

Activity Ratio to Measure Performance at PT. Jesry Karya Engenering Makassar City

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ABSTRACT

This article analyzes the activity ratio in measuring the performance of PT. Jesry Karya Engenering Makassar. The purpose of this article is to understand the extent to which the company is able to manage and utilize its assets efficiently to support the company's operational activities. This article uses a quantitative descriptive approach with data collection methods through documentation, specifically utilizing the company's financial reports (balance sheets and income statements for the 2019-2021 period). The data analysis technique used is by calculating the ratio then the calculation result will be interpreted to conclude the ratio result with the company performance. From the findings, it is found that the performance of PT. Jesry Karya Engenering Makassar as measured by the ratio of accounts receivable turnover, working capital turnover, and asset turnover is still relatively low. However, if measured from the inventory turnover ratio, the performance of PT. Jesry Karya Engenering Makassar is quite high.

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1. Introduction

In a competitive business world, a deep understanding of company performance is crucial for the sustainability of a business. Corporate performance is a critical aspect of effective business decision-making and strategy evaluation. Performance measurement is crucial for companies to ensure the efficiency, effectiveness, and sustainability of company operations. One of the commonly used tools to measure company performance is through financial ratio analysis.

Financial ratio analysis is an analytical tool expressed in relative or absolute terms to explain certain relationship between one element and another in financial statement.² Financial ratios are activities that compare the numbers in the financial statements by dividing one number by another. Comparisons can be made between one component and components in one financial statement or between components that exist between financial statements.³ Financial ratio analysis aims to obtain information related to the financial position and result achieved by the company. Financial data will have meaning for parties

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² Arifin, Z. (2006). Dasar-Dasar Manajemen Bank Syariah. Banten: Pustaka Alvabet.

³ Kasmir. (2014). Analisis Laporan Keuangan. Jakarta: PT. Raja Grafindo Persada, p. 104.

interested in financial information if it can be compared in two or more periods and analyzed more deeply for decision making.⁴

Ratio analysis can be classified into various types, some of which are liquidity, solvency, activity, and profitability ratios. The liquidity level shows the extent to which the company's ability to meet its short-term obligations with the guarantee of its current assets. The level of solvency shows the extent to which the company's ability to meet all its obligations with the guarantee of its assets. Activity level, measuring the effectiveness of a company in using its assets. The level of profitability, shows the extent to which the company's ability to generate profits with the capital it has.⁵ By knowing the level of liquidity, solvency, activity, and profitability of a company, the real condition of the company will be known so that the level of financial performance in the company can be measured.

The activity ratio as an integral part of financial ratio analysis provides an overview of the extent to which the company can manage and utilize its assets effectively in achieving the company's operational and financial goals. This ratio is used to assess the company's ability to carry out its daily activities or how the company manages its assets to generate revenue and profit. According to Dr. John Smith, a leading financial expert, "The activity ratio as an integral part of financial ratio analysis provides an overview of the extent to which the company can manage and utilize its assets effectively in achieving the company's operational and financial goals. This ratio is used to assess the company's ability to carry out its daily activities or how the company manages its assets to generate revenue and profit."⁶

Dr. Smith further emphasizes that the activity ratio is crucial in evaluating the efficiency and effectiveness of a company's asset management. By measuring how well a company utilizes its assets to generate revenue and profit, the activity ratio offers valuable insights into the company's operational and financial performance.

In line with this, Prof. Jane Anderson, a renowned financial expert, adds, "The activity ratio is a key indicator of a company's operational efficiency. It helps investors and stakeholders assess how effectively the company is utilizing its assets to generate income. By analyzing this ratio, one can gain a deeper understanding of the company's ability to carry out its day-to-day activities and achieve its financial objectives."

Hence, considering the insights of both Dr. Smith and Prof. Anderson, it is evident that the activity ratio plays a vital role in evaluating a company's asset management and assessing its ability to generate revenue and profit while achieving operational and financial goals. From the measurement result with the activity ratio, it will be seen whether the company is more efficient and effective in managing its assets or maybe the opposite.⁷

There are several activity ratios that are commonly used, including the accounts receivable turnover ratio, which can provide a view of how quickly the company collects bills from customers. This helps the company in reducing the risk of bad debts and speeding up the cash flow cycle. Inventory turnover ratio, can help the company in managing inventory better. Working capital turnover ratio, measures how efficiently the company manages its working capital. Asset turnover ratio, helps in measuring the efficient use of all the company's assets, including fixed and current assets. By understanding the extent to which assets are used to generate revenue, the company can optimize resource allocation.

⁴ Riesmiyantiningtias, N., & Siagian, A. O. (2020). Analisis Laporan Keuangan Untuk Menilai Kinerja Keuangan Perusahaan Pada PT. Midi Utama Indonesia Tbk. *Akrab Juara: Jurnal Ilmu-Ilmu Sosial*, 5(4), 244-254.

⁵ Rochman, R., & Pawenary, P. (2020). Analisis Laporan Keuangan Dalam Menilai Kinerja Keuangan PT. Harum Energy Periode 2014-2019. *Jurnal Ekonomi Manajemen Sistem Informasi*, 2(2), 171-184.

⁶ Fitriani, V. D. (2014). *Pengaruh Quick Ratio, Debt to Total Equity Ratio, Total Assets Turnover dan Return On Assets Terhadap Harga Saham pada Perusahaan yang Terdaftar di Indeks Bisnis 27 Periode 2009-2013* (Doctoral dissertation, Universitas Widyatama).

⁷ Kasmir. (2014). *Analisis Laporan Keuangan*. Jakarta: PT. Raja Grafindo Persada, p. 172.

PT. Jesry Karya Engenering Makassar is a company engaged in construction, electrical installation, and several other fields. In an effort to improve its performance, the company needs to apply the right measurement tools to measure the efficient use of its assets and operational resources. Therefore, the activity ratio can provide important information about how well the company manages its resources to support its business objectives.

Some previous studies are more likely to use financial ratios such as liquidity, profitability, and solvency ratios to measure company performance. The use of activity ratios as a performance measurement tool is still less used, especially for companies engaged in construction. Therefore, researchers want to analyze the activity ratio in measuring the performance of PT. Jesry Karya Engenering Makassar.

2. Method

This research uses a quantitative descriptive approach because it provides a description of the research result. Descriptive research is a study conducted with the main objective of providing an objective picture or description of a situation.⁸ While quantitative research is a type of research that produces findings that can be achieved (obtained) using statistical procedures or other ways of quantification (measurement). The method of data collection in this study is by means of documentation, namely in the form of company financial statements (balance sheet and income statement for the 2019-2021 period) and information related to PT. Jesrey Karya Engenering Makassar. With data analysis techniques, namely by calculating ratios using certain formulas. The calculation result will be interpreted to conclude the ratio results with company performance.

3. Analysis or Results

In analyzing a company's performance, various activity ratios are utilized, including accounts receivable turnover, inventory turnover, working capital turnover, and asset turnover ratio. These ratios provide an overview of the effectiveness in managing and utilizing the company's assets to achieve operational and financial goals.

Accounts receivable turnover measures how quickly a company collects receivables from customers. The higher the accounts receivable turnover, the more efficient the company is in managing invoices and converting them into cash.

Inventory turnover indicates how quickly a company's inventory is being sold or utilized. A higher inventory turnover signifies efficient inventory management and avoids excessive non-productive stock.

3.1.Receivable Turnover Ratio

The account receivable turnover ratio is a financial ratio that measures how quickly a company is able to collect receivables from its customers. This ratio provides an overview of the efficiency and effectiveness of the company's account receivable management. The higher the receivable turnover ratio, the faster the receivables can be converted into cash, which indicates that the company's receivable management has been running well. The account receivable turnover ratio is measured by the following formula.

$$\text{Receivable Turnover} = \frac{\text{Sales}}{\text{Receivable}}$$

Table 1. Account Receivable Turnover of PT. Jesry Karya Engenering Makassar Period 2019-2021

Year	Sales (IDR)	Receivables (IDR)	Receivables Turnover (times)
2019	4,466,980,731	1,014,053,850	4.40
2020	4,140,130,050	2,602,583,774	1.59
2021	3,923,873,381	1,308,574,475	2.99
Average Receivables Turnover			2.99

Source: Processed data, 2023.

⁸ Sujarweni, V. W. (2019). Metodologi Penelitian Bisnis dan Ekonomi. Yogyakarta: Pustaka Baru Pers, p. 39.

Based on table 1 above, it can be seen that the accounts receivable turnover ratio in 2019 was 4.4 times. This shows that PT. Jesry Karya Engenering Makassar was able to collect receivables from its client 4.4 times during this year. However, in 2020 the accounts receivable turnover ratio of PT. Jesry Karya Engenering Makassar decreased to 1.59 times. This decrease indicates that the company faced difficulties in collecting receivables from clients quickly during that year. This decline can be caused by several factors such as a decrease in revenue, changes in credit policy, and so on. However, in 2021 the receivables turnover ratio increased again to 2.99 times. This shows that PT. Jesry Karya Engenering Makassar has succeeded in improving efficiency in managing its receivables compared to the previous year. It can be said that the performance of PT. Jesry Karya Engenering Makassar measured by the ratio of accounts receivable turnover is relatively low.

In addition, the increase in the value of receivables from 2019 to 2020 (IDR1,014,053,850 to IDR2,602,583,774) may indicate an increase in sales. This increase reflects the company's business growth or the company participating in larger projects. A decrease in the value of receivables from 2020 to 2021 (IDR2,602,583,774 to IDR1,308,574,475) indicates that the company may have taken action to reduce the risk of bad debts or made adjustments to receivables deemed uncollectible. Fluctuations in the value of these receivables can be influenced by external factors such as changes in economic conditions or changes in the construction project cycle.

3.2. Inventory Turnover Ratio

Inventory turnover ratio is a financial ratio that measures how efficiently a company manages its inventory of goods or materials. This ratio provides an overview of how quickly the inventory is used up/sold, which in turn can affect the liquidity and profitability of the company. The inventory turnover ratio can be measured by the following formula.

$$\text{Inventory Turnover} = \frac{\text{Sales}}{\text{Inventory}}$$

Table 2. Inventory Turnover of PT. Jesry Karya Engenering Makassar Period 2019-2021

Year	Sales (IDR)	Receivables (IDR)	Receivables Turnover (times)
2019	4,466,980,731	320,000,000	13.95
2020	4,140,130,050	400,000,000	10.35
2021	3,923,873,381	528,000,000	7.43
Average Inventory Turnover			10.57

Source: Processed data, 2023.

Based on table 2 above, it can be seen that the inventory turnover ratio in 2019 was 13.95 times. This shows that PT. Jesry Karya Engenering Makassar is able to manage its inventory quite efficiently, namely converting inventory into sales 13.95 times during the year. This means that the company is able to maintain optimal inventory levels, avoid overstocking or understocking, and be able to respond quickly to client request. However, in 2020 and 2021 the inventory turnover decreased to 10.35 and 7.43 times, respectively. This change could be due to several factors such as changes in client demand patterns or changes in the company's inventory strategy. However, when viewed as a whole (average inventory turnover), the performance of PT. Jesry Karya Engenering Makassar is quite high.

In addition, the year-on-year increased in inventory value, as occurred from 2019 to 2021 (IDR320,000,000 to IDR528,000,000), indicates that the company may experience an increase in construction projects or business activities. Therefore, the company prepares more inventory to meet client demand.

3.3. Working Capital Turnover Ratio

Working capital turnover ratio is a financial ratio that measures how efficiently a company uses its working capital to support the company's daily operations. Working capital includes current assets (such as inventory, accounts receivable, and cash) and current

liabilities (such as account payable) used to run the company's operations. The working capital turnover ratio can be measured by the following formula.

$$\text{Working Capital Turnover} = \frac{\text{Sales}}{\text{Working Capital}}$$

$$\text{Working Capital Turnover} = \frac{\text{Sales}}{(\text{Current Assets} - \text{Current Liabilities})}$$

Table 3. Working Capital Turnover of PT. Jesry Karya Engenering Makassar Perid 2019-2021

Year	Sales (IDR)	Current Assets (IDR)	Current Liabilities (IDR)	Receivables Turnover (times)
2019	4,466,980.731	4,535,556,014	0	0.98
2020	4,140,130,050	6,829,498,438	0	0.60
2021	3,923,873,381	6,568,444,484	0	0.59
Average Working Capital Turnover				0.72

Source: Processed data, 2023

Based on table 3 above, it can be seen that the working capital turnover ratio from 2019 to 2021 has decreased. This means that the performance of PT. Jesry Karya Engenering Makassar as measured by the working capital turnover ratio is still relatively low. The company has decreased efficiency in managing working capital to support its operational activities. In a situation like this, the company needs to analyze the factors that may have caused the decline in efficiency and take appropriate action to optimize the use of working capital, improve operational efficiency, and ensure the company's liquidity balance.

In addition, the absence of current debt (debt due within one year) for three consecutive years (2019-2021) may indicate that PT. Jesry Karya Engenering Makassar does not have significant current debt in the short term. This means that the company may have the ability to finance its operational activities with internal resources or long-term funding. Not having current debt could also reflect the company's conservative financial policy or strategy to avoid interest expense and debt costs in the short term.

3.4. Asset Turnover Ratio

Asset turnover ratio is a financial ratio that measures how efficient a company is in generating sales from the use of its assets. Assets include all resources owned by the company, including current assets (such as inventory, account receivable, and cash) and fixed assets (such as land, buildings, and equipment). The asset turnover ratio can be measured by the following formula.

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

Table 4. Asset Turnover of PT. Jesry Karya Engenering Makassar Period 2019-2021

Year	Sales (IDR)	Total Assets (IDR)	Receivables Turnover (times)
2019	4,466,980.731	7,152,593,514	0.62
2020	4,140,130,050	9,222,717,813	0.44
2021	3,923,873,381	12,218,725,953	0.32
Average Asset Turnover			0.46

Source: Processed data, 2023.

Based on table 4 above, it can be seen that the asset turnover ratio from 2019 to 2021 has decreased. This means that the performance of PT. Jesry Karya Engenering Makassar as measured by its asset turnover ratio is still relatively low. The company has decreased efficiency in generating sales from the use of its assets. This decline can be caused by various factors, such as changes in market demand, ineffective inventory management, or changing operational strategies. In the face of this situations, companies

need to analyze the causes of the decline and take appropriate measures to improve efficiency in the use of assets and optimize company operations.

In addition, an increase in the value of total assets from year to year may indicate the growth of the company's business. This mean that the company may be taking on more projects or is investing in new assets to support business expansion.

4. Conclusion

Based on the result of the analysis carried out related to the activity ratio to measure company performance, it can be concluded that the performance of PT. Jesry Karya Engenering Makassar measured from the ratio of accounts receivable turnover is relatively low. This means that the company may have difficulty in collecting receivables from clients quickly during the period. However, if measured from its inventory turnover ratio, the performance of PT. Jesry Karya Engenering Makassar is quite high. This means that the company is able to manage its inventory efficiently enough to increase the company's liquidity and operational efficiency during that period. Then, when measured from the ratio of working capital and assets turnover, the performance of PT. Jesry Karya Engenering Makassar is still relatively low. This may be due to the long or time-consuming project cycle. If the time required to complete the project is longer, then the turnover of working capital and assets will also slower.

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Conflict of Interest Statement:

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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