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COMPANY FINANCIAL PERFORMANCE EVALUATION INFORMATION

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Abstract

This article aims to analyze the company's financial performance evaluation information. The method used in this article is a qualitative method. The data source for this research was obtained from written sources related to the concept of context and nature of entrepreneurship. The type of data used in this article is qualitative data. The data collection technique was carried out by searching the literature. The data analysis technique in this article uses narrative techniques. Based on the literature review that has been carried out, the company's financial performance evaluation information is financial performance. Financial performance is a representation of the company's financial condition in a certain accounting period, including aspects of collecting and distributing funds. Usually, this performance is measured through indicators of capital adequacy, liquidity and profitability. Financial performance information is very important for a company because as a means of identifying risks and accurate financial performance information can provide long-term sustainable growth for the company.
Keywords: Financial performance, Ratio analysis

INTRODUCTION

The financial reports that have been prepared have a general nature and function as a communication tool for various parties who have interests such as internal stakeholders and external stakeholders. The main objective of financial reports for entity owners is to evaluate the effectiveness of the company's financial performance in achieving expected profits such as returns on invested capital which is expected to provide additional capital and prosperity for internal stakeholders.(Herawati, 2019).

*One,*Performance in a financial context refers to how an entity manages its finances over a certain period of time. Covers aspects of collecting and distributing funds, which are generally measured through indicators of capital adequacy, liquidity and profitability. Performance appraisals provide benefits for management in managing organizational operations, supporting decision making, identifying employee training and development needs, providing feedback on their performance, and providing a basis for the distribution of rewards by management.(Herawati, 2019).

*Second*Based on research findings conducted by Syamsul, in terms of financial performance analysis of the companies studied, profitability and solvency are low, this indicates that these two aspects are below standard, thus indicating a lack of optimization of the company's resources, such as capital, assets and investment, which has not provided maximum results in terms of profitability(Ass, 2020).

*Third,*According to Oktavia and Faddila, the analysis of the profitability and solvency ratios of the companies studied is below standard, this shows a lack of maximization of the company's financial performance in optimizing the resources it has, be it capital, assets or investments that do not produce profits or returns according to their potential.(Oktavia & Faddila, nd)

*Fourth,*Results of data analysis of profitability ratios at PT. Maxim Paragon, conducted by Linda et al, indicates that the company's financial performance is not optimal in Net Profit Margin (NPM) and Return On Equity (ROE) because the average ratio is below the industry, caused by a lack of efficiency and control of operational costs. However, the company's financial performance is considered good in terms of Return On Assets (ROA) because the average ratio exceeds that of the industry, indicating efficient use of assets and generating profits.(Lase et al., 2022).

Several research results show the importance of financial performance for a company, which can influence the level of efficiency, financial effectiveness and sustainability of company growth.

METHOD

This research uses qualitative research methods. This approach involves reporting detailed views sourced from informants, and is carried out in the context of a natural setting(Fadli, 2021). The source of research data is information obtained directly which is used as a research study(Jaya, 2020), the data source in the research comes from written sources relating to Financial Performance Information.

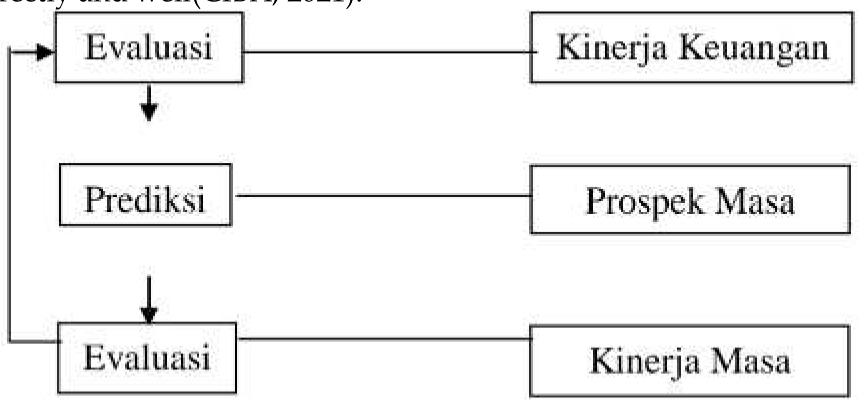
The data analysis technique in this research is in the form of narrative, narrative, namely describing and explaining an event that is the focus of the research, by following a certain time sequence in detail.(Darmanita & Yusri, 2020).The data collection technique is a literature study carried out by collecting several books and articles from previous researchers related to Financial Performance Information.

RESULTS

A. Financial performance

Company financial performance analysis aims to assess the extent to which an entity implements financial principles effectively. Financial performance includes aspects such as liquidity, leverage, profitability, and activity, which are used to evaluate a company's health, assess investment opportunities, and seek the best funding sources for existing investment opportunities(Mokoginta, 2022).Each company management evaluates the manager's performance by examining and comparing financial data during a certain period(Ass, 2020).

Financial performance is often assessed based on net income, which includes income and expenses. In the context of retail companies, financial performance assessments usually aim to achieve at least the same results as the previous period or achieve previously set targets. This target generally considers the company's internal and external factors (Riesmiyantiningtias & Siagian, 2020), as well as analysis to review the company's progress. have implemented the rules correctly and well(CIBA, 2021).



In the picture above, analyzing financial performance is by evaluating performance in the previous year and then predicting the company's future prospects to improve the company's performance in the financial sector in the future, namely by re-evaluating what happened in the previous year.(CIBA, 2021)

B. Financial statements

Financial reports are a very important tool in communicating financial information to external stakeholders including balance sheets, profit and loss reports or income reports and reports of changes in equity. In addition, financial reports are used as a basis for analyzing a company's financial performance through various financial ratios such as liquidity, activity, solvency and profitability ratios.(Kurniawan et al., 2022).

According to IAI (2015), quoted in Hasan and Gusnardi (2018: 02) in Tirta et al., financial reports are a structural representation of the performance and financial conditions of an entity, to provide information related to financial conditions, performance and cash flows that provide benefits to the majority of users in taking economic satisfaction. An analytical tool commonly used to evaluate financial reports is financial ratio analysis(Putri et al., 2024)

C. Financial Ratio Analysis

Financial ratio analysis is used to determine changes that occur in each financial section and to measure between sections in financial reports.According to Sutrisno (2009), financial ratio analysis is an important tool for understanding changes in every financial aspect and for comparing various parts of financial reports. Meanwhile, Sartono (2011) interprets financial ratio analysis as a means of controlling company finances and as a basis for assessing a company's ability to operate its finances.(Anggraeni et al., 2020).

1. The liquidity ratio evaluates the extent of an entity's competency in paying its short-term obligations using the assets it owns. This ratio consists of several components, such as Cash Ratio, Current Ratio, and Quick Ratio. The following is an explanation of each component:
   a. Current Ratio.This ratio evaluates an entity's competency in paying off short-term debt using the cash assets it owns. The calculation involves dividing the amount of cash assets by the amount of current liabilities. The higher the value of this ratio, the better the company's ability to pay short-term debt(Buntu & Fitayanti, 2022).

$$\textit{Cash Ratio} = \frac{\text{Kas}}{\text{Utang Lancar}}$$

   b. Current Ratio. The company's ability at maturity to fulfill short-term debt whose payment is guaranteed by current assets (nur Inda Sari & Juwita Sustainable, nd).

$$\text{Aktiva Lancar} = \frac{\text{aktiva lancar}}{\text{hutang lancar}}$$

   c. Quick Ratio. Measures a company's current assets against its short-term liabilities without selling equipment.

$$\textit{Quick Ratio} = \frac{(\text{Aktiva Lancar} - \text{Persediaan})}{\text{Kewajiban Lancar}}$$

2. Company means how much the amount of expenditure in carrying out the company's business activities is funded by debt when compared to its own capital(Alfitri & Sitohang, 2018).Which includes the solvency ratio:

   a. Debit to Equity (DER). This ratio can be used as a comparison to see external funds with company funds. This ratio can also show how much debt is secured by its own capital.

$$\textit{Debt to Equity}\ (\text{DER}) = \frac{\text{Total Utang}}{\text{Total Modal Sendiri}} = \frac{\textit{Total debt}}{\textit{Total equity}}$$

   b. Long Term Debt to Equity Ratio. The extent to which it can show long-term company debt that is guaranteed by its own capital.

$$\textit{Long term debt to equity ratio} = \frac{\textit{long term debt}}{\textit{equity}} = \frac{\text{Utang Jangka Panjang}}{\text{Total modal sendiri}}$$

   c. Debit to Asset ratio. Used to measure all obligations guaranteed using assets (Hantono, 2018).

$$\text{Debt to Assets Ratio (DAR)} = \frac{\text{Total debt}}{\text{Total Assets}} = \frac{\text{Total Hutang}}{\text{Total Aset}}$$

3. According to Kasmir (2016:196), Profitability Ratios are used to evaluate a company's ability to generate profits, as well as as an indicator of management effectiveness. This ratio reflects the income generated from sales and investments, which basically describes the efficiency of the company(Alfitri & Sitohang, 2018). Profitability Ratios include:
   a. Return On Assets. Return on Total Assets (ROA) reflects how effective the company is in generating profits from the assets it owns and uses, the higher the ROA the more effective the company is in using its assets to generate profits(Nurlatifah & Siburian, 2021).
   $$Return\ On\ Assets = \frac{Laba\ setelah\ Pajak}{Total\ Aset}\ X\ 100\ \%$$
   b. Return On Equity. Return on Equity (ROE) is used to review the efficiency of an entity's assessment in using its own capital to generate profits. The higher the ROE, the better the entity utilizes its capital to generate profits. ROE has important significance for evaluating financial performance and can be used as an indicator of a successful business strategy(Andriani et al., 2022).
   $$Return\ On\ Equity = \frac{Laba\ setelah\ Pajak}{Modal\ sendiri}\ X\ 100\ \%$$
   c. Gross Profit Margin is used to assess a company's operational efficiency, where the higher the GMP, the better the operations of an entity.(Sartono 2010: 123). It is important to note that cost of sales greatly impacts gross profit(Ass, 2020).
   $$\text{Gross Profit Margin} = \frac{\text{Net Sales} - \text{Cost of Goods Sold}}{\text{Sales}} \times 100\%$$
   d. Net Profit Margin as an important ratio in evaluating the profitability of an entity from net profit,and can measure profits by comparing profit after tax with sales revenue through net profit margin, NPM describes the efficiency of generating net profit from sales of an entity(Lase et al., 2022).
   $$Net\ Profit\ Margin = \frac{Laba\ setelah\ pajak}{Penjualan}\ X\ 100\ \%$$
4. Activity ratios are used to assess the effectiveness of an entity utilizing its assets. Several types of activity ratios include:
   a. According to Kasmir (2017:185), the total asset turnover ratio is used to evaluate the effectiveness of the use of assets owned by an entity, as well as to illustrate the income generated by each unit of asset. The higher the ratio value, the better, indicating that assets are moved more quickly and generate greater profits. This reflects increased efficiency in the use of total assets to generate income(Karunia Zuraidaning et al., nd).
   $$\text{Total assets turn over} = \frac{\text{Penjualan}}{\text{Total Akti}}$$
   b. According to Kasmir (2012) in Nurfitria et al., Receivables turnover is a way to assess a company's efficiency in managing and collecting its receivables, both in terms of frequency of collection and speed of the receivables payment process. Industry standards are often used as a benchmark to evaluate the quality of an entity's performance in this case, if receivables turnover exceeds 15 times, it is considered good, but if it is less than 15 times, it indicates the company's condition is not good.(Nurfitrah et al., nd).

$$\textit{Receivable Turn-over} = \frac{\text{Penjualan Kredit}}{\text{Total Piutang}} \times 1 \text{ kali}$$

c. Inventory turnover ratio according to Suprihatin & Nasser, 2016 in Nurfitrah et al., the inventory turnover ratio describes the speed of inventory circulation in one year, which is an indication of inventory management efficiency. If this ratio is high, it indicates effective inventory management. Conversely, if the inventory turnover ratio is low, it could be a sign of mismanagement, such as a lack of effectiveness in controlling inventory.(Nurfitrah et al., nd).

$$\textit{Inventory Turn-over} = \frac{\text{Harga Pokok Penjualan}}{\text{Persediaan}} \times 1 \text{ kali}$$

CONCLUSIONS AND RECOMMENDATIONS

The research results show that Financial Performance has an important role as part of the control system to evaluate how efficient and effective an entity is in achieving its expected goals. Financial Performance refers to the evaluation of the extent to which a company carries out operational activities in accordance with applicable financial principles and standards, with a focus on indicators of capital adequacy, liquidity and profitability. Information regarding financial performance plays a very important role in identifying risks and supporting the company's long-term growth. Evaluation of financial reports is carried out through financial ratio analysis, a tool that compares components or numbers in financial reports to measure the company's financial health.

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