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Research Article

How Non-Current Liabilities are Reported and Analyzed at PT Garuda Indonesia Tbk ?

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Abstract

The purpose of this research is to find out how non-current liabilities are reported and analyzed. Due to the Covid-19 pandemic, airline business suffered considerable losses, especially to PT Garuda Indonesia, Tbk. Noncurrent liabilities, also called long-term liabilities or long-term liabilitys, are long-term financial obligations listed on a company's balance sheet. These liabilities have obligations that become due beyond twelve months in the future, as opposed to current liabilities which are short-term liabilitys with maturity dates within the following twelve month period. Liability policy is proxied using short-term liability, long-term liability, and total liability. Meanwhile, financial performance is proxied using Return On Equity (ROE). This study tested the debit to total assets ratio, the ratio of total financial liability to equity (X) and the time interest earned ratio.

Keywords: Non-current liabilities, Financial ratio.

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1. INTRODUCTION

The Covid-19 pandemic has killed the airline business. Garuda Indonesia as a flag carrier for national airlines has also been affected by the pandemic. As an air transportation company formed by the government, PT Garuda Indonesia is required to be able to survive in any conditions.

Based on the financial statements December 31, 2020, Garuda posted revenues of US$1.49 billion. This figure fell sharply compared to before the pandemic or in 2019 which scored US$4.57 billion in revenue. Garuda suffered a loss of US$2.5 billion or Rp. 36.2 trillion last year due to the pandemic. This was conveyed by Garuda in the information disclosure of the Indonesia Stock Exchange

Garuda claims to optimize revenue from passengers on domestic and international routes through production optimization and dynamic pricing strategies. Then, it will increase scheduled cargo flights, close non-profitable routes and others. As is known, Garuda's financial condition has slumped with liabilitiess reaching Rp. 70 trillion and increasing by Rp. 1 trillion every month.

In addition, the state-owned company restructured its business by cutting the number of aircraft it operates. From 142 fleets to 53 fleets. Investigate past problems that have affected Garuda's mountain of liabilities, namely the price of airplane rentals set by lessors is the highest in the world, reaching 60 percent, thus burdening the company's finances.

Garuda also admitted an equity deficiency of US$1.94 billion in 2020. The state-owned company revealed that deteriorating financial conditions, especially the viciousness of the COVID-19 pandemic, which was followed by travel restrictions, caused a significant decrease in air travel.

The paper reviews the report and analysis of non-current liabilities from Garuda's financial performance in 2020.

2. LITERATURE REVIEW

The capital structure of public companies in Indonesia is still dominated by liabilities rather than equity (Soleman in Prasetyo & Januarti, 2015, Lubis et al., 2018). Alternative capital using liabilities can be said as a low-cost alternative, because the burden of interest costs borne is smaller than the profit obtained from the utilization value of the liabilities (Deniansyah in Prayudi, 2010). Despite the low cost, the liabilities-dominated capital structure carries the risk of bankruptcy for the company.

Utilization of capital is referred to as performance. The company's performance will certainly have an impact on the company's financial performance. Companies can take advantage of the existence of their capital, to record profits greater than their operating expenses will print profits and mean the company is profitable.

Financial ratios that are often used by investors is the liquidity ratio, the ratio solvency and profitability ratios (Fahmi, 2017). According to him the profitability ratio is a measure of the company's success in making a profit. the one that be a proxy in the profitability ratio is Return On Equity (ROE), which is the ratio that show the extent of the ability companies in managing capital effectively (Sawir in Nurjanah, 2017).

Several studies that discuss about the effect of liabilities policy on the company's financial performance has inconsistency in the disclosure of the results. Herdiyanto and Darsono (2015) made conclusion that there is a significant effect between liabilities and financial performance. It confirms the research conducted by Kristiana (2014) that liabilities has an effect significant to financial performance company. Different results are shown by Aswin Naiu (2016) where is the conclusion is liabilities has no significant effect on financial performance.

Meanwhile, according to Munawir (2007) liabilitiess are all financial liabilities company to other parties who have not fulfilled, which liabilities is source of funds or company capital comes from creditors. Liabilities is divided into current liabilities and non-current liabilities (term long). Liabilities policy can minimize agency conflict because shareholders believe that managers can finance its business activities without use the wealth of the stocks holder (Prihandini, 2012).

Noncurrent liabilities include debentures, long-term loans, bonds payable, deferred tax liabilities, long-term lease obligations, and pension benefit obligations. The portion of a bond liability that will not be paid within the upcoming year is classified as a noncurrent liability. Warranties covering more than a one-year period are also recorded as noncurrent liabilities. Other examples include deferred compensation, deferred revenue, and certain health care liabilities.

3. METHODS

The research methods used by the author are descriptive and quantitative methods, to analyze and describe financial statement data to determine the company's health category, based on the results of several previous studies, financial ratios current ratio, liabilities ratio, total assets turnover, return of assets, return of equity, current liability ratio, and fixed asset ratio are significant ratios in predicting the company's health level.

Next, the author will test the debit to total assets ratio, the ratio of total financial liabilities to equity (X) and the financial time interest earned ratio against the financial statements of the state-owned company PT. Garuda Indonesia (Persero) Tbk which is listed on the Indonesia Stock Exchange. This research is classified as hypothesis testing. Hypothesis testing is a research that already has clarity and description, hypothesis testing is intended to explain the causal relationship between research variables. This study identifies facts or events as the dependent variable and the independent variable. The three financial ratios will act as independent variables, while the company's health as the dependent variable.

4. RESULTS DAN DISCUSSION

4.1. Result

Performance Analysis Based on the Decree of the Minister of SOEs KEP-100/MBU/2002 covers three aspects, namely financial aspects, operational aspects, and administrative aspects. The analysis in this study is only limited to the financial aspect. The aims and objectives are to determine the health condition of PT Garuda Indonesia (Persero) Tbk's financial performance for the 2018-2020 period. Financial performance can be measured from debit to total assets ratio and time interest earned ratio and total Financial Liabilities Ratio to Equity (X) . The following table is a financial overview and financial ratios at PT Garuda Indonesia (Persero).

Noted	Years		
	2020	**2019**	**2018**
Financial Statement			
Assets			
Current Assets	536.547.176	1.133.892.533	1.079.945.126
Non Current Assets	10.253.433.231	3.321.783.241	3.075.529.677
Total Assets	**10.789.980.407**	**4.455.675.774**	**4.155.474.803**
Liabilities			
Long-term Liabilities	4.294.797.755	3.395.880.889	3.061.396.001
Short-term Liabilities	8.438.206.899	477.216.616	454.272.246
Total Liabilities	**12.733.004.654**	**3.873.097.505**	**3.515.668.247**
Equity	**-1.943.024.247**	**582.578.269**	**639.806.556**
Total Liabilities & Equity	**10.789.980.407**	**4.455.675.774**	**4.155.474.803**
Income Statement			
Revenue	1.492.331.099	4.572.638.083	4.330.441.061
Operating Expenses	3.303.826.643	4.457.045.303	4.593.782.601
Other operating			
Interests	-391.564.081	-19.603.390	64.235.991
Loss/Profit	-2.203.059.625	95.989.390	-199.105.549

Financial ratio calculation with formula :

Total Liabilities	÷	**Total Assets**	=	**Debt to Assets Ratio**
Net Income + Interest Expense + Income Tax Expense	÷	**Interest Expense**	=	**Times Interest Earned**

The following table is the result of financial ratio calculation:

Noted	**Years**		
	2020	**2019**	**2018**
Rasio Total Utang Finansial Terhadap Ekuitas (X)	-4	3,15	3,04
Debit to total assets rasio (%)	118%	87%	85%
Time interest earned ratio (times)	4,63	5,90	4,10
Imbal Hasil Rata-Rata Liabilitas (%)	-127,46	-7,65	-35,78

4.2. DISCUSSION

From the results of the calculation of the ratio above, there are some points:

1. In 2020 the Debit to total assets ratio of 118% increased by 135% compared to 2019 and increased by 139 compared to 2018 where the higher the percentage of liability to assets, the greater the risk that the company may not be able to meet its maturing obligations .

2. From the Debit to total assets ratio in 2020, 118% of the assets owned by PT Garuda Indonesia are provided by creditors or liabilitys.

3. Financial Performance of PT Garuda Indonesia (Persero) Tbk in 2021 according to KEP-100/MBU/2002, the company declared unhealthy with a "BB" assessment where the total score obtained from the financial aspect in 2021 is 41.75 with a standard assessment of 40≤TS =50; In 2021 the decline in performance was caused by all ratios that did not reach the highest score but in some ratios the decline was very significant, namely the cash ratio, inventory turnover, total asset turnover. The value of the cash ratio has decreased because current liabilities from year to year continue to increase dramatically even though the value of cash and cash equivalents has increased but is not proportional to the increase in current liabilities and inventory turnover compared to the previous year, but the increase did not reach the highest score in each ratio. So that the increase only adds to the total weight and improves financial performance from the previous year but still has an unhealthy status or "B"

4. In 2020, time interest earned ratio of Garuda was 4.60 where the company's ability to pay interest expense was 4.60 times and this decreased from the previous year of 5.90 times. This ratio shows how many times the company can pay interest expense with its pre-tax income. So it is very clear that the bigger the ratio the better and more profitable. In other words, if the ratio is 4.60 times, this means that the company's income or operating profit is able to pay a total interest expense of up to 4.60 times or it can also be said that the company's income is 4.60 times higher than the cost of interest expenses in the relevant year.

5. CONCLUSION

PT Garuda Indonesia Tbk is one of the companies affected by the COVID-19 pandemic. Restrictions on mobility cause reduction of people's demand and desire to travel. Garuda posted revenues of US$1.49 billion in 2020. This figure fell sharply compared to before the pandemic or in 2019 which scored US$4.57 billion. It caused that the liabilities of Garuda increased significantly, from US$ 3.87 billion to US$ 12.73 billion, in which non-current liabilities is US$ 4.29 billion. The company's ability to pay interest expense in 2020 was 4.60 times and this decreased from the previous year (2019) was 5.90 times.

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