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DETERMINANT *CURRENT RATIO* AND *DEBT TO EQUITY RATIO* IN ASSESSING FINANCIAL PERFORMANCE

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Abstract

This study aims to determine the financial performance of PT. Mestika Sakti Medan which is measured using the liquidity ratio (current ratio), solvency ratio (Debt to Equity Ratio).This study uses a descriptive approach, with the types of research data in the form of quantitative data anddata source, namely primary data. The data collection technique used is documentation and tThe data analysis technique used is descriptive analysis. The results showed that the financial performance of PT. Mestika Sakti Medan which was analyzed using the Carrent Ratio and Debt to Equity Ratio based on the 2009-2018 financial statements, namelyit can be seen that the current ratio is stable on average but if measured by industry standards it is below the industry standard, the Debt to Equity Ratio on average has increased and when compared to industry standards it has increased. This can be seen from the large number of current assets compared to current liabilities, the increase in total assets, the decrease in the company's ability to generate profits and the company's ability to pay all company obligations.

Keywords: Financial Performance, Current Ratio (CR) And Debt To Equity Ratio (DER)

1. INTRODUCTION

The company's financial performance is a description of the company's financial condition, which is analyzed with financial analysis tools. Financial performance reflects work performance over a certain period. Financial performance information is useful for predicting the company's capacity to generate cash flows from existing resources. By looking at the financial performance of the company's management, management can see work performance so that it can improve weaknesses or increase productivity(Fauziah, 2017).

The financial performance of a company is presented in the form of a report made by the company's management as a form of accountability for its performance. The report presented by management is in the form of a financial report where financial statements are presented and prepared by the management of a company on internal and external parties that contain all business activities from a business unit which is one of the responsibilities and communication of management to those who need it. (Akbar, 2019).

"The company's financial performance has decreased and increased that is not in accordance with effectiveness standards, this can be seen from the calculation of the activity ratio and solvency that has been carried out".(Gunawan, 2019).

“Activities in financial statement analysis can be done by determining and measuring between the items in a financial report. Furthermore, financial statement analysis can also be done by analyzing the financial statements held in one period. The analysis of the financial statements is carried out to assess and measure the extent to which the company's performance from the previous period and the current period. Company analysis is important to do to help interested parties in making decisions.(Cashmir, 2013).

Financial ratio is a measuring tool used to assess the performance and financial condition of the company. Financial ratios are comparisons between one or more reporting accounts whose purpose is to measure the company's ability to manage its business. Financial statements are a product of management in order to account for the use of resources and sources of funds entrusted to them(Coal & Word, 2019).

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Liquidity is one of the most important financial aspects to analyze. The liquidity ratio shows the ability of a company to meet financial obligations that must be fulfilled immediately or the company's ability to meet financial obligations when billed(Muslih, 2019).

"There are several measuring tools used to measure the liquidity ratio, namely the Current Ratio, Quick Ratio, Cash ratio, and Net Working Capital Ratio. From this research, the liquidity ratio is measured using the Current Ratio. The current ratio is a commonly used measure of short-term solvency, the ability of a company to meet debt needs when it matures.(Fahmi, 2017).

Leverage is an important tool in measuring the effectiveness of the use of corporate debt. The risk that arises in the use of financial leverage is called financial risk, which is an additional risk that is charged to shareholders as a result of using debt by the company. The greater the leverage ratio, the greater the portion of the use of debt in financing investment in assets, which means that financial risk also increases and vice versa.(Herry, 2017).

Leverage ratio aims to analyze the expenditure made in the form of debt and capital composition as well as the company's ability to pay interest and other fixed expenses. (Sugiono & Untung, 2018).

Debt To Equity Ratio(DER) is useful for knowing the amount of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to determine each rupiah of own capital that is used as collateral for debt. For banks (creditors), the greater this ratio, the more unprofitable it will be because the greater the risk that will be borne for failures that may occur in the company.(Cashmere, 2016).

2. RESEARCH METHODS

This study uses a descriptive approach, with the types of research data in the form of quantitative data anddata source, namely primary data. The data collection technique used is documentation and tThe data analysis technique used is descriptive analysis. The results showed that the financial performance of PT. Mestika Sakti Medan which was analyzed using the Carrent Ratio and Debt to Equity Ratio based on the 2009-2018 financial statements, namelyit can be seen that the current ratio is stable on average but if measured by industry standards it is below the industry standard, the Debt to Equity Ratio on average has increased and when compared to industry standards it has increased. This can be seen from the large number of current assets compared to current liabilities, the increase in total assets, the decrease in the company's ability to generate profits and the company's ability to pay all company obligations.

3. RESULTS AND DISCUSSION

Analysis *Current Ratio*at the company PT. Mestika Sakti Medan

In calculating the current ratio, it is done by looking at the total current assets of the company. Total current assets used include cash, receivables, short-term investments, inventories and prepaid expenses which will be totaled. In addition, to see the amount of current debt, you can add up trade payables, taxes payable, and prepaid debts.

Current ratio can be measured by comparing current assets with current liabilities of the company, the greater the current ratio, the easier it is for the company to pay short-term debt, if the level of current assets of the company is large, the current ratio level is categorized as good. The formula for the current ratio is as follows:

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}}$$

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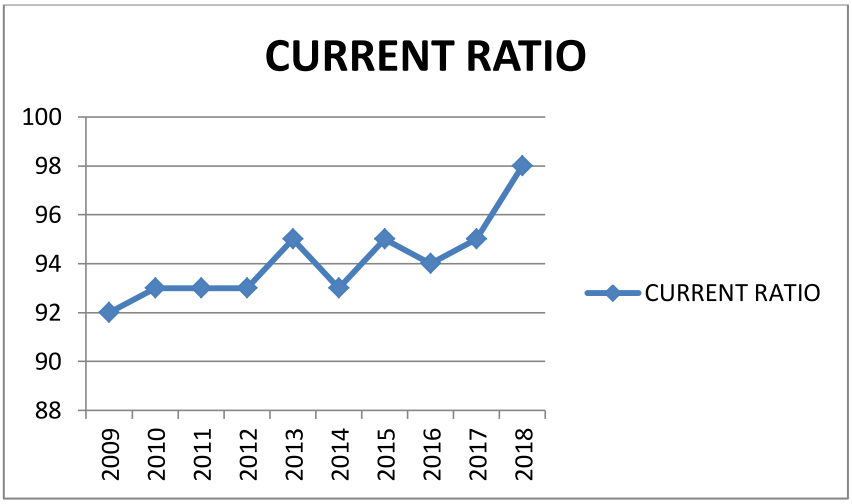
Table 1. Current Ratio
PT.Mestika Sakti Medan

Year	Current asset	Current liabilities	CR
2009	Rp 31,994,423,324	Rp 34,405.851,921	**0.92**
2010	Rp 35,538,727,448	Rp 37,935,974,918	**0.93**
2011	Rp 42,124,982,306	Rp 45,115,224,707	**0.93**
2012	Rp 49.854.368.852	Rp 52,798,873,174	**0.93**
2013	Rp 52,366,106,378	Rp 55,048,454,681	**0.95**
2014	Rp 57,151,227,848	Rp 60,963,115,477	**0.93**
2015	Rp 57,277,222,432	Rp 60,195.582.723	**0.95**
2016	Rp 64,726.732.714	Rp 68,567,104,059	**0.94**
2017	Rp 71,438,950,414	Rp 74,631,825,388	**0.95**
2018	Rp 53,777,879,621	Rp 54,529,565,311	**0.98**
average	**Rp 51,625,062,134**	**Rp 54,419,157,236**	**0.94**

Source: PT.Mestika Sakti Medan's financial report for the period 2009-2018

Figure 1. Current Ratio
PT.Mestika Sakti Medan



Based on the table data above, it can be seen that the overall liquidity value (current ratio) has been stable from year to year, but is still said to be able to pay all its current liabilities using current assets owned by the company. This can be seen from the value of the company's current assets remaining on the payment of the company's current debt. This can be seen from the small current debt of the company compared to the current assets of the company, so that the company is able to meet its current obligations. This will not hamper the company's operational activities in the future. Because the company has working capital to finance all of the company's further operational activities.

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Analysis *Debt to Equity Ratio*at the company PT. Mestika Sakti Medan

*Debt to equity ratio*is a ratio that describes the extent to which the owner's capital can cover debts to outsiders. Or a ratio that measures the company's ability to obtain funds from creditors to carry out its operational activities.

*Debt to equity ratio*for each particular company is different, depending on the characteristics of the business and the diversity of its cash flows. Debt to equity ratio is the ratio used to assess debt to equity. This ratio is sought by comparing all debt, including current debt with equity. The formula for the debt to equity ratio is as follows:

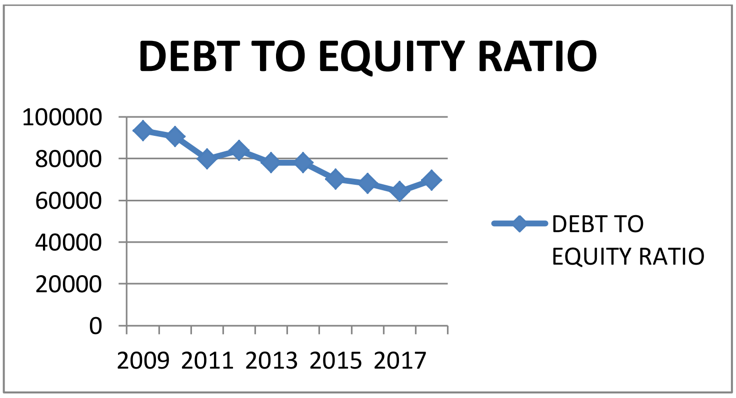
$$\textit{Debt to equity ratio} = \frac{Total\ Hutang}{Total\ Modal}$$

Table 2. Debt To Equity Ratio
PT.Mestika Sakti Medan

Year	Total Debt	Total Equity	DER
2009	Rp 31,077,986,396	Rp 3,327,865,525	**933.87**
2010	Rp 34,161,728,372	IDR 3,774,246,546	**905.13**
2011	Rp 40,092,840,083	Rp 5,022,384,624	**798,28**
2012	Rp 47,180,423,826	Rp 5,618,449,348	**839.74**
2013	Rp 48,802,537,453	Rp 6,245,917,228	**781.35**
2014	Rp 54,038.033,422	Rp 6,925,082,055	**780.32**
2015	IDR 52,692,375,459	Rp 7,503,207,264	**702.26**
2016	Rp 59,785.825,645	Rp 8,781,278,414	**680.83**
2017	Rp 64,571,266,960	Rp 10,060,558,428	**641.83**
2018	Rp 47,687,583,356	Rp 6,841,981,955	**696.98**
average	**Rp 48.009.0600.097**	**Rp 6,410,097,139**	**776.60**

Source: Financial report of PT. Mestika Sakti Medan Period 2009 – 2018

Figure 2.*Debt To Equity Ratio* PT.Mestika Sakti Medan



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Based on the table data above, it can be seen that the overall solvency value (debt to equity ratio) has increased from year to year, it is still said to be able to use all company assets to pay all company obligations from short-term debt to long-term debt, this can be seen of the remaining assets of the company is large enough, so that the company can continue to carry out further operational activities, but the level of debt to equity ratio that is too large will increase the level of risk of the company's inability to return the investment from creditors and investors that they have invested. And creditors and investors prefer companies whose debt to equity ratio is not too high, this is for the safety of their investments.
Factors that affect the debt to equity ratio which has increased due to the increase in the company's debt, where a large company's capital level can guarantee to cover its entire debt, which means that the company's operational activities are able to pay off company debts using their own capital.

4. CONCLUSION

Conclusion

Based on the results of calculations from 2009 to 2018 the value of the Liquidity ratio, namely the current ratio, it can be concluded that it can be said to be able to pay all its current liabilities using current assets owned by the company. This can be seen from the large amount of current assets compared to the amount of current liabilities owned by the company, so that the company will be able to continue to carry out company operations in the future.

Based on the results of calculations from 2009 to 2018 the value of the Solvency ratio, namely the debt to equity ratio, it can be concluded that the debt to equity ratio can be said to be able to pay all of the company's obligations by using all of the company's assets and capital, so that the company will gain great trust from the company. creditors and investors to invest and invest, so that the company is able to carry out operational activities in the future.

Suggestion

By looking at the current ratio, the company is able to meet all of its current liabilities by using all of the company's current assets, but the company is expected to be able to increase the amount of working capital in order to increase the company's productivity. If the company's working capital is able to finance all company operations. This indicates that the company is said to be good because sufficient capital will provide benefits for the company against a working capital crisis if there is a decrease in the value of its current assets and allows the company to pay all its current liabilities on time, so that the company can continue to carry out operational activities in the future. will come.

By looking at the condition of the debt to equity ratio, the company is able to pay all of the company's obligations, both current and non-current liabilities, using the assets and capital owned by the company. Even though there are several years the company cannot fulfill all of its obligations, the thing that can be done so that the company can continue to carry out its operational activities is to increase the amount of income without being followed by an increase in costs, and it can be done by paying interest expenses using the company's operating profit (EBIT).). If the company cannot use its capital properly and efficiently, the company will have difficulty paying off its debts.

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