World Journal of Advanced Research and Reviews

eISSN: 2581-9615 CODEN (USA): WJARAI

Cross Ref DOI: 10.30574/wjarr

Journal homepage: https://wjarr.com/

(Research Article)

Check for updates

Analysis of Financial Statements to Assess the Profitability of PT Ace Hardware Indonesia Tbk for the Period 2019-2023

R. Ay. Aisyah R. Salsabila P.P, Hendra Saputra *, Heriyati Chrisna and Nina Andriyani Nst

Department of Accounting, Universitas Pembangunan Panca Budi, Indonesia.

World Journal of Advanced Research and Reviews, 2024, 24(02), 1241–1247

Publication history: Received on 30 September 2024; revised on 10 November 2024; accepted on 12 November 2024

Article DOI: https://doi.org/10.30574/wjarr.2024.24.2.3386

Abstract

In an ever-evolving business landscape, the ability to assess a company's financial health is becoming increasingly crucial. The company's ability to generate profits is one of the main indicators of operational success and attractiveness for investors. PT Ace Hardware Indonesia Tbk, as one of the main players in the home and lifestyle retail industry in Indonesia, is interesting to study more deeply regarding its financial performance, especially from the aspect of profitability. Financial statement analysis is a key instrument in assessing the financial health and growth prospects of this company. This study comprehensively examines the financial statements of PT Ace Hardware Indonesia Tbk over a five-year period, from 2019 to 2023. The analysis method used is financial ratio analysis with a focus on profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM). The data used is sourced from the company's audited annual financial statements. The results of the study show that the profitability of PT Ace Hardware Indonesia Tbk fluctuated during the period. There was a significant decline in 2020 due to the pandemic. This study concludes that PT Ace Hardware Indonesia Tbk's financial performance, as measured by Net Profit Margin (NPM), Return on Asset (ROA), and Return on Equity (ROE), is still in the poor category.

Keywords: Return on Assets; Return on Equity; Net Profit Margin; Profitability

1 Introduction

Financial statements are a vital instrument for every company in evaluate its financial performance and economic position. According to [1], financial statements are the result of recording all financial transactions in the company. Financial statements contain financial information from a company in a certain period that describes the company's performance, especially in the financial sector. In an increasingly competitive and uncertain economic era, the ability to analyzing financial statements accurately is becoming increasingly crucial. However, in a highly competitive retail industry, a company's ability to maintain and increase its profitability is a constant challenge [2]. Financial statement analysis it not only provides an overview of the company's current financial condition, but also serves as a basis for future projections and strategic decision-making. Financial statement analysis is a thoughtful process in order to help evaluate the company's financial position and operating results in the present and past, with the aim of predicting the company's future conditions and performance [3]. The purpose of financial statement analysis is to find out the state or health of the company's risk level and profitability level [4].

In recent years, the retail industry in Indonesia has faced various challenges, ranging from changes in consumer behavior due to the pandemic to increasingly fierce competition with the entry of new players and the development of e-commerce. PT Ace Hardware Indonesia Tbk, as one of the main players in the household goods retail sector, is not spared from the impact of this change. Therefore, an analysis of the company's profitability during the period 2019-2023 has become very relevant to understand how the company has navigated these various challenges and maintained its position in the market. To find out these conditions, various analyses can be carried out and one of them is ratio

* Corresponding author: Hendra Saputra

Copyright © 2024 Author(s) retain the copyright of this article. This article is published under the terms of the Creative Commons Attribution Liscense 4.0.

analysis [5]. Financial ratios are a company's financial analysis to assess the performance of a company based on a comparison of financial data figures contained in financial statements. The purpose of financial ratio analysis is to determine the performance efficiency of financial managers which is manifested in financial records and financial statements [6]. Types of financial ratios include liquidity ratio, solvency ratio, activity ratio, and profitability ratio.

Financial ratios consist of several groups such as liquidity, leverage, profitability, and activities. Each group has a different function in describing the financial condition of a company [7]. In conducting analysis, not all ratio analysis tools must be used, depending on the information or goals to be achieved. In this study, the ratio used is the profitability ratio [8]. According to [9] "The profitability ratio is the ratio for assessing the company's ability to seek profits and also providing a measure of the level of management effectiveness of a company". The goal is to monitor and evaluate the level of development of a company's profitability from time to time [10].

Profitability can be used as a benchmark to assess the success of a company in using working capital effectively and efficiently to generate a certain level of expected profit [11]. According to [12]. The profitability ratio describes the company's ability to earn profits through all capabilities, and existing sources such as sales activities, cash, capital, number of employees, number of branches and so on. According to [13], the profitability ratio is the ratio to assessing the company's ability to make a profit. According to [14], the profitability ratio is a measure of overall management effectiveness aimed at the size of the level of profit that obtained in connection with sales and investments. The better the profitability ratio, the better it describes the company's ability to make high profits. In the approach of the company's profitability ratio, Net Profit Margin (NPM) is a ratio used to calculate the extent of the company's ability to generate net profit at a certain level of sales [15] in [11].

PT Ace Hardware Indonesia Tbk is a retail company engaged in home furnishings and lifestyle products and was listed on the Indonesia Stock Exchange (IDX) on November 6, 2007. If we look at it from an external point of view, such as the increase in the number of outlets, this company is quite profitable. However, when viewed from the financial statements, the company has two possibilities, namely, it can be considered good or bad. This is due to the possibility that the expansion carried out is funded through corporate loans. The company, which was established on February 3, 1995, listed its shares on the Indonesia Stock Exchange (IDX) on March 29 2019. PT Ace Hardware Indonesia Tbk. (ACES) is back to posting net profit growth of 38.13% or IDR 485.54 billion throughout the third quarter of 2023. This article also presents data on revenue per segment, total assets, liabilities, and equity in the last five years, believe the period of the third quarter of 2019 - third quarter of 2023.

This phenomenon indicates that there are problems in terms of operational efficiency and cost management that affect the company's profitability. Although sales and assets have increased, there may be factors such as increased operational costs, inefficiencies in resource management, or decreased profit margins that cause profitability not to increase proportionally. Based on this phenomenon, the author is interested in conducting research to discuss the problem with the title "Analysis of Financial Statements to Assess the Profitability of PT Ace Hardware Indonesia Tbk. Period 2019-2023."

2 Literature Review

2.1. Agency Theory

Agency theory is a theory that explains agency relationships and the problems they cause [16] in [17]. Agency relationship is a working relationship where one or more people as shareholders (principal) appoint another party (agent) to provide services and make decisions on behalf of the principal [16]. Principal is a shareholder who provides facilities and funds to run the Company. Meanwhile, an agent is the manager of the Company who has an obligation to manage what is entrusted to him by the shareholders. This theory explains the relationship between shareholders (principals) and management (agents), where potential conflicts of interest can arise if management does not fully act in the interests of shareholders. In the context of this research, profitability analysis serves to evaluate the performance of management in managing the company's resources, as well as ensuring that management decisions reflect efforts to increase the company's value for shareholders.

2.2. Signaling Theory

Signaling theory is the information needed by investors to determine whether the investor will invest their capital or not. This is because before and after investing, there are many things that must be considered by investors. This theory functions to make it easier for investors to develop their capital needed by the Company in determining the direction of the Company's future prospects [18].

2.3. Financial Statements

According to [14] financial statements are information that describes the condition of a company, which will then be a reference to describe the performance of a company. According to [19], financial statements are the result of recording all financial transactions in companies that are classified into several large groups according to their economic characteristics. In general, the large group of financial statements itself consists of balance sheets and income statements as well as capital change statements. Where the balance sheet shows the amount of assets, liabilities and capital of a company on a certain date whereas, the income statement shows the results that have been achieved by the company and the costs incurred during a certain period. All results in the financial statements will be used by decision-makers as a reference in running and taking actions for the company later.

2.4. Financial Statement Analysis

According to [20] in [21] the analysis of financial statements is break down financial statements into smaller units of information and look at their significant or meaningful relationships with each other, both between quantitative and non-quantitative data, with the aim of knowing more about financial conditions which are very important in the process of making the right decisions in the future. Analysis of financial statements basically wants to know the level of profitability (profit) and the level of health of a company in the future. Financial statement analysis is "the study of the relationships in a financial statement in a given period and the tendency of relationships over time [22].

2.5. Financial Performance

According to [15], a company's financial performance is an achievement of the company's achievements in a certain period that exaggerates the company's health level. According to [16] Analysis of a company's financial performance is used to find out how well they have followed the rules of financial implementation. Financial performance refers to conditions that are based on good and correct financial implementation rules and reflect financial conditions [23]. Each company measures the company's performance in order to find out how well the company is managed. The methods used in measuring financial performance are the financial ratio method and the EVA method. Financial ratios consisting of liquidity ratio, activity ratio, leverage ratio, profitability ratio and market ratio.

2.6. Profitability

Profitability is a description of a company's performance to measure the company's capacity to make a profit. According to [13], profitability is a factor that can affect the value of a company. Meanwhile, according to [24], the profitability ratio is a ratio to assess the company's business ability to obtain profits from sales and operational activities in a period and to assess the level of financial health of the company's business. High profitability indicates that the company is profitable in each period. According to [25], companies with increasing profitability will also make a larger net profit of the company. The profitability ratio consists of: Net Profit Margin (NPM), Return on Asset (ROA), and Return on Equity (ROE).

a. Net Profit Margin is a ratio to see a company's ability to generate profits by comparing profit after interest and taxes (net profit) with the company's sales activities [13]. The formula used to calculate the net profit margin is: $Net\ Profit\ Margin = \frac{\text{EAT}}{\text{Total Sales}} x\ 100\%$

According to [13], the average industry standard for net profit margin is 20%, if the ratio is above the industry standard average, it means that a company's profit margin can be said to be good (liquid) and if the result of the net profit margin ratio is below the industry standard average, it means that the profit margin of a company is said to be poor (illiquid).

b. *Return on Asset* (ROA)

Is the ratio that shows the calculation the company's ability to generate profit from total assets for the company's operational activities. *Return on Assets* can be calculated using the formula:

$$Return\ on\ Assets = \frac{\text{EAT}}{\text{Total Assets}} x\ 100\%$$

Average industry standard for *Return on Asset* by [13] is 30%, if the ratio result is above the industry standard average, it means that a company's profit margin can be said to be quite good (liquid) and if the result is below the industry standard average, it means that the company's profit margin is said to be not good (illiquid).

c. *Return on Equity (ROE)*

Is a ratio that indicates efficiency use of own capital by comparing net profit after tax [13]. The formula used to calculate Return on Equity (ROE) is:

$$Return\ on\ Equity = \frac{\text{EAT}}{\text{Total Equity}} x\ 100\%$$

The industry-standard average for Return on Equity (ROE) by [13] is 40%, if the ratio results are above the industry standard average, it means that the condition of a company can be said to be quite good (liquid). Meanwhile, if the Return on Equity (ROE) ratio is below the industry average of the standard, it means that the company's condition is said to be not good (illiquid).

Table 1 Average Industry Standard Profitability Ratio

No.	***Net Profit Margin* (NPM)**	***Return on Asset* (ROA)**	***Return on Equity* (ROE)**	**Criterion**
1	>20	>30	>40	Excellent
2	20	30	40	Good
3	15	25	30	Enough
4	10	20	25	Less
5	<10	<20	<25	Very Less

Source: [13]

3 Material and methods

3.1. Research Approach

This research is a quantitative descriptive research. According to [26] "Quantitative descriptive research analysis is used to analyze data by describing or describing the collected data as it is without intending to draw conclusions that apply to generality or generalization". This approach was chosen to analyze and describe the profitability of PT Ace Hardware Indonesia Tbk based on the company's financial report data.

The object of this research is the financial statements of PT Ace Hardware Indonesia Tbk for the 2019-2023 period. The data used in this study is secondary data in the form of audited annual financial statements of PT Ace Hardware Indonesia Tbk for the 2019-2023 period. Data was obtained from the company's official website www.idx.co.id and the Indonesia Stock Exchange (IDX). Data collection technique of this research was used documentation methods.

3.2. Data Analysis Techniques

The data analysis method used by the author in this study is qualitative analysis. [26] explained that the descriptive analysis method is a method that aims to describe or give an overview of a research object that is researched through samples or data that have been collected and make generally accepted conclusions.

4 Results and discussion

The probability ratio is the ratio used to measure how the Company's ability to obtain profits both in relation to the sale of assets and its own capital gains and losses. The results of the profitability analysis are carried out with 3 measuring tools, namely Net Profit Margin, Return on Asset, and Return on Equity are shown as follows:

4.1. Net Profit Margin (NPM)

Net profit margin is the ratio used to measure The amount of the percentage of net profit on net sales. Based on the results of the 2019-2023 financial statements, the ROA values are obtained in the following table:

Table 2 Net Profit Margin (NPM) of PT Ace Hardware Indonesia Tbk, Period 2019-2023 (in billions of Rupiah)

ERA	EAT	NET SALES	NPM	UP/DOWN
2019	1.023	8.142	12.56%	-
2020	731	7.412	9.86%	-2,70%
2021	705	6.543	10.77%	0,91%
2022	674	6.763	9.97%	-0,81%
2023	764	7.612	10.04%	0,07%
AVERAGE			10,64%	

Source: Data processed, 2024

The results of the calculation of the net *profit margin* ratio at PT Ace Hardware Indonesia, Tbk. in 2019 fluctuated until 2023. In 2020 the NPM value decreased by 2.7% and in 2021 the NPM value increased again by 0.91%. Meanwhile, in 2022 the NPM value again decreased to 0.81% and in 2023 the NPM value increased by 0.07%. Based on industry standards, the NPM value with an average of 10.64% is still in the "less" criterion. The decline in NPM value is due to a decrease in the value of net profit after tax and followed by a decrease in sales levels.

4.2. Return on Assets (ROA)

Return on Asset is the ratio used to measure the Company's ability to generate net profit based on the number of assets. Based on the results of the 2019-2023 financial statements, the ROA values are obtained in the following table:

Table 3 Return on Asset (ROA) of PT Ace Hardware Indonesia Tbk, Period 2019-2023 (in billions of Rupiah)

ERA	EAT	TOTAL ASSETS	ROA	UP/DOWN
2019	1.023	6.641	15.40%	-
2020	731	7.247	10.09%	-5,32%
2021	705	7.171	9.83%	-0,26%
2022	674	7.249	9.30%	-0,53%
2023	764	7.753	9.85%	0,56%
AVERAGE			10,89%	

Source: Data processed, 2024

Based on the table above, it is known that the company has experienced a decrease in ROA for 5 consecutive years even though in 2023 the ROA value has increased by 0.56%. However, with an average overall ROA value of only 10.89%. It can be concluded that the ROA value is still below the industry standard, namely with the criterion of "very poor".

4.3. Return on Equity (ROE)

Table 4 Return on Equity (ROE) of PT Ace Hardware Indonesia Tbk, Period 2019-2023 (in billions of Rupiah)

ERA	EAT	EQUITY	ROE	UP/DOWN
2019	1.023	4.674	21,89%	-
2020	731	5.222	14,00%	-7,89%
2021	705	5.579	12,64%	-1,36%
2022	674	5.943	11,34%	-1,30%
2023	764	6.186	12,35%	1,01%
AVERAGE			14,44%	

Source: Data processed, 2024

Return on Asset is a ratio used to measure the Company's ability to generate net profit based on the company's total capital. Based on the results of the 2019 financial statements-2023 is obtained the ROE value in the above table:

Based on the table, the ROE value for 4 consecutive years continues to decline and increases again in 2023 by 1.01%. The highest decline in ROE value occurred in 2020 by 7.89%. In 2021, the ROE value decreased again by 1.36% and in 2022 the ROE value decreased by 1.30%. Although in 2023 the ROE value has increased by 1.01%, the overall average ROE value is still at 14.44%, which is below the industry standard with the "very poor" criterion.

5 Discussion

Net Profit Margin (NPM) is a ratio that shows the ratio of net profit after tax to net sales of iron. The higher the NPM value, the better the operation of a company. Based on the results of the calculation, the NPM value of PT Ace Hardware Indonesia, Tbk. is still far below the industry standard with the criterion of "less". It can be concluded that the financial performance of PT Ace Hardware Indonesia, Tbk. is still not good. This low NPM value indicates that the company is facing difficulties in managing its operating costs effectively or may experience pressure on the selling price of its products. Net income after tax increases or decreases is one of the reasons. The decline in NPM can be caused by a decline in sales levels and a decrease in net profit and the company has not been able to reduce operating costs.

Return on Asset (ROA) is a ratio to show how effectively a company's assets are used to generate profits. The calculation of Return on Asset (ROA) of PT Ace Hardware Indonesia, Tbk. within 5 years has decreased. The ROA value of PT Ace Hardware Indonesia, Tbk. is still in the "very poor" category. This shows that the company's financial performance is less efficient in using its own assets. The reason why the company cannot increase profit is due to the company's lack of ability to maximize sales so that ROA has decreased. By utilizing cash to increase sales, investment income and other operating income, as well as reduce the cost of founding, sales and other operations.

Return on Equity (ROE) aims to measure the effectiveness of the Company's overall operations by comparing net profit with its own capital. Based on the calculation of the ROE value, the ROE value of PT Ace Hardware Indonesia, Tbk is still below the industry standard with the category of "very poor". This means that the Company has not been able to utilize the capital it has to make a profit. This condition indicates that PT Ace Hardware Indonesia, Tbk. Facing serious challenges in generating profits from shareholder equity, which can be caused by various factors such as decreased operational efficiency, fierce competition, or unfavorable economic conditions.

6 Conclusion

When viewed from the results of the calculation of the profitability ratio measured by Net Profit Margin (NPM), Return On Asset (ROA), and Return On Equity (ROE) that the company's financial performance is not good and has decreased from year to year. It can be interpreted that the company's ability to obtain profits is not effective and the company is less able to make planning and implementing strategies in increasing the company's profits.

After analysis, it is hoped that the Company will be able to improve its performance finance by increasing sales, utilizing assets and infestations so that financial performance can increase and in the good and efficient category. Increasing sales must be a concern for management in order to maximize and develop new strategies in order to survive in the face of competitive competition.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

References

[1] T. Prihadi, Financial Statement Analysis. 2nd ed. Jakarta: PT Gramedia Pustaka Utama, 2020.

[2] L. P. D. Lase, A. Telaumbanua, and A. R. Harefa, “Financial Performance Analysis with Profitability Ratio Approach,” JAMANE: Journal of Accounting, Management and Economics, vol. 1, no. 2, pp. 254-260, 2022.

[3] S. R. Noor and M. J. M. Sinambela, “Analysis of Financial Statements to Measure the Company's Financial Performance Based on Profitability Ratios at PT Telkom Indonesia Tbk, Listed on the Indonesia Stock Exchange for the 2016-2020 Period,” Journal of Accounting, vol. 14, no. 2, p. 34, 2021.

[4] S. Nurhaliza and H. Harmain, “Analysis of Profitability Ratios in Assessing the Company's Financial Performance at PT Indofood Sukses Makmur Tbk Listed on the IDX,” JIMEA | MEA Scientific Journal (Management, Economics, and Accounting), vol. 6, no. 3, 2022.

[5] A. U. Putri, “Analysis of Financial Statements Using Profitability Ratios and Liquidity Ratios at CV Dandi Brothers Bengkulu City,” Jurnal Ilmiah Ekonomi Global Masa Kini, vol. 11, no. 2, 2020.

[6] Wardiyah, Financial Statement Analysis. Bandung: Pustaka Setia, 2017.

[7] T. Nurjayanti and A. M. Amin, “Profitability Ratio Analysis to Assess the Financial Performance of PT Wijaya Karya (Persero) Tbk,” Journal of Economix, vol. 10, no. 2, 2022.

[8] N. N. Arisasmita, “Analysis of Profitability Ratios to Assess the Financial Performance of Pt Bentoel International Investama Tbk. In the Period 2014-2018,” Universitas Muhammadiyah Mataram, Mataram, 2020.

[9] Kasmir, Financial Statement Analysis. Jakarta: PT Raja Grafindo Persada, 2017.

[10] Hery, Knowing and Understanding the Basics of Financial Statements. Jakarta: PT Grasindo, 2016.

[11] S. Sanjaya and M. F. Rizky, “Profitability Analysis in Assessing Financial Performance at PT Taspen (Persero) Medan,” KITABAH, vol. 2, no. 2, 2018.

[12] A. Ridha, N. Nurhayati, and M. Fariz, “The Effect of Profitability and Liquidity on Share Prices in Banking Companies Listed on the IDX for the 2015-2017 Period,” SI-MEN (Accounting and Management) STIES, vol. 10, no. 1, pp. 77-86, 2019.

[13] Kamsir, Financial Statement Analysis. First Edition. 12th print. Jakarta: PT Raja Grafindo Persada, 2019.

[14] I. Fahmi, Financial Statement Analysis. Bandung: Alfabeta, 2015.

[15] M. Hanafi, Financial Statement Analysis. Yogyakarta: UPP STIM YKPN, 2018.

[16] M. C. Jensen and W. H. Meckling, “Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure,” J financ econ, pp. 305-360, 1976.

[17] M. M. Sari, P. B. Sari, and S. H. Pohan, “Financial Performance of MSMEs: Financial Literacy and Inclusion,” Medan: Stindo Press, 2023.

[18] A. Annas, Interaction of Decision Making and Policy Evaluation. TK: Celebes Media Perkasa, 2017.

[19] B. Totok and Nuritomo, “Banks and Other Financial Institutions,” South Jakarta: Salemba Empat, 2019.

[20] S. S. Harahap, Critical Analysis of Financial Statements. 11th print. Jakarta: PT Raja Grafindo Persada, 2010.

[21] Anisa, “Analysis of Financial Performance Reviewed from Profitability and Activity Ratios at PT Kimia FarmaTbk, Trading and Distribution Samarinda Branch,” Journal of Business Administration, vol. 4, no. 1, 2018.

[22] B. Foster, “Impact of Brand Image on Purchasing Decision on Mineral Water Product ‘Amidis’ (Case Study on Bintang Trading Company),” American Research Journal, vol. 2, no. 1, pp. 1-11, 2016.

[23] B. D. Aindriani, “Analysis of Financial Statements in Measuring Profitability at CV Mapan Jaya Sejahtera,” Perbanas College of Economics, Surabaya, 2017.

[24] R. Sylvia, “What is Financial Ratio? Here are the Benefits, Types and 4 Formulas,” 2022.

[25] M. Silvy and N. Yulianti, “Financial Management Attitudes and Investment Planning Behavior of Families in Surabaya,” Journal of Business and Banking, vol. Volume 3, no. Issue 1, pp. 57-68, 2013.

[26] Sugiyono, Educational Research Methods (Quantitative, Qualitative, and R&D Approaches). Bandung: CV Alfabeta, 2018.