

# Analysis Of Financial Ratios On The Level Of Financial Performance Of Pt.Indofood Sukses Makmur Tbk

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## Article Info

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### Article history:

Received Jan 2023

Revised Jan 2023

Accepted Jan 2023

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### Keywords:

Financial Performance, Quick Ratio, Liquidity Ratio

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## ABSTRACT

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The goal of this study was to ascertain PT. Indofood Sukses Makmur Tbk's financial performance from 2019 to 2020. Financial report data from [www.IDX.co.id](http://www.IDX.co.id) was used for data analysis. The ratio is a statistical method used in this study to compare large amounts of data to determine a company's financial situation over time. The liquidity ratio, represented by the current and quick ratios, and the profitability ratio, represented by the return on assets and equity, are all utilized. Between 2019 and 2020, the Liquidity Ratio as measured by the current ratio and the Quick Ratio increased. The rise happened between 2019 and 2020 due to an increase in current assets to meet obligations. Thus, PT. Indofood Sukses Makmur Tbk falls within the criteria of a good company. As measured by the gross profit margin, the profitability ratio increased from 2019 to 2020, owing to the company's efficiency in utilizing assets to generate revenue, putting the company's financial health in the "excellent" category.

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## INTRODUCTION

Companies are created as economic entities with specific economic aims, one of which is to maximize profit. Numerous tasks must be completed in order for it to be implemented, ranging from resource utilization to people organization. Managerial is the management role for businesses of all sizes, both large and small. In this situation, the financial sector serves as the company's spearhead because it provides the money for all its activities. As a result, businesses must evaluate their financial performance regularly to achieve success and survive in today's increasingly harsh economic conditions.

A business's financial performance is critical in assisting multiple parties (stakeholders) such as the company's owners,

leaders, managers, workers, creditors, investors, the government, and the general public in making decisions on the actions they will take against the business. When written precisely and adequately, financial reports in balance sheets and income statements may paint an accurate image of a company's successes or accomplishments over a certain period. This scenario will be used to evaluate a company's financial performance.

The goal of this research is to assess PT. Indofood Sukses Makmur Tbk's financial performance in terms of liquidity and profitability for 2019-2020 and to determine whether it has increased or reduced based on financial ratio analysis. The writer chose PT Indofood Sukses Makmur Tbk. as the subject of this thesis because PT Indofood Sukses

Makmur Tbk. is a significant processed food sector in Indonesia that is adaptable to changing conditions. Indofood has evolved from a primary instant noodle firm to a "Total Food Solutions" corporation with operations spanning all phases of the food manufacturing process, from raw material production and processing to the end product accessible on retailer shelves. PT Indofood Sukses Makmur Tbk is a market leader because of its high-quality goods and low prices. In order to maintain this position and achieve the business's aim of becoming a Total Food Solutions company, PT Indofood Sukses Makmur Tbk. On this basis, the authors wish to undertake more study under the heading "Analysis of financial ratios on the level of financial performance of Pt. Indofood sukses makmur Tbk for the period 2019-2020.

## LITERATURE REVIEW

### A. Financial performance

Financial performance is a good prospect or future, growth, and development potential for the company. Financial performance information is needed in assessing potential changes in economic resources to predict the production capacity of the available resources [1].

Financial performance is an analysis carried out to see the extent to which a company has implemented proper and correct financial implementation rules. Company performance is a description of the financial condition of a company which is analyzed by means of financial analysis, so that it can be seen about the good and bad financial condition of a company that reflects work performance in a certain period. This is very important so that resources are used optimally in the face of environmental changes [2].

### B. Financial Performance Appraisal

"Performance can be defined as "achievement achieved by the company in a certain period that reflects the level of health of

the company" [3]. Financial performance is an analysis within a certain period of time to measure the success of an organization or company in generating profits by using financial implementation rules and correctly by analyzing and reporting the company's financial statements with the aim of being able to provide input to company policy managers [3].

As for the company, information on the company's financial performance can be used to measure the achievements of an organization in a certain period that reflects the level of success in implementing its activities. Apart from being used to see the overall performance of the organization, performance measurement can also be used to assess the contribution of a part in achieving the overall goals of the company. Can be used as a basis for determining the company's strategy for the future. Provide guidance in decision making and organizational activities in general and divisions or parts of the organization in particular. As a basis for determining investment policies in order to increase the efficiency and productivity of the company.

### C. Financial statements

A financial report is a report that describes the results of the accounting process used as an accounting tool between data financial statements or company activities with parties with an interest in these data or activities [1]. Financial statements are a summary of a process of recording, is a summary of financial transactions that occurred during the year the book in question [4].

### D. Income statement

Income statement (calculation of the remaining operating results) is a report on the results of operations/operations of a company or other entity during a certain accounting period, for example one year [5]. income statement is a systematic report on income,

expenses, profit and loss obtained by a company over a period of time certain period [6].

Income statement is a financial report that describes the business results achieved during a certain period. The income statement is a part of the financial report that contains information about the results of the company's operations, both income and expenses during a certain period [7]. "Financial Statements are the result of an accounting process which includes two main reports, namely 1. Balance Sheet and (2) Income Statement. Every company has financial statements that aim to provide information regarding the financial position, performance and changes in financial position of a company that is useful for a large number of users of financial statements in making economic decisions [8].

#### **E. Cash Flow Statement**

Cash flow is an information material about cash inflows and outflows, and cash equivalents of an entity for a certain period. Through these reports, users can find out how the company generates and uses cash and cash equivalents [9]. Cash flow statement or what is commonly referred to as cash flow itself can be interpreted as a financial record containing information about income and expenses during a period. This report will be very useful when you are evaluating the financial structure (liquidity and solvency), as well as the company's net assets. Not only that, you can also use it as an adaptive strategy to deal with changing circumstances and opportunities.

#### **F. Statement of changes in capital**

The report on changes in capital is a type of financial report that contains information about the capital owned by a company and also contains information or any things that cause the capital to change, either increasing or decreasing until the end of the accounting period.

In the report on changes in capital, you will get data on the overall capital in each company accounting period as well as every detail of the changes that have occurred. In addition, the report on changes in capital also consists of the company's initial capital, profit earned or experienced, and also prives. Then at the end of the report it will be known how much the final capital is. From this it can be seen how much change in capital is experienced by a company.

#### **G. Liquidity Ratio**

The liquidity ratio is a ratio that shows the company's ability to meet its obligations or pay its short-term debt. This ratio can be used to measure how liquid a company is. There are several types of liquidity ratios, including:

1. Current Ratio, a ratio to measure the company's ability to pay short-term financial liabilities by using current assets.
2. Cash Ratio, the ratio to measure the company's ability to pay short-term financial obligations using available cash and the following securities or short-term securities.
3. Quick Ratio or Acid Test Ratio, a ratio to measure the company's ability to pay short-term financial liabilities by using liquid assets that are more liquid (Liquid Assets). Note: The ideal value of these three-liquidity ratio analyzes is a minimum of 150%, the bigger is the better and the company is in a healthy condition.

#### **H. Profitability Ratio**

The ratio to measure how much the company's ability to earn a profit in relation to the value of sales, assets, and own capital. There are several types of profitability ratios, including:

1. Gross Profit Margin, the ratio to measure the company's ability to get gross profit from sales.

2. Operating Income Ratio, a ratio to measure the company's ability to get operating profit before interest and taxes from sales.
3. Net Profit Margin, the ratio to measure the company's ability to get net profit from sales.
4. Earning Power of Total Investment, a ratio to measure the company's ability to manage the capital it has invested in all assets to generate profits for investors and shareholders.
5. Rate of Return Investment (ROI) or Net Earning Power Ratio, a ratio to measure the ability of capital invested in all assets to generate net income.
6. Return on Equity (ROE), a ratio to measure the ability of equity to generate net income.
7. Rate of Return on Net Worth or Rate of Return for the Owners, a ratio to measure the ability of own capital to be invested in generating income for shareholders.

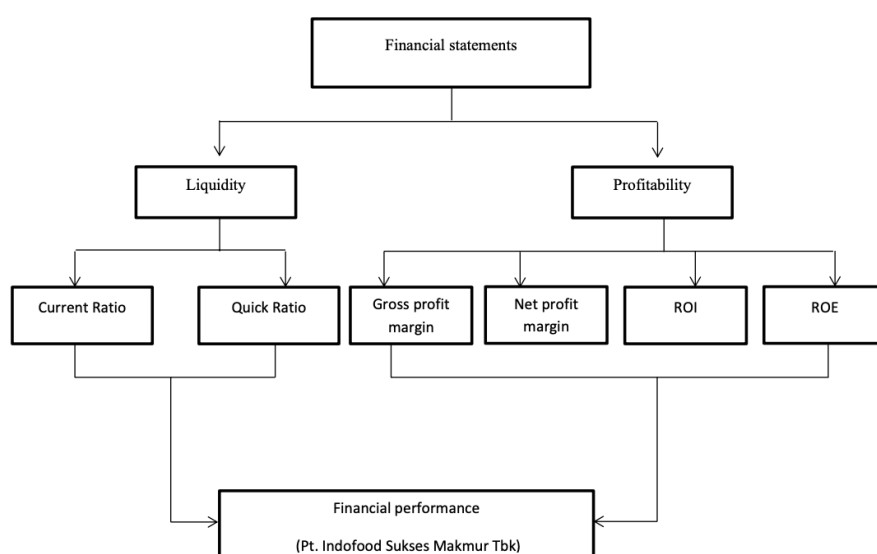


Figure 1: framework of this research

### I. Hypothesis

Hypothesis is a temporary answer to the formulation of research problems. Therefore, the research problem formulation is usually arranged in the form of a question sentence [10]. Based on what has been stated above, the following hypothesis can be made:

Ha1: level of liquidity affects financial performance

Ho1: the level of liquidity does not affect financial performance

Ha2: the level of profitability affects financial performance

Ho2: the level of profitability does not affect financial performance

Ha3: level of liquidity and profitability affects financial performance

Ho3: level of liquidity and profitability does not affect financial performance

### METHODS

The research technique employed is a rational approach or descriptive method, a type of study that begins with general knowledge, information, or views from experts or persons in positions of authority, notably ideas and formulae for financial statement analysis. The descriptive approach may adequately, methodically, and factually express the outcomes of ratio analysis and review of financial accounts.

The data utilized in this study are secondary in the form of PT Indofood Sukses Makmur Tbk. financial statements for the 2019-

2020 fiscal year collected via internet research and several essential pieces of information gained via library research. The investigation was done at PT. Indofood Sukses Makmur Tbk is involved in manufacturing processed foods, spices, drinks, packaging, cooking oil, wheat mills, and flour sacks. This research will examine a company's financial performance using financial ratios, emphasizing Pt. Indofood Sukses Makmur Tbk's financial statements.

## RESULTS AND DISCUSSION

### 1. Liquidity Ratio

Table 1. Financial Ratio PT. Indofood Sukses Makmur

Financial Ratio	2019 years	2020 years
<b>Liquidity</b>		
CR	0,73%	0,81%
QR	0,46%	0,58%
<b>Profitabilitas</b>		
Gross profit margin	0,30%	0,32%
Net profit margin	0.098%	0.095%
ROI	0.05%	0.049%
ROE	0.36%	0.032%

Source: Processed primary data (2020)

The liquidity ratio is a ratio that reflects the company's ability to pay its obligations that must be met immediately. Obligations that must be fulfilled are short-term debt [11]. The liquidity ratio is the ability of a company to meet its short-term obligations in a timely manner [2].

#### a. Current ratio

The current ratio is a ratio that compares the current assets owned by a company with short-term debt. At PT. Indofood Sukses Makmur, the results of the liquidity analysis on the Current Ratio show an increase, which proves an increase in the current ratio in 2019 of 0.73% in 2020 of 0.81%, an increase of 0.08% [8]. This means that the

company has a proportion of current assets compared to current debt owned by the company, so that the interest expense that must be borne can be covered. The formula for finding the current ratio is as follow:

$$\frac{\text{Current Asset}}{\text{Current Debt}} \times 100\%$$

#### b. Cash Ratio

Inventory is an element of current assets with the lowest level of liquidity, often experiences price fluctuations, and often causes losses in the event of liquidation. Therefore, in calculating the liquid ratio (quick ratio), the value of the inventory is excluded from liquid assets [12].

Financial Performance of Pt. Indofood Sukses Makmur is calculated from the quick ratio ratio from 2019 of 0.46% in 2020 of 0.58% increase as much as 0.12%. This proves that the company's ability to pay off its current liabilities with more liquid current assets without inventory has increased. This situation is evidenced by the increase in the percentage in that year so that it has an effect on increasing the company's ability to pay off its current debt. The formula for finding the quick ratio is as follows:

$$\frac{\text{Current Asset} - \text{inventories}}{\text{Current Account Payable}} \times 100\%$$

#### 2. Profitability ratio

The profitability ratio measures the company's ability to generate profits from the utilization of its resources. The results of measuring profitability are based on gross profit margin and ROI, showing that the condition of the company's profitability during 2019–2020 has increased, based on the percentage of the ratio used. These results indicate that the company's ability to make a profit.

The results for 2019–2020 have increased, based on the percentage of the ratio used. These results indicate that the company's ability to obtain profitability measures based

on gross profit margin and ROI shows the condition of the company's profitability during.

- a. Gross profit margin, is the ratio between gross profit and existing sales or income. The formula is:

$$\frac{\text{Sales} - \text{HPP}}{\text{Sales}} \times 100\%$$

- b. Net profit margin, the relationship between net income after tax and sales shows the ability of management to run the company until it is pretty successful in restoring/controlling the cost of goods/services, operating expenses, depreciation, loan interest, and taxes. This ratio also shows the management's ability to set aside a certain margin as reasonable compensation for the companies that continue to provide their capital with a risk.

Pt. Indofood Sukses Makmur's Net Profit Margin in 2019 was 0.098% in 2020 to 0.093%, decreasing by 0.005%. This is due to Pt. Indofood Sukses Makmur Tbk in the future, it will reduce its performance in generating net income. This condition is not neglected from the sales of products that the company has produced.

The simple terms, the net profit margin can be formulated as follows [13]:

- a. **Return on investment**

Return on Investment is a comparison between net profit after tax and total assets. Return on Investment is a ratio that measures the company's overall ability to generate profits with the total number of assets available in the company. The higher this ratio the better the condition of a company. This condition is not neglected from the sales of products that have been produced by the company. Return on

Investment. Can be calculated by the formula [13]:

$$\frac{\text{Net Profit After Tax}}{\text{Total Asset}} \times 100\%$$

- b. **Ratio on Net Worth (Return on Equity or ROE)**

The return on equity ratio shows the extent to which the company manages its own capital effectively, and measures the level of return on investment that has been made by the owners of capital or company shareholders. Pt. Indofood Sukses Makmur in 2019 amounted to 0.036% in 2020 to 0.032%. Decreased by 0.004%. The results of the calculation of return on equity (ROE) prove a decrease in Net Income at Pt. Indofood Suka Makmur from 2019 to 2020. This ratio is calculated from the following formula [13]:

$$\frac{\text{Profit After Tax}}{\text{Own Capital}} \times 100\%$$

## CONCLUSION

The financial performance of Pt. Indofood Sukses Makmur, calculated from the Liquidity Ratio in 2019 to 2020 has increased. Current Ratio increased by 0.08% while Quick Ratio increased 0.12%, this indicates that there is an increase which proves an increase in the proportion of current assets compared to current debt owned by the company. The financial performance of Pt. Indofood Sukses Makmur is calculated from the profitability ratio, it is found that the amount of the gross profit margin has increased by 0.02%. Return on Total Assets (ROI) increases by 0.001% which in turn will increase the company's performance in generating net income. and Return on Equity or (ROE) decreased by 0.004% and Net Profit Margin decreased by 0.005% which in turn would reduce the company's performance in generating profit and loss.

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