net profit followed by a decrease in the company's total assets in 2021. As stated by Fahmi (2017) that the better the profitability ratio, the better the description of the company's high profitability.

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusion

Based on the results of research and discussion, conclusions can be drawn, namely as follows:

1. Financial performance of CV. Friend's Production with liquidity ratio analysis shows good performance so that the company is included in the category of a healthy industrial company in its financial aspect.
2. Financial performance of CV. Friend's Production with analysis of the solvency ratio on the debt to equity ratio and debt to asset ratio shows poor performance. This is because the total debt generated by the company does not match the declining equity and the total debt generated by the company does not match the total assets generated by the company increase.
3. Financial performance of CV. Friend's Production with profitability ratio analysis on Gross Profit Margin, Net Profit Margin Return On Assets and Return On Equity shows good performance.

B. Suggestion

Based on the results of the study, several suggestions can be put forward, namely:

1. *For the Company*

   To manage the company's finances well, so that Liquidity can increase the company's liquidity which is already good, able to meet short-term and long-term obligations and can increase the company's Sovability; Companies should not use too much debt in operational activities, and companies should further increase sales and minimize costs to increase company profits.

2. *For Further Researchers*

   Can be used as comparison material to analyze the financial statements of other similar companies.Can understand about ratio analysis and the principles that underlie financial reports and better understand the object of research to be studied.

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