



# Financial Performance Analysis Using Financial Ratios

**Reza Kurniawan**

*Faculty of Business and Management, Widyatama University, Indonesia.  
E-mail: reza.kurniawan@widyatama.ac.id*

## ABSTRACT

*Performance has a sense of working ability or something that is achieved or demonstrated accomplishments. Research was conducted on Telecommunications companies, which is PT. Telkom Tbk, PT. Indosat Tbk, PT. Excelcomindo Pratama Tbk. The author uses descriptive method. The data used are secondary data in the form of financial statements. Based on the description that has been proposed, see the other side of the company's performance valuation within investment decision making using financial ratios. Based on the analysis concluded that: (1) Thus the ratio of liquidity of the three best Telecommunications companies are PT. Indosat, Tbk, except for the fulfillment of the short-term obligations with cash it is best deferred PT. Excelcomindo Pratama, Tbk. (2) Thus, leverage ratios of the three highest Telecommunications companies are PT. Excelcomindo Pratama Tbk, which will face the risk of difficulty fulfilling their obligations. (3) Thus the ratio of activity of the three best Telecommunications companies are PT. Telkom Tbk, a turnover of assets capable of generating sales. (4) Thus Profitability ratios of the three best Telecommunications companies are PT. Telkom Tbk, a company's ability to obtain high profits*

**Keywords :** *Liquidation Ratio, Leverage Ratio, Ratio Activity and Profitability Ratio.*

## 1. INTRODUCTION

Phenomenon proves that economic actors (especially investors) of capital markets, tend not to have goals how to assess the performance of shares in a public company through financial analysis. In fact, investors tend to rely on intuition in deciding to sell or buy a stock and finally trapped in irrational behavior that led to the speculation measures. To help interpret business data, financial statements are presented in comparative form. According Syahrul, SE (2000:180) comparative financial statements are the financial statements are presented side by side for two years or more. In the comparative financial statements (comparative financial statements), the figures contained in the financial statements for several years appear side by side in vertical columns. This format will surely help investors in identifying and evaluating companies and a significant ratio. A financial evaluation are often used and known by the public is financial ratio analysis by assessing the level of liquidity, solvency, and profitability of a company. Assessing company performance can be done with an industry average ratio (the firm's ratio to the industry average) by comparing the ratio-one ratio between the company and another company who peers. This is of course very useful for investors in knowing the condition of companies in certain industry groups to determine which one is best and more favorable views of the comparative performance of the company. Past performance is often a good indicator of performance in the future. Currently in Indonesia has a lot of progress, such as in the case of developments in science, information technology, and telecommunications technology. Although Indonesia, including the State belonging to slow in the field of telecommunications, but now we can already see and feel the easiness provided by companies engaged in telecommunications. Companies engaged in telecommunications competing for pushing to give the best service to compete to provide the best service with a variety of products that have been offered such as PT. Telkom, Tbk (Telephone Equipment, Sympathy, Flexi), PT. Indosat, Tbk (Mentari, Matrix, IM3), PT. Excelcomindo Pratama, Tbk (XL Free, Thumb XL, XL Explor). The main objective of the telecommunications company operating in this way optimize the performance gain as much as possible. In terms of selection of a group of companies, on paper the authors chose to conduct research on publicly traded companies engaged in the field of telecommunications. Companies go public is a company registered in the Indonesian Stock Exchange (BEI).

## 2. EMPIRICAL ON FINANCIAL RATIO

**Liquidity Ratio** Liquidity ratio is the company's ability to pay its obligations that must be met immediately. This ratio measures a company's ability to pay its current debt with the cash or cash equivalent. **Leverage Ratio** Leverage ratios measure a company's solvency margin. Solvency is the ability of a company to pay all his debts, both long term and short term. **Activity ratio** measures how effectively companies utilize all available resources in its control. **Profitability Ratios** Profitability ratios to evaluate a company's ability to earn profits from invested capital and sales revenue. This



ratio shows the extent to which the company manages its own capital effectively, measure the profitability of the investment has done its own capital owners or shareholders of the company.

### 3. ANALYTHICAL FRAMEWORK AND RESEARCH METHODOLOGY

Data analysis is a process of simplification of data in a more easily readable and understandable. Steps in data analysis is as follows:

#### 1. Calculate and analysis financial statements

##### A. Liquidity ratio

###### a. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{current liabilities}}$$

###### b. Quick Ratio

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

###### c. Cash Ratio

##### B. Leverage Ratio

$$\text{Cash ratio} = \frac{\text{Cash} + \text{marketable securities}}{\text{current liabilities}}$$

###### a. Debt Ratio

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

###### b. Debt to Equity Ratio

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

##### C. Activity Ratio

###### a. Total Assets Turnover

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

##### D. Profitability Ratio

###### a. Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

###### b. Return on Assets

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$$

###### c. Return on Equity

$$\text{ROE} = \frac{\text{Net Income}}{\text{Net Worth}}$$



#### 4. MODEL SPECIFICATION

##### a. Model Specification

The research method used is descriptive analytical method, the method is trying to collect data in accordance with the actual circumstances, present, and analyze it so that it can provide a fairly clear comparison of the observed object which can then be withdrawn a conclusion.

##### b. Data Description

This study took samples at the company listed in Indonesia Stock Exchange (BEI) in the period 2006-2008, where data obtained from the Indonesian Capital Market Directory (ICMD) at the Stock Exchange Corner Widyatama University, Bandung 204A Cikutra. In order to obtain the necessary data to preparation of the thesis, the research began in maret 2009 to complete.

#### 5. EMPIRICAL RESULT

##### A. Liquidity ratio

###### a. Current Ratio

Table 1

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Current ratio</i>	<i>Current ratio</i>	<i>Current ratio</i>
2006	67,79	83,28	51,45
2007	77,28	92,59	23,92
2008	54,16	90,49	60,03
Average	66,41	88,79	45,13

Sumber: Laporan Keuangan PT.Telkom Tbk, PT. Indosat Tbk, PT. XL Tbk Year 2006, Year 2007, Year 2008

Based on Table 1 note that the average firm from 2006 until the year 2008 at the Vendor Page. Telkom Tbk, PT. Indosat Tbk, and PT. XL language, it is best to PT. Indosat, Tbk amounting to 88.79%. Therefore PT. Indosat Tbk better able to meet its short-term liabilities than the PT. Telkom, Tbk and PT. Excelcomindo Pratama, Tbk.

###### b. Quick Ratio

Table 2

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Quick ratio</i>	<i>Quick ratio</i>	<i>Quick ratio</i>
2006	66,75	81,65	49,91
2007	76,26	91,20	23,08
2008	52,26	88,22	57,97
Average	65,09	87,02	43,65

Sumber: Laporan Keuangan PT.Telkom Tbk, PT. Indosat Tbk, PT. XL Tbk Year 2006, Year 2007, Year 2008

Based on Table 2 note that the average quick ratio is the highest PT. Indosat, Tbk amounting to 87.02%. Therefore PT. Indosat Tbk can meet its short term obligations immediately.

###### c. Cash Ratio

Table 3

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Cash ratio</i>	<i>Cash ratio</i>	<i>Cash ratio</i>
2006	40,50	41,39	81,65
2007	49,05	69,10	91,20
2008	25,52	53,77	88,22
Average	38,36	54,75	87,02

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 3 note that the average firm from 2006 until the year 2008 at. Telkom Tbk, PT. Indosat Tbk, and PT. XL language, it is best to PT.Excelcomindo Pratama, Tbk amounting to 87.02%. PT.Excelcomindo Pratama, Tbk, which is most able to pay its short term obligations with its cash.

**B. Leverage Ratio****a. Debt Ratio**

Table 4

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Debt ratio</i>	<i>Debt ratio</i>	<i>Debt ratio</i>
2006	62,64	55,59	66,12
2007	58,87	63,48	76,25
2008	62,40	66,32	85,10
Average	61,30	61,80	75,82

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 4 is known that the highest average ratio is PT. Excelcomindo Pratama, Tbk. This indicates the greatest risk to the company than the PT. Telkom Tbk and PT. Indosat Tbk in fulfilling all obligations.

**b. Debt To Equity Ratio**

Table 5

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Debt to Equity ratio</i>	<i>Debt to Equity ratio</i>	<i>Debt to Equity ratio</i>
2006	167,69	125,16	195,16
2007	143,15	173,83	321,08
2008	165,94	196,92	571,13
Average	158,93	165,30	362,46

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 5 note that the average Debt to Equity ratio is the highest PT. Excelcomindo Pratama Tbk, is thus dominated by the debt capital structure, which is feared will have difficulty in fulfilling their obligations.

**C. Activity Ratio****a. Total Assets Turnover**

Table 6

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Total assets Turnover</i>	<i>Total assets Turnover</i>	<i>Total assets Turnover</i>
2006	0,68	0,36	0,37
2007	0,72	0,36	0,34
2008	0,67	0,36	0,34
Average	0,69	0,36	0,35

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 6 is known that the average Total Assets Turnover is highest PT. Telkom Tbk. Thus it can be produced that the velocity of assets of PT. Telkom Tbk, to produce relatively more rapidly than sales of the company PT. Indosat Tbk and PT. Excelcomindo Pratama Tbk.

**D. Profitability Ratio****a. Net Profit Margin**

Table 7 PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Net Profit Margin</i>	<i>Net Profit Margin</i>	<i>Net Profit Margin</i>
2006	21,46	11,52	13,92
2007	21,63	12,38	3,88
2008	17,50	10,07	0,15
Average	20,20	11,32	5,98

Source: Financial Statements PT.TelkomTbk,



Based on Table 7 note that the average firm from 2006 until the year 2008 at the Vendor Page. Telkom Tbk, PT. Indosat Tbk, and PT. XL language, it is best to PT. Telkom, Tbk amounting to 20.20%. PT. Telkom, Tbk, which is most able to obtain higher profits from sales compared to PT. Indosat Tbk and PT. Excelcomindo Pratama Tbk .

### b. Return on Assets

Table 8

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Return on Assets</i>	<i>Return on Assets</i>	<i>Return on Assets</i>
2006	14,65	4,12	5,16
2007	15,67	4,51	1,33
2008	11,64	3,63	0,05
Average	13,99	4,09	2,18

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 8 note that the average firm from 2006 until the year 2008 at the Vendor Page. Telkom Tbk, PT. Indosat Tbk, and PT. XL language, it is best to PT. Telkom, Tbk amounting to 13.99%. PT. Telkom, Tbk most capable of generating income and assets.

### c. Return on Equity

Table 9

Year	PT. Telkom, Tbk	PT. Indosat, Tbk	PT. XL, Tbk
	<i>Return on Equity</i>	<i>Return on Equity</i>	<i>Return on Equity</i>
2006	39,21	9,28	15,23
2007	38,10	12,34	5,62
2008	30,95	10,79	0,35
Average	36,09	10,80	7,07

Source: Financial Statements PT.TelkomTbk, PT. Indosat Tbk, PT Tbk XL Year 2006, Year 2007, Year 2008

Based on Table 4:36 in mind that the average firm from 2006 until the year 2008 at the Vendor Page. Telkom Tbk, PT. Indosat Tbk, and PT. XL language, it is best to PT. Telkom, Tbk amounting to 36.09%. Thus profitability PT. Telkom, Tbk using eliminatasnya higher than the company PT. Indosat, Tbk and PT. Excelcomindo Pratama, Tbk.

## 6. CONCLUSIONS

Based on descriptive analysis of financial ratios can conclude a few things as follows:

1. Liquidity Ratio PT. Telkom Tbk, PT. Indosat Tbk, PT. Excelcomindo Pratama Tbk is as follows:

- Current ratio is the best company is PT. Indosat Tbk, compared to PT. Telkom Tbk and PT. Excelcomindo Pratama Tbk.
- Quick ratio is the best company is PT. Indosat Tbk, compared to PT. Telkom Tbk and PT. Excelcomindo Pratama Tbk.
- Cash ratio is the best company is PT. Excelcomindo Pratama, compared to PT. Telkom Tbk and PT. Indosat Tbk.

Liquidity ratios of the three best Telecommunications companies are PT. Indosat Tbk, except for the fulfillment of the short-term obligations with cash it is best to use PT. Excelcomindo Pratama Tbk.

2. Leverage Ratio of PT. Telkom Tbk, PT. Indosat Tbk, PT. Excelcomindo Pratama Tbk.

- Debt ratio is the highest in PT. Excelcomindo Pratama Tbk, thereby PT. Excelcomindo Pratama Tbk will face the risk of difficulty fulfilling their obligations with assets owned.
- Debt to Equity ratio was highest in PT. Excelcomindo Pratama Tbk, thereby PT. Excelcomindo Pratama Tbk will face the risk of difficulty fulfilling their obligations.

Leverage ratios of the three highest Telecommunications companies are PT. Excelcomindo Pratama Tbk, which will face the risk of difficulty fulfilling their obligations.



3. Activity ratio of PT. Telkom Tbk, PT. Indosat Tbk, PT. Excelcomindo Pratama Tbk.

- a) Total Assets Turnover of the best there is at. Compared to PT Telkom Tbk. Indosat Tbk and PT. Excelcomindo Pratama Tbk.

The ratio of activity of the three best Telecommunications companies are PT. Telkom Tbk, a turnover of assets capable of generating sales.

4. Profitability ratios of PT. Telkom Tbk, PT. Indosat Tbk, PT. Excelcomindo Pratama Tbk.

- a) Net Profit Margin is the best there is at. Compared to PT Telkom Tbk. Indosat Tbk and PT. Excelcomindo Pratama Tbk.  
 b) Return on Assets which are best at. Compared to PT Telkom Tbk. Indosat Tbk and PT. Excelcomindo Pratama Tbk.  
 c) Return on Equity is the best there is at. Compared to PT Telkom Tbk. Indosat Tbk and PT. Excelcomindo Pratama Tbk.

Thus Profitability ratios of the three best Telecommunications companies are PT. Telkom Tbk, a company's ability to obtain a high enough income.

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