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Financial Statement Analysis in Measuring Financial Performance in PT. Ace Hardware Tbk

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ABSTRACT
This research aims to determine the financial performance of PT. Ace Hardware Indonesia Tbk from ratio calculations. This research uses qualitative methods and the focus of this research is on the annual financial reports of PT. Ace Hardware Indonesia Tbk 2022-2023 has been published on www.idx.co.id. The data source used in this research is secondary data, namely data from financial reports that have been audited and are available to the necessary parties. The data collection method used is the documentation method. This includes the process of observing, recording, grouping, and using secondary data from documents obtained from the website www.idx.co.id, such as PT financial reports. Ace Hardware Indonesia Tbk for the 2019-2023 period. The analysis used in the research is financial report analysis which is used to analyze how the financial reports of PT. Ace Hardware Indonesia Tbk. 2019-2023 using profitability, liquidity, solvency and activity ratios. The results of the financial report analysis consist of Liquidity Ratios, Solvency Ratios, Activity Ratios and Profitability Ratios, so that companies have the ability to determine and make management decisions related to company performance.

Keywords: Financial Ratio, Liquidity Ratio, Solvability Ratio, Profitability Ratio, Activity Ratio

INTRODUCTION
Every company wants to see sustainable growth and development in the long term. However, this does not prevent a company from suffering losses while operating or from bankruptcy filings and closures (Agustia et al., 2020). This can occur when an organization cannot effectively manage its internal resources to maintain business continuity. A company's financial success can be used as a proxy for its capacity to maintain business continuity (Ribka Tasya & Liza Alvia, 2024). By examining a company's financial records, you can determine whether its financial performance is strong or not. When it comes to financial statement analysis, there are several standards. When comparing two sets of financial data, benchmarks also called ratios or leading indicators are used.

The company in this research is PT ACE Hardware Indonesia Tbk which was founded in 1995, operates in the household and lifestyle equipment business, has 208 outlets spread across 49 cities and 27 provinces, has a vision of becoming the leading retailer in Indonesia for equipment products. household and lifestyle, and has a mission to offer a variety of high quality products at competitive

prices and supported by integrated services from a professional team. The company was registered as an issuer on the Indonesia Stock Exchange on November 6 2007 with the exchange code "ACES".

At the end of 2016, the company managed a network of 129 retail stores in 34 major cities in Indonesia. With a total store area of more than 336,000 square meters, ACE Hardware is one of the largest new home and lifestyle equipment retail chains in Indonesia. The company offered shares of 30% to the public and currently the company's free float shares have reached 40% (PT Ace Hardware Indonesia Tbk 2020). In terms of measuring a company's financial performance, PT ACE Hardware Indonesia is an interesting topic to research.

Since its founding until the end of 2019, the company has had 197 branches and continues to grow in several regions in Indonesia. From an external point of view, this company will be classified as a profitable company because of the increase in branch offices. However, if you look at the financial statements, a company has two choices: good or bad. This is because the possibility of financing business expansion through corporate bonds cannot be ruled out.

Financial performance is a formal effort to evaluate the efficiency and effectiveness of a company in generating certain profits and cash positions. According to Yuniawati & Farman (2023) financial performance analysis is a process of critically reviewing financial performance, which includes reviewing financial data, calculations, measurements and providing solutions to a company's financial problems in a certain period. So, in assessing a company's financial performance, certain measures or benchmarks can be used. Usually the measure used is a ratio or index that connects two financial data.

To maintain the company's condition in good condition, companies should routinely carry out a ratio analysis process on the company's financial reports at the end of each accounting period. This can also be done every month or at the end of every quarter as a form of evaluating company performance. Osadchy et al., (2018) acompany's financial report is essentially a collection and summary of financial data obtained from transaction documents. Accountants are expected to be able to manage and compile financial accounting data so that it can be interpreted and analyzed so that it can be used as a tool to communicate financial data and company activities to interested parties.

One way to analyze a financial report is to use financial ratio analysis. A financial report is analyzed to find out the meaning of the numbers whose results are useful for users listed in the financial report. Apart from that, by analyzing a financial report you can also find out the financial performance from year to year so that the results of the financial analysis can be used to assess the company's financial performance. Performance indicators are reflected through the company's ratios which will be an indicator in making a decision. According to Ningsih et al., (2019) the purpose of this research is to determine financial performance and identify weaknesses that could cause problems in the future at PT. Ace Hardware Indonesia Tbk from ratio calculations.

LITERATURE REVIEW

Financial statements

Financial statements are a structured representation of a company's financial position and performance (Hoesada & Pradika, 2019). The financial position statement and the income statement, which present the company's current financial position as well as the financial posts achieved by the company for a certain period of time, form the financial statements, which are organized representations of the company's financial performance. The process of understanding financial statements effectively involves dissecting them into their component parts and discussing each one in turn, this is known as financial statement analysis (Purnamasari et al., 2021). Financial ratios are indices that connect two accounting statistics and are calculated by dividing one number by another (Diaz & Pandey, 2019).

Liquidity ratio

The liquidity ratio also referred to as the working capital ratio or liquidity ratio is an important metric for assessing a company's liquidity (Lalithchandra & Rajendhiran, n.d.). Using this approach, the balance sheet elements—the amount of current assets and current liabilities, or short-term debt—are compared. You can observe how a company's liquidity has changed over time by conducting an evaluation over several periods of time.

There are several types of financial ratios, including the inventory to net working capital ratio, quick ratio, cash ratio, current ratio, and cash turnover ratio. The Current Ratio measures a business's ability to meet its short-term debt commitments, which are debts that must be paid immediately if billed. The Quick Ratio assesses a company's ability to pay off short-term debt or current liabilities with its current assets, excluding the value of inventory (Astuti & Safitri, 2021). The Cash Ratio is an instrument used to calculate the amount of cash available to pay debts. The Cash Turnover Ratio is used to calculate how much cash is available to cover sales-related costs and liabilities. Meanwhile, the inventory to net working capital ratio is used to calculate or assess how much inventory a company currently has in relation to its working capital, where working capital is the difference between current assets and current liabilities.

Solvability Ratio

This ratio is used to calculate how much loan capital is used to foud company assets. Is shows the ratio of a company's debt to its equity (Hovakimian et al., 2001). This relationship comes in several different forms, including the debt-to-equity ratio and the debt-to-asset ratio.Debt to Asset Ratio/DAR, this debt ratio calculates the proportion of total debt to total assets. Debt to Equity Ratio/DER, This ratio is the ratio used to evaluate debt and equity.

Profitability Ratios

Profitability ratios are used to assess a company's ability to generate profits (Purike et al., 2022). These ratios encompass various forms, such as operating profit margin, gross profit margin, ROI ratio, return on equity (ROE) ratio, and net profit margin. The net profit margin is a comparison between profit after taxes and interest, serving as a measure of profitability. The gross profit margin is a financial metric that shows how well a company generates gross profit from its sales, making it one of the most important metrics in financial statement analysis to assess a company's operational efficiency and profitability.

Return on Investment (ROI) is a crucial metric that indicates the rate of return on the assets used by a company (Andru & Botchkarev, 2011). Meanwhile, Return on Equity (ROE), often referred to as the equity return ratio, is used to compare equity with net profit after tax (Ayu Andrianie et al., 2023). Finally, Choiriyah et al., (2021) the Operating Profit Margin is a financial ratio that measures the percentage of income remaining after all operational costs are deducted, but before taxes and interest expenses.

Activity Ratio

The activity ratio is a key method in balance sheet analysis used to measure how efficiently an organization utilizes its assets. This ratio provides insight into how effectively a business generates sales and profits through its routine operations. It encompasses several specific ratios, each focusing on different aspects of asset utilization.

The inventory turnover ratio evaluates the speed at which a business sells and replenishes its inventory, with a high ratio indicating fast turnover and a low ratio suggesting slower movement. The assets turnover ratio examines how efficiently a business uses its resources to generate profits, where a higher ratio signifies more effective asset use.

The receivables turnover ratio assesses the effectiveness of a business in collecting consumer receivables, with a high ratio indicating prompt collection and a low ratio pointing to potential issues in receivables management. The fixed asset turnover ratio measures the company's ability to

generate income through the use of fixed assets like buildings and machinery, where a higher ratio reflects greater efficiency. Lastly, the working capital turnover ratio determines how well a business supports its sales with working capital, which is the difference between current assets and current liabilities.

RESEARCH METHODS

This research uses qualitative methods and the focus of this research is on the annual financial reports of PT. Ace Hardware Indonesia Tbk 2022-2023 which has been published on www.idx.co.id. The data source used in this research is secondary data, namely data from financial reports that have been audited and are available to the necessary parties. The data collection method used is the documentation method. This includes the process of observing, recording, grouping, and using secondary data from documents obtained from the website www.idx.co.id, such as PT financial reports. Ace Hardware Indonesia Tbk for the 2019-2023 period. The analysis used in the research is financial report analysis which is used to analyze how PT financial reports are analyzed. Ace Hardware Indonesia Tbk. 2019-2023 using profitability, liquidity, solvency and activity ratios.

RESEARCH RESULTS AND DISCUSSION

Liquidity Ratio, determined using the below formula:

1. Current Ratio = $\frac{current\ liabilitiy}{Current\ debt}$
2. Quick Ratio = $\frac{Current\ Assets - Inventory}{Current\ debt}$
3. Cash Ratio = $\frac{cash}{current\ liability}$

Solvability Ratio, determined using the below formula:

1. Debt to Assets Ratio = $\frac{total\ Amoun\ of\ debt}{total\ assets}$
2. Debt to Capital Ratio = $\frac{total\ Amoun\ of\ debt}{total\ acpital}$

Activity Ratio, determined using the below formula:

1. Total asset turn over = $\frac{sales}{total\ asset}$
2. Fixed asset Turn over = $\frac{sales}{total\ fixed\ asset}$
3. Average age of accounts receivable = $\frac{Receivables}{sales/365}$
4. Inventory Turn over = $\frac{cost\ of\ goods\ sold}{supply}$

Provitability Ratio, determined using the below formula:

1. Net Profit Margin = $\frac{net\ profit}{sales}$
2. Return On Asset = $\frac{net\ profit}{total\ assets}$
3. Return On Equity = $\frac{net\ profit}{capital}$
4. Gross profit margin = $\frac{groos\ profit}{sales}$
5. Operating profit margin = $\frac{earnings\ before\ interest\ and\ taxes}{sales}$

Table 1. Comparison of PT's Solvability Ratios

Information	2022	2023	Result	Interpretation
Debt to assets ratio	18%	19%	UP	Good
Debt to capital ratio	22%	23%	UP	Good

Table 2. Comparison of PT's Profitability Ratios

Information	2022	2023	Result	Interpretation
Groos profit margin	49,35%	49,48%	UP	Good
Operating profit margin	11,82%	11,59%	UP	Good
Net profit margin	9,81%	9,60%	DOWN	Bad
ROA (return on asset)	31,70%	31,73%	UP	Good
ROE (return on equity)	26,13%	26,29%	UP	Good
ROI (return on investement)	21,54%	21,22%	DOWN	Bad

Table 3. Comparison of PT's Activity Ratios

Information	2022	2023	Result	Interpretation
Total asset Turn over	22,43 x	22,55 x	UP	Good
Fixed asset Turn over	21,95 x	22,10 x	UP	Good
average age of accounts receivable	15 Days	12 Days	DOWN	Bad
Inventory Turn over	30 x	32 x	UP	Good

Judging from the overall liquidity ratio, the company is in good condition. We can see that the current ratio, quick ratio and cash ratio have basically increased. The higher or greater the value of this liquidity ratio indicates that the company is in good or liquid condition. Liquid is a condition where the company is declared healthy and in good condition because it is able to pay off short-term obligations.

Increase in debt to asset ratio of PT. Ace Hardware Tbk from 18% in 2022 to 19% in 2023 shows that:

1. The company increases the portion of debt in financing its assets. This can be done for various purposes, such as expansion, investment, or working capital.
2. This increase can also indicate that the company is experiencing difficulty in increasing its own capital (equity) so it is more dependent on debt to finance its assets.
3. Even though it is still within reasonable limits, an increase in the debt to asset ratio needs to be considered because it can increase the company's financial risks, such as higher interest expenses and lower ability to pay debts. Overall, the increase in debt to asset ratio of PT. Ace Hardware Tbk from 18% to 19% indicates a change in the company's funding structure which needs to be analyzed further to understand the implications for the company's financial performance and risk.

Increase in debt to capital ratio of PT. Ace Hardware Tbk from 22% in 2022 to 23% in 2023 shows that:

1. The company increases the portion of debt in its capital structure. This can be done for various purposes, such as expansion, investment, or working capital
2. This increase can also indicate that the company is experiencing difficulty in increasing its own capital (equity) so it is more dependent on debt to finance its operations and growth.
3. Even though it is still within reasonable limits, an increase in the debt to capital ratio needs to be taken into account because it can increase the company's financial risks, such as higher interest expenses and lower ability to pay debts. An increase in the proportion of debt can also have an impact on the company's ownership structure and management control over the company.

The greater this ratio, the better it is for company performance. Overall, the company's profitability ratio is in good condition. We can see this in the improvement of existing profitability ratio data. This increase shows that the company is successful in generating increased profits every year.

Activity ratio

1. Total Asset Turnover: This value increases from 22.43x in 2022 to 22.55x in 2023. This is a good result because it shows that the company is more efficient in using its assets to generate sales.

2. Fixed Asset Turnover: This value also increases from 21.95x in 2022 to 22.10x in 2023. This is also a good result because it shows that the company is more efficient in using its fixed assets to generate sales.
3. Average Age of Receivables: This value decreases from 15 days in 2022 to 12 days in 2023. This result is interpreted as bad in the table, but in fact it could be a good result. A decrease in the average age of accounts receivable indicates that the company is able to collect payments from its customers more quickly, which can improve cash flow.

Inventory Turnover: This value increases from 30x in 2022 to 32x in 2023. This is a good result because it shows that the company is more efficient in selling its inventory.

CONCLUSIONS AND SUGGESTIONS

In conclusion, the company's financial analysis reveals a strong liquidity position, evidenced by improvements in the current ratio, quick ratio, and cash ratio, indicating the company's ability to meet short-term obligations. However, the solvency ratio shows a rise in both the debt-to-asset and debt-to-equity ratios, suggesting an increased reliance on debt to finance assets and operations. Although this is still within reasonable limits, it warrants attention due to the potential for heightened financial risk. The profitability ratio reflects the company's growing success in generating profits, while the activity ratio highlights improved efficiency in utilizing assets and inventory to drive sales, alongside faster customer payment collection. Given these findings, it is recommended that the company carefully manage its debt to avoid excessive financial risk associated with rising debt ratios. Additionally, the company should explore ways to increase equity to reduce reliance on debt. Maintaining or enhancing the efficiency of asset and inventory utilization remains crucial for sustaining sales growth. Lastly, the company should continue to optimize its receivables collection process to accelerate cash flow.

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