

Research Article

Cash Flow Statement For The Local Government In Indonesia

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Abstract

This article reviews the cash flow statement which contains information about the actual cash position in an operational activity. This study is intended to describe the statement of cash flows and financial performance of the company. Furthermore, the cash flow statement is analyzed based on the cash flow ratio to determine the performance of a company. The purpose of this study was to analyze the use of cash flow statements on the financial performance of the company PT. Mayora Indah Tbk for 2 years, 2019 and 2020. The results showed that the company experienced unstable financial performance, based on research using cash flow ratios during the analysis period showed that in 2019 the financial performance position was on a less good scale

Keywords: cash flow statement, cash flow ratio, financial performance

1. Introduction

The business world that is increasingly developing along with the times requires business people to always be responsive to all changes that occur. Advances in technology, methods and information related to conditions in a business entity should be a reference material for the company's management to produce better performance. This relates to efforts to create good value from a business entity to outsiders (Ludijanto, 2014).

The existence of a business entity must always be in contact with outside parties. More than that, many outsiders have great influence in a business entity. Accounting information can be likened to a bridge that connects the company with parties outside the company (Ludijanto, 2014). Every company must keep records, books and reports on all its business activities so that the progress of the business being carried out can be seen. Records, books and reports are made within a certain period (Kasmir 2015:8). The preparation of financial statements is made in accordance with applicable financial transactions in order to be able to show the actual financial condition and position.

Cash flow statements can help users of financial statements to assess the reasons for funding between net income and the related cash receipts or disbursements. In addition, the information contained in the cash flow statement better reflects the actual cash position in the company. The purpose of presenting a statement of cash flows is to provide information that enables users of financial statements to assess the effect of these activities on the company's financial position and on the amount of cash and cash equivalents. This information can also be used to evaluate the relationship between the three activities, namely operating activities, investing activities and financing activities (Lasmaria Ulan & Liper Siregar: 2016). The use of cash flows in PSAK No. 2 (2009: Paragraph 2).

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Therefore, to analyze the performance of a company, it is appropriate to use the information presented in the cash flow statement (Wehantouw, 2015). Analysis of the company's financial performance is carried out to determine the company's financial condition. This analysis is a tool in the process of assessing the financial condition and results of the company's operations. Measurement of financial performance is done by analyzing financial statements using the company's financial ratios, especially the cash flow ratio (Stevania, 2012). Hery (2015:124) states that cash flow statement data can be used to calculate certain ratios that describe the company's financial strength. This cash flow statement analysis uses the components of the cash flow statement and also the components of the balance sheet and income statement as a ratio analysis tool.

The company in carrying out its operations requires substantial funding, therefore the company needs to know the development of its business from time to time so that it can be seen that the company is progressing or declining. To be able to know this, the owner of the company can look through the accountability report of the company leadership in the form of financial reports. Financial statements are not only used as testing tools but also as a basis for determining or assessing the company's financial position, where with the results of the analysis the interested parties make a decision.

2. Literature Review

2.1 Cash

Subramanyam (2017), states that cash is the most liquid asset, including available currency and funds on deposit. Cash equivalents are short-term, highly liquid investments that are easy to convert into cash and have very short maturities, so they have minimal risk related to price changes due to interest rate movements. These investments usually have maturities of three months or shorter. Cash is arguably the single most important item on the balance sheet. Because it acts as a medium of exchange directly or indirectly in almost all business transactions (Maksum et al., 2021). This is in accordance with the characteristics of cash, namely:

1. Cash is too involved in almost all transactions.
2. Cash is a treasure that is ready and young to be used in transactions and exchanged for other assets, easy to move and diverse without the owner's sign.
3. The amount of cash held by the company must be maintained in such a way that it is neither too much nor too little.

According to Dwi (2015:30), states that cash is the most useful concept, because the decisions of investors, creditors, and other parties are focused on assessing future cash flows. Companies will take advantage of idle cash by investing it in highly liquid short-term investments. Cash consists of cash balances (cash on hand) and cash in the bank in the form of checking accounts or checking accounts (cash in bank). Cash equivalents are investments that are highly liquid, short term and can be converted into cash in a certain amount quickly without facing the risk of significant changes in value. Meanwhile, cash flow is the inflow and outflow of cash and cash equivalents. Cash flows do not include movements between items included in cash and cash equivalents. Cash equivalents usually serve the purpose of meeting short-term commitments and not for investment or other purposes. A new investment can qualify as a cash equivalent if it has an immediate maturity of three months or less from the date of acquisition.

2.2. Cash flow statement

According to Warren et al. (2014), states that the cash flow statement is "the primary purpose of the statement of cash flow is to provide relevant information about the cash receipts and cash payments of an enterprise during a period". According to Mamduh Hanafi and Abdul Halim

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(2016), stated that the cash flow statement only publishes a balance sheet and income statement. The cash flow statement shows changes in the position of cash values originating from operating, investing and financing activities as a result of transactions carried out by the company during a certain period and the cash flow statement provides information about the company's cash inflows and outflows.

According to Wild, Subramanyam and Hasley (2005), the cash flow statement is divided into:

- a. Operating activities are company activities related to profit. In addition to revenues and expenses presented in the income statement, operating activities also include cash inflows and net cash outflows from related operating activities such as extending credit to customers, investing in inventories, and obtaining credit from suppliers.
- b. Investing activities are a way to obtain and stop non-cash activities (and non-cash equivalent assets). These activities include assets that are expected to generate income for the company and the provision of loans and collection of principal.
- c. Financing activities are a way to distribute, attract and obtain funds to support business activities. These activities include obtaining loans from creditors and payment of principal and contributions and withdrawals by owners, as well as returns on their investments (dividends).

2.3 Financial performance

Natan (2010) defines performance as an analysis conducted to see the extent to which a company has implemented it by using financial implementation rules properly and correctly. Financial performance is an analysis conducted to see the extent to which a company has carried out the company's operational activities by using financial implementation rules properly and correctly. Such as by making a financial report that has met the standards and provisions in SAK (Financial Accounting Standards) or GAAP (General Accepted Accounting Principles) (Fahmi.2013:2).

3. Methods

This study is intended to describe (descriptively) the statement of cash flows and financial performance of the company. Furthermore, the cash flow statement is analyzed based on the cash flow ratio to determine the company's performance, especially PT. Mayora Indah Tbk.

4. Results & Discussion

4.1 Result

Based on the financial data collected, new information can be displayed that is more to show from the financial side of the company. This information is obtained through an analysis that combines various kinds of existing financial information. Ratio analysis of cash flow statements is used to determine the financial position of the company. Then the figures for calculating ratios for 2 years, namely 2019, 2020 are obtained as follows:

a. Cash Flow Ratio

Year	Cash	Current Liability	Cash Ratio
2019	2.982.004.895.009	3,714,359,539,201	0.80
2020	3,777,791,432.101	3,475,323,711,943	1.80

b. Ratio of Cash Coverage to Interest

Year	Cash	Interest+Tax	Flower	CKB Ratio
2019	2.982.004.895.009	230,646,885,553	355,074,879,758	9.04

2020	3,777,791,432.101	299,240,038,240	353.822.336.007	11.5
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c. Ratio of Cash Coverage to Current Debt

Year	Cash	Cash Dividend	Current liabilities	CKHL ratio
2019	2.982.004.895.009	0	3,714,359,539,201	0.80
2020	3,777,791,432.101	0	3,475,323,711,943	1.80

d. Capital Expenditure Ratio

Year	Cash	Fixed assets	PM Ratio
2019	2.982.004.895.009	19,037,918,806,473	0.15
2020	3,777,791,432.101	19,777,500,514,550	0.19

e. Total Debt Ratio

Year	Net Cash	Total Amoun of debt	TH . ratio
2019	2.982.004.895.009	9,125,978,611,155	0.32
2020	3,777,791,432.101	8,056,032,464,592	0.46

f. Fund Flow Coverage Ratio

Year	EBIT	Interest+Tax	CAD ratio
2019	2,704,466,581,011	230,646,885,553	11.7
2020	2,683,890,279,936	299,240,038,240	8.96

4.2 Discussion

a. Cash Ratio

The ratio shows that in 2019 it was 0.80 and experienced an increase of 1.80 in 2020. The figure in the 2019 ratio is also below one, which means that there is a possibility that the company will not be able to pay its current obligations. In the company, normal activities are the main activities which are continuous activities. Insufficient generating cash flow from primary activities to pay obligations from normal activities can result in the bankruptcy of the company because the biggest problem in bankruptcy is usually the inability to pay short-term obligations. So it can be concluded that based on the Cash Ratio in 2019, the financial performance of PT. Mayora Indah Tbk is not good because it is still under one. But in 2020 it was quite good because there was an increase of 1.00.

b. Cash Coverage to Interest Ratio (CKB)

From the data from these calculations, it can be concluded that based on the Ratio of Cash Coverage to Interest, the financial performance of PT. Mayora Indah Tbk is quite good because to be able to cover the interest costs of PT. Mayora Indah Tbk can pay it directly without having to sell assets or wait for collection from PT Mayora Indah Tbk's receivables because the available cash is able to pay it.

c. Ratio of Cash Coverage to Current Debt (CKHL)

Based on the results of these calculations, it can be concluded that based on the Ratio of Cash Coverage to Current Debt Financial Performance in 2019 PT. Mayora Indah Tbk is not good, because the cash flow is not able to guarantee or cover the current liabilities of the company.

However, in 2020 the ratio increased to 1.80 so it can be said to be quite good. A low ratio indicates a low ability of cash flows to cover current liabilities and vice versa.

d. Capital Expenditure Ratio

Based on the results of these calculations, it can be concluded that based on the Capital Expenditure Ratio, the financial performance of PT. Mayora Indah Tbk is not good because a low ratio indicates a low ability to finance capital expenditures.

e. Total Debt Ratio

So it can be concluded that based on the Total Debt Ratio financial performance at PT. Mayora Indah Tbk is not doing well. because the ratio is quite low from year to year shows that the company has a poor ability to pay all obligations from cash flows originating from the company's normal activities.

f. Fund Flow Coverage Ratio (CAD)

From the results of these calculations, it can be concluded that based on the Coverage Ratio of Fund Flows, the financial performance of PT. Mayora Indah Tbk is quite good, because the large ratio shows that the ability of the profit before tax is better in covering commitments that are due in one year. From the three comparisons, it can be seen that there is an improvement in the ratio of coverage of funds.

5. Conclusion

The conclusion of the research conducted at PT. Mayora Indah Tbk. as follows: The results of the financial statements of PT. Mayora Indah Tbk during 2019, and 2020 showed that the company experienced unstable financial performance. This can be seen from the financial performance of PT. Mayora Indah, Tbk based on research on cash flow statements using cash flow ratios during the analysis period showed that in 2019 the financial performance position was on a less good scale, but there was an increase in 2020. Although not all ratios, but when viewed as a whole the company's financial performance increasing in the 2020 accounting period because there has been an increase.

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