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Financial Ratio Analysis of Financial Statements

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Abstract

Through analysis of financial report components and the values of the three types of financial ratios used—liability ratios, activity ratios, and profitability ratios—the research seeks to ascertain the company's level of short-term liquidity, its long-term financial performance, and its capacity to turn a profit from its production activities. Financial ratio analysis is a method for analyzing a company's financial status and may be used to make decisions. Investors, lenders, consumers, firm personnel, and even the government use financial ratio analysis. Through analysis of financial report components and the values of the three types of financial ratios used—liability ratios, activity ratios, and profitability ratios—the research seeks to ascertain the company's level of short-term liquidity, its long-term financial performance, and its capacity to turn a profit from its production activities. Financial ratio analysis is a method for analyzing a company's financial status and may be used to make decisions. Investors, lenders, consumers, firm personnel, and even the government use financial ratio analysis.

Keywords: Financial report analysis, Liquidity ratios, Activity ratios, Profitability ratios,

INTRODUCTION

As we know, the COVID-19 pandemic began with the transmission of an infectious virus, specifically the SARS-CoV-2 virus. Corona virus is an RNA virus with only one positive cell (Otálora, 2020). The major cause for the COVID-19 pandemic's impact on the global economy is disruption of business and daily routines. The government requires individuals to stay at home and practice social distance to avoid the rapid spread of the COVID-19 virus, which plays a significant role in slowing down business and operations, causing the economy to suffer (Fauzi & Paiman, 2020). COVID-19 has an impact on almost all economic sectors, including the domestic industrial business, which is the core business of PT Astra International Tbk, namely operates in the automotive, property and other sectors. In the hope of knowing the impact caused by the COVID-19 pandemic on the financial performance of PT Astra International Tbk, financial reports were analyzed using the financial ratio approach.

According to PSAK No. 1 on Financial Report Presentation, the essentials of a thorough financial report are:

1. Financial status report.
2. Profit or loss statement and other comprehensive income.
3. A report on changes in equity.
4. A cash flow report; and
5. Financial report comments And
6. A report on the financial status at the start of the preceding quarter

The primary source of data used for analysis is company financial reporting. A comparison of financial elements with other financial elements that are materially related is known as financial ratio analysis. Financial ratio analysis is a technique that uses data from financial reports for a single fiscal year to analyze a company's finances and evaluate its performance. Financial ratios are frequently used by company management to help ensure that no decisions are made incorrectly when making policy decisions. Aside from that, a wide range of users—including investors, lenders, consumers, staff members of businesses, and the government—benefit greatly from financial ratio analysis. Financial reports and comparative data need to be processed further for analysis purposes. The following information is required to calculate the financial ratios for the company:

1. The figures displayed in every kind of financial report, such as the total worth of the production cost in

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the profit and loss statement and the total assets, debt, and equity on the balance sheet.

2. The values indicated for each item in the financial report, such as current assets, current liabilities, sales, profits, and so forth.
3. values reported for multiple periods in financial reports; in this instance, the author contrasts the 2019 period prior to the COVID-19 pandemic with 2020 and 2021.

By three different financial ratios—liability, activity, and profitability—the author examines the 2019–2021 financial reports of PT Astra International Tbk, a publicly traded company on the Indonesia Stock Exchange. The purpose of this year's research was to ascertain the company's financial standing during the COVID-19 pandemic. By analyzing the available financial report components and the values of the three types of financial ratios used, this research also seeks to ascertain the company's level of short-term liquidity, its long-term financial performance, and its capacity to turn a profit from its production activities.

RESEARCH METHOD

Research on the use of liquidity, activity, and profitability ratios in the analysis of PT Astra International Tbk and subsidiaries' financial statements for the years 2019 to 2019 and 2021 was done using the literature review method. This scientific work was put together by the author using existing literature, including books, scientific journals, and corporate financial reports. The author's chosen literature review is a quantitative research review in which the financial ratios of the company are calculated and determined using data from its financial reports. The primary source of information for the financial reports' data was the Indonesia Stock Exchange website, which the author directly visited to gather primary data.

The author of this scientific work employs a descriptive research methodology. One way to illustrate the features of the phenomenon or population under study is through descriptive research. The purpose of the descriptive research method is to elucidate the correlation between several variables that have been chosen for examination. Over the course of three years, from 2019 to 2021, PT Astra International Tbk and its subsidiaries were the subject of the research. Financial statement ratios can be analyzed using one of two techniques: vertical analysis or horizontal analysis. While horizontal analysis compares the presentation of figures in the same financial report component in the prior/following year period, vertical analysis compares the ratio of the comparison of the figures in different financial components in one financial report and one period. The author of this scientific work employs both vertical and horizontal analysis techniques.

1. Liquidity Ratio

A measure of a company's ability to pay off short-term debt or meet its obligations is called the liquidity ratio. The company's cash position and capacity to settle debts within the predetermined time frame are also indicated by the liquidity ratio. The liquidity of the company is gauged by this indicator. When a business can pay its debts, it is liquid. If not, though, the business is illiquid. Ratios of liquidity include (Amilin, 2015):

a. Current ratio

$$Current\ Ratio = \frac{Current\ Asset}{Short - Term\ Liabilities}$$

b. Quick Ratio

$$Quick\ Ratio = \frac{Current\ Asset - Inventory}{Short - Term\ Liabilities}$$

c. Cash Ratio

$$\textit{Cash Ratio} = \frac{\text{Cash or Cash Equivalents}}{\text{Short-term liabilities}}$$

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2. Activity Ratio

The activity ratio is a metric used to assess an organization's effectiveness in managing its assets. The activity ratio analysis's findings will demonstrate how quickly the business turns assets or receivables into cash. Ratios of activities include (Amilin, 2015):

a. *Receivable Turnover*

$$\textit{Receivable Turnover} = \frac{\text{Credit sales}}{\text{Average Receivables}}$$

b. Days of Receivable

$$\textit{Days of Receivable} = \frac{\text{Number of Days in One Year}}{\text{Receivables Turnover}}$$

c. Fixed asset turnover

$$\textit{Fixed Asset Turnover} = \frac{\text{Sales}}{\text{Total Fixed Assets}}$$

d. Total asset turnover

$$\textit{Total Asset}\ \text{Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

3. Profitability Ratio

Kasmir (2018:114) say that profitability ratio is a ratio that functions to assess a company's ability to make a profit in a certain period. This ratio answers questions related to whether the company is getting adequate returns on its investment. In addition, this ratio measures the effectiveness of management in generating profits obtained from sales or income from investments. Profitability ratios include (Titman, Keown, & Martin, 2018):

a. Net profit margin

$$\textit{Net Profit Margin on Sales} = \frac{\textit{Earning After Interest and Tax (EAIT)}}{\textit{Sales}}$$

b. Return on equity/ROE

$$\textit{Return on Equity} = \frac{\textit{Earning After Interest and Tax (EAIT)}}{\textit{Equity}}$$

c. *Return on assets*/ROA

$$\textit{Return on Assets} = \frac{\text{Net Profit + Interest}}{\text{Average Total Assets}}$$

RESULT AND DISCUSSION

Under the name Astra International Inc., PT Astra International Tbk was established in Jakarta in 1957 as a general trading company. In the context of an initial public offering of the Company's shares to the public in 1990, it changed its name to PT Astra International Tbk, which was followed by the Company's shares being listed on

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the Indonesian Stock Exchange under the ticker ASII. Astra's market capitalization was IDR 231 trillion at the end of 2021.

1. Analysis of Consolidated Financial Statements

A. Liquidity Analysis

Tabel 1. Analisis Likuiditas PT Astra International Tbk dan Entitas Anak

(in millions of IDR Rupiah)	2019	2020	2021
Current assets	50.826.955	44.195.782	60.604.068
Cash and cash equivalents	12.090.661	20.498.574	33.321.741
Current Inventory	11.014.020	8.002.357	9.454.035
Short-term liabilities	32.585.529	20.943.824	30.489.218
Liquidity Ratio			
Current Ratio	1,560	2,110	1,988
Quick Ratio	1,222	1,728	1,678
Cash Ratio	0,371	0,979	1,093

Source: processed from PT Astra International Tbk Financial Report on the Indonesian Stock Exchange

According to table 1, PT Astra International Tbk had a current ratio of 1,560 times in 2019. This value increased to 2,110 times in 2020 before declining to 1,988 times in 2021. Even though the ratio is decreasing, it is still rising. Returning in 2021 with a figure that is still relatively good because it has a value greater than one times, it means the company is still thought to be capable of meeting its long-term liabilities with its current assets.

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According to liquidity analysis, PT Astra International Tbk increased its current ratio, quick ratio, and cash ratio from 2019 to 2021, indicating that even though COVID-19 was implemented, the company still could meet its obligations to both external and internal parties. All ratios greater than one have a high value.

B. Activity Analysis

Table 2 Analysis of PT Astra International Tbk and Subsidiaries' Activities

(in millions of IDR Rupiah)	2019	2020	2021
Sales and Business Income	84.430.478	60.346.784	79.460.503
Accounts receivable	12.299.381	9.091.593	11.689.320
Fixed assets	27.469.005	24.319.373	20.456.694
Total assets	111.713.375	99.800.963	112.561.356
ACTIVITY RATIO			
Receivable Turnover Ratio	6,865	6,638	6,798
Average Collection Period Ratio	53,171	54,989	53,695
Fixed asset Turnover Ratio	3,074	2,481	3,884
Total Asset Turnover Ratio	0,756	0,605	0,706

Source: processed from PT Astra International Tbk Financial Report on the Indonesian Stock Exchange

According to Table 2, PT Astra International Tbk has a receivables turnover ratio that decreased from 6,865

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days in 2019 to 6,638 days in 2020 and then increased to 6,798 days in 2021, with a negligible change in value, implying that the company can collect its receivables on average six times per year. The company also has an average receivables collection time of 53 or 54 days to convert receivables into cash productively and efficiently. The company uses all its fixed assets to generate revenue; every rupiah spent on each fixed asset can generate more revenue. The company had a total asset turnover ratio of 0.756 in 2019, which fell to 0.605 in 2020 before rising to 0.706 in 2021. This can be interpreted to mean that the company's activities and capabilities are efficient enough to generate sales while operating all the company's assets.

Based on the activity analysis above, it can be concluded that during the COVID-19 pandemic from 2019 to 2021 it did not have much influence on the activity analysis ratios owned by PT Astra International Tbk. The company experienced an insignificant decrease in the ratio in 2020 but was able to increase the ratio again in 2021, with the largest increase in the fixed asset turnover ratio.

C. Profitability Analysis

Table 3 Profitability Analysis of PT Astra International Tbk and Subsidiaries

(in millions of IDR Rupiah)	**2019**	**2020**	**2021**
Sales and Business Income	84.430.478	60.346.784	79.460.503
Earnings Before Interest and Tax	14.462.250	7.011.186	15.476.885
Earnings After Interest and Tax	11.134.641	5.632.425	10.608.267
Equity	61.110.074	63.147.140	71.822.757
Total Assets	111.713.375	99.800.963	112.561.356
PROFITABILITY RATIO			
Net Profit Margin	0,132	0,093	0,134
Return On Equity (ROE)	0,182	0,089	0,148
Return On Assets (ROA)	0,129	0,070	0,137

Source: processed from PT Astra International Tbk Financial Report on the Indonesian Stock Exchange

According to table 3, PT Astra International Tbk had a net profit margin of 0.132 or 13.2% in 2019, which fell to 9.3% in 2020 before rising to 13.4% in 2021. This It can be deduced that in 2021, every 1,000 rupiah of sales will generate a net profit of 134 rupiah, indicating that the company's performance is quite efficient in comparison to the decline that occurred in 2020.

ROE is used to determine a company's ability to generate profits from shareholder investments. The RoE of PT Astra International Tbk fell sharply from 2019 to 2020 before rising again in 2021, namely 18.2%, 8.9%, and 14.8%. ROA represents the value of a company's profits in relation to its resources or all assets. PT Astra International Tbk's ROA fell sharply in 2020, then rose again in 2021, exceeding 2019, namely 12.9%, 7.0%, and 13.7%. The higher the RoA value, the more efficient the company is in operating all assets to maximize profits. This can be interpreted as meaning that during the COVID-19 pandemic, the company's capital and asset management performance dropped dramatically in 2020, but the company was able to recover quickly in 2021.

CONCLUSIONS

When COVID-19 was implemented, PT Astra International Tbk's liquidity ratio analysis, current ratio, quick ratio, and cash ratio showed that it could still meet its obligations to both external and internal parties, with good values for all ratios above 1. Analysis of PT Astra International Tbk's activity ratio, which fell in 2020 during COVID-19 and then increased in 2021. The company's receivables turnover ratio can collect receivables on average six times per year, resulting in an average collection time of 53 or 54 days. Meanwhile, the company's activities and capabilities are efficient enough to generate sales with all its fixed assets and assets.

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Based on profitability analysis, PT Astra International Tbk's performance in capital and asset management decreased quite sharply in 2020 during the COVID-19 pandemic, but the company was able to restore its performance efficiently in 2021.

PT Astra International Tbk's kinerja keuangan menunjukkan penurunan setelah pandemi COVID-19 pada tahun 2020 yang merupakan masa awal mewabahnya COVID-19 di Indonesia dengan munculnya berbagai kebijakan terkait social distancing. However, the company will be able to overcome the problem of declining financial employment in 2020 by providing better financial employment in 2021.

RESEARCH CONTRIBUTION

The researchers' contribution is that they can provide knowledge about financial report analysis to assess financial performance at PT Astra International Tbk. Aside from that, it is hoped that this research will yield useful information for businesses, particularly in analyzing financial reports to conduct performance evaluations. It is hoped that it will then be able to provide an overview and information about financial report analysis in order to assess financial performance and increase knowledge for those in need

LIMITATIONS

Based on the preceding conclusions, the author makes recommendations for businesses to better prepare their financial performance for unexpected events, such as the outbreak of the COVID-19 pandemic, which caused the economy to contract. Because a decline in financial performance, as evidenced by a decline in financial ratios, can lead to the company losing investors and creditors.

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