

Financial Performance Assessment with Cash Flow Analysis Case Study of PT Sinar Mas Agro Resources and Technology Tbk Period 2017-2021

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Abstract: *The assessment of financial performance with cash flow analysis at the company in this study aims to determine how the financial performance of PT Sinar Mas Agro Resources and Technology Tbk in the 2017-2021 Period, when measured using the company's cash flow statement. In this study, the authors used a descriptive quantitative approach by looking for information about financial statements without any engineering. The financial statements needed are the Balance Sheet, Profit / Loss Statement, Cash Flow Statement, and CALK for 2017-2021 obtained from the annual report of PT Sumber Mas Agro Resources and Technology Tbk. And the data analysis technique in this study uses cash flow ratio analysis. The results obtained by this study are that the financial performance of PT Sumber Mas Agro Resources and Technology Tbk for the 2017-2021 period assessed from the analysis of the cash flow statement ratio is declared good, because from the results of the calculation of the five cash flow ratios, it states that three ratios have met the standard one (1), namely the capital expenditure ratio, the operating cash flow coverage ratio to interest, and the net profit ratio. Only two ratios do not meet the standard of one (1), namely the operating cash flow ratio and the total debt ratio. From these results, PT Sinar Mas Agro Resources and Technology Tbk is expected to pay more attention to the performance between operating cash flow to the company's current liabilities*

Introduction

PT Sinar Mas Agro Resources and Technology Tbk (PT SMART Tbk) is an integrated palm oil-based company. PT SMART Tbk's activities start from the management of ±137 thousand Ha of oil palm plantations including plasma land, harvesting, and processing TBM into palm oil (CPO) and palm kernel (PK), to being processed into various processed palm oil products such as cooking oil, margarine, shortening, biodiesel, and oleochemicals.

Financial statements are the final result of the recording process or a summary of financial transactions that occur during a period in question. One component that has quite an influence on financial statements is the cash flow statement. The cash flow statement provides relevant information about a company's cash receipts and disbursements by classifying transactions into operating, investing, and financing activities during a certain period.

The assessment of the company's financial performance is one way that can be done by the management to fulfill its obligations to the funders and also to achieve the goals set by the company. The cash flow report is one of the tools used by the management to find out how much cash has been used to finance the company's operations, and whether the allocation of cash inflows and cash outflows is appropriate and efficient.

Table 1. Appendix Operating Cash Flow, Investment Cash Flow, and Financing Cash Flow of PT SMART Tbk, Period 2017-2021 (In Millions of Rupiah)

Year	Cash Flow Operation	Cash Flow Investment	Cash Flow Funding	Increase/Decrease Net Cash & Equivalents Cash
2017	2,346,166	(1,295,064)	(786,687)	264,415
2018	772,851	(1,219,534)	463,011	16,328
2019	4,105,867	(1,520,457)	(2,247,827)	337,583
2020	623,480	(3,126,875)	4,349,064	1,845,669
2021	650,500	(1,360,899)	585,553	(124,846)

Source : PT SMART Tbk Financial Report for the period 2017-2021

Based on the table above, it can be seen that the cash flow report of PT SMART Tbk presents cash receipts and expenditures classified into operating, investing, and financing activities. It can be seen that the trend for the last 5 years in the company has fluctuated in each period. PT SMART Tbk experienced an increase that significantly in 2020 and experienced a significant decline in cash flow in 2021.

In 2020, there was a significant net increase in cash and cash equivalents from the previous year to reach IDR 1,845,669,000,000, this was influenced by the increase in net operational cash, which was accompanied by an increase in net investment cash, and an increase in net funding cash. Meanwhile, in 2021, there was a significant net decrease in cash and cash equivalents which reached (IDR 124,846,000,000), this was due to a decrease in net operational cash and net funding cash while the investment cash sector had the highest amount in the use of cash and cash equivalents in the 2021 period.

Based on the background above, and considering the importance of assessing the company's financial performance, to find out the company's financial performance which is very much needed by the company owner, this study takes the topic of assessing financial performance entitled "Financial Performance Assessment with Cash Flow Analysis Case Study of PT Sinar Mas Agro Resources and Technology Tbk Period 2017-2021"

Research Method

In this study, the type of research used is a quantitative descriptive approach, and the object of the research is the financial report of PT Sinar Mas Agro Resources and Technology Tbk. In the method of collecting research data used by the author using the documentation study method in the form of Financial Position Report/Balance Sheet, Profit/Loss Report, Cash Flow Report, and CALK which can be accessed via the BEI website or <https://www.idx.co.id> Data Analysis Methods

In the data analysis method used for this study is to use descriptive quantitative analysis, namely analysis carried out by searching for information about financial reports without any engineering, collecting data as material for making reports and analyzing the contents of financial reports at PT Sumber Mas Agro Resources and Technology Tbk. Descriptive quantitative analysis is carried out by calculating the cash flow ratio. The steps taken by the author are as follows:

1. Prepare financial report data at PT Sumber Mas Agro Resources and Technology Tbk
2. Calculate data using the operating cash flow ratio, capital expenditure ratio, total debt ratio, operating cash flow coverage ratio to interest, and operating cash flow ratio to net income. The formula used is:

- a. Operating Cash Flow Ratio (AKO)

$$AKO = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$$

- b. Capital Expenditure Ratio (PM)

$$PM = \frac{\text{Operating Cash Flow}}{\text{Capital Expenditure}}$$

- c. Total Debt Ratio (TH)

$$TH = \frac{\text{Operating Cash Flow}}{\text{Total Debt}}$$

- d. Operating Coverage Ratio to Interest (CKB)

$$CKB = \frac{\text{Operating Cash Flow} + \text{Interest} + \text{Tax}}{\text{Interest}}$$

- e. Operating Cash Flow Coverage Ratio to Net Profit (LB)

$$LB = \frac{\text{Operating Cash Flow}}{\text{Net Profit}}$$

3. Analyze data from the results of cash flow ratio calculations using industry assessment standards. If ≥ 1 it is said to be good and if < 1 it is said to be less good.
4. Assess the financial performance of PT Sumber Mas Agro Resources and Technology Tbk from the analysis results.
5. Make a conclusion.

Result and Discussion

In this study, researchers analyzed data using historical data assessment standards that fall into the time series analysis group. The calculations and discussion of the research results used are as follows:

1. Operating cash flow ratio (AKO)

The operating cash flow ratio (AKO) is used to show the company's operating cash flow capability in paying its current liabilities. This ratio is obtained by dividing the operating cash flow by the current liabilities. By using the operating cash flow ratio to current liabilities, it will show the company's capability whether or not it is able to pay its current liabilities if only with using operating cash flow only. The calculation of AKO PT SMART Tbk in 2017 is as follows:

$$AKO = \frac{2,346,166}{8,356,807} = 0,281$$

For the calculation of the following year, it is calculated in the same way. Here is a table of calculation results for AKO :

Table 2 : Result of AKO Ratio Calculation of PT SMART Tbk for the period 2017-2021

Year	Operating Cash Flow	Current Liabilities	AKO
2017	2,346,166	8,356,807	0,281
2018	772,851	8,452,099	0,091
2019	4,105,867	10,675,761	0,385
2020	623,480	14,358,630	0,043
2021	650,500	15,408,950	0,042

Source: Processed Data

Based on the table of results of the calculation of the operating cash flow ratio (AKO) of PT SMART Tbk for the period 2017-2021 above, there was fluctuation, and the table shows that the best operating cash flow ratio during the five years was in 2019 with a ratio of 0.385. And the lowest operating cash flow ratio occurred in 2021 with a ratio of 0.042. And in the five years it shows that the company's operating cash flow ratio is below one (< 1) according to industry assessments, which means that there is a possibility that the company will not be able to pay its current liabilities, without using cash flow from main activities which are ongoing activities. Therefore, in 2017-2021 the assessment of financial performance based on the operating cash flow ratio is said to be less than good.

2. Capital Expenditure Ratio (PM)

The capital expenditure ratio (PM) is used to measure operating cash flow as capital available for investment expenditure. This ratio is obtained by dividing operating cash

flow by capital expenditure. A high ratio indicates a high ability of operating cash flow to finance capital expenditure to make investments such as fixed asset purchases, acquisitions, and other investment activities. The calculation of PM of PT SMART Tbk in 2017 is as follows:

$$PM = \frac{2,346,166}{983,862} = 2,385$$

For the next year's calculation, it is calculated in the same way. The following is a table of calculation results for PM:

Table 3: Result of PM Ratio Calculation of PT SMART Tbk for the Period 2017-2021

Year	Operating Cash Flow	Capital Expenditure	PM
2017	2,346,166	983,862	2,385
2018	772,851	723,622	1,068
2019	4,105,867	1,115,661	3,680
2020	623,480	937,220	0,665
2021	650,500	747,698	0,870

Source : Processed Data

Based on the table of results of the calculation of the capital expenditure ratio (PM) of PT SMART Tbk for the period 2017-2021 above, there was fluctuation, and the table shows that the best capital expenditure ratio during the five years was in 2019 with a ratio of 3.680. And the lowest operating cash flow ratio occurred in 2020 with a ratio of 0.665. And in the five years, if averaged, it shows that the company's capital expenditure ratio is above one (>1) according to industry assessments/standards, which means that the operating cash flow's ability to finance its capital expenditures is sufficient. Therefore, in 2017-2021, the financial performance assessment based on the capital expenditure ratio is said to be good.

3. Total Debt Ratio (TH)

The total debt ratio (TH) is used to show the company's operating cash flow capability in paying off all its obligations, both short-term and longterm obligations. Where the debt repayment period by the company assumes that all operating cash flow is used to pay off debt. A fairly low ratio indicates that the company has poor capability in paying off all its obligations from cash flow originating from the company's normal operating activities. The calculation of TH PT SMART Tbk in 2017 is as follows:

$$TH = \frac{2,346,166}{15,941,975} = 0,147$$

Based on the table of the calculation results of the total debt ratio (TH) of PT SMART Tbk for the period 2017-2021 above, there was fluctuation, and the table shows that the best total debt ratio during the five years was in 2019 with a ratio of 0.244. And the lowest total debt ratio occurred in 2021 with a ratio of 0.025. And in the five years it shows that the company's operating cash flow ratio is below one (<1) according to industry assessments/standards, which means that there is a possibility that the company has poor ability to pay all obligations from cash flow originating from the company's

operating norm activities. Therefore, in 2017-2021 the assessment of financial performance based on the operating cash flow ratio is said to be less than good. For the calculation of the next year is calculated in the same way. The following is a table of calculation results for TH:

Table 4: Result of calculation of TH ratio of PT SMART Tbk for the period 2017-2021

Year	Operating Cash Flow	Total Debt	TH
2017	2,346,166	15,941,975	0,147
2018	772,851	17,061,105	0,045
2019	4,105,867	16,854,470	0,244
2020	623,480	22,502,490	0,028
2021	650,500	25,927,174	0,025

Source : Processed Data

4. Cash to interest coverage ratio (CKB)

The cash to interest coverage ratio (CKB) is used to show the company's ability to pay interest. This ratio is obtained by cash flow from operations plus interest payments and tax payments divided by interest payments. The calculation of CKB PT SMART Tbk is as follows:

$$\text{CKB} = \frac{2,346,166 + 478,036 + 275,482}{478,036} = 6,484$$

For the calculation of the next year is calculated in the same way. The following is a table of calculation results for CKB:

Table 5 : Results of CKB Ratio Calculation of PT SMART Tbk for the period 2017-2021

Year	Cash Flow Operasion	Flower	Tax	CKB
2017	2,346,166	478,036	275,482	6,484
2018	772,851	558,118	294,731	2,913
2019	4,105,867	640,343	189,223	7,707
2020	623,480	717,505	151,630	2,080
2021	650,500	1,048,832	250,014	1,859

Source : Processed Data

Based on the table of results of the calculation of the cash to interest coverage ratio (CKB) of PT SMART Tbk for the period 2017-2021 above, there was fluctuation, and the table shows that the best cash to interest coverage ratio during the five years was in 2019 with a ratio of 7.707. And the lowest cash to interest coverage ratio occurred in 2021 with a ratio of 1.859. And in the five years it shows that the company's cash to interest coverage ratio if on average is above one (> 1) according to industry assessments/standards which means that the company has the ability to cover interest costs from the operating cash flow ratio. Therefore, in 2017-2021 the assessment of financial performance based on the operating cash flow ratio is said to be good.

5. Ratio of operating cash flow to net profit (LB)

The ratio of operating cash flow to net income (LB) is used to show how far accrual accounting adjustments and assumptions affect the calculation of net income. This ratio

is calculated as the result of dividing operating cash flow by net income. The calculation of LB of PT SMART Tbk is as follows:

$$LB = \frac{2,346,166}{1,183,328} = 1,983$$

For the calculation of the following year, it is calculated in the same way. Here is a table of calculation results for LB:

Table 6: Results of Calculation of LB Ratio of PT SMART Tbk for the period 2017-2021

Year	Operating Cash Flow	Net Profit	LB
2017	2,346,166	1,183,328	1,983
2018	772,851	597,773	1,293
2019	4,105,867	898,698	4,569
2020	623,480	1,539,798	0,405
2021	650,500	2,829,418	0,230

Source : Processed Data

Based on the table of results of the calculation of the ratio of operating cash flow to net profit (LB) of PT SMART Tbk for the period 2017-2021 above, there was fluctuation, and the table shows that the best operating cash flow ratio during the five years was in 2019 with a ratio of 4.569. And the lowest operating cash flow ratio occurred in 2021 with a ratio of 0.230. And in the five years it shows that the ratio of operating cash flow to the company's net profit is above one (> 1) according to industry assessments/standards which means the company is able to get net profit from its operating cash flow. Therefore, in 2017-2021 the assessment of financial performance based on the ratio of operating cash flow to net profit is said to be good.

Conclusion

As for the conclusion of the results of the financial performance assessment research with cash flow analysis of the case study of PT Sinar Mas Agro Resources and Technology (SMART) Tbk for the period 2017-2021 based on the data and discussion of the research results that have been presented, this research can be concluded as follows:

Table 7: Average Cash Flow Ratio of PT SMART Tbk for the period 2017-2021

Information	2017	2018	2019	2020	2021	Avarage	Industri Standards
AKO	0,281	0,091	0,385	0,043	0,042	0,168	1
PM	2,385	1,068	3,680	0,665	0,870	1,734	1
TH	0,147	0,045	0,244	0,028	0,025	0,098	1
CKB	6,484	2,913	7,707	2,080	1,859	4,209	1
LB	1,983	1,293	4,569	0,405	0,230	1,696	1

Source: Processed Data

1. Based on the calculation results table above, the operating cash flow ratio (AKO) in the fiveyear period is below the industry standard with an average value of 0.168. So it can be concluded that based on the AKO ratio, the financial performance assessment of PT SMART Tbk in the period 2017-2921 is said to be less than good.

2. Based on the calculation results table above, the capital expenditure ratio (PM) over a five-year period is above the industry standard with an average value of 1.734. So it can be concluded that based on the PM ratio, the financial performance assessment of PT SMART Tbk in the 2017-2021 period is said to be good.
3. Based on the calculation results table above, the total debt ratio (TH) in a five-year period is below the industry standard with an average value of 0.098. So it can be concluded that based on the TH ratio, the assessment of PT SMART Tbk's financial performance is said to be less than good.
4. Based on the calculation results table above, the ratio of operating cash coverage to interest (CKB) in a five-year period is above the industry standard with an average value of 4.209. So it can be concluded that based on the CKB ratio, the assessment of PT SMART Tbk's financial performance in the 2017-2021 period is said to be good.
5. Based on the calculation results table above, the ratio of operating cash flow to net profit (LB) in a five-year period is above the industry standard with an average value of 1.696. So it can be concluded that based on the LB ratio, the financial performance assessment of PT SMART Tbk in the 2017-2021 period is said to be good.

After analyzing the cash flow report using the cash flow ratio, in general the level of the operating cash flow ratio at PT SMART Tbk for the 2017-2021 period was declared good. Financial performance is said to be good because the calculation of the five cash flow ratios states that three ratios, namely the capital expenditure ratio (PM), the operating cash flow coverage ratio to interest (CKB), and the operating cash flow ratio to net profit (LB) have met the industry assessment/standard. And only two ratios have not met industry standards, namely the operating cash flow ratio (AKO) and the total debt ratio (TH). And the suggestions from the results of this study are as follows:

1. Operating cash flow ratio (AKO), the company must pay attention to the performance between operating cash flow and its current liabilities, where the company must focus its activities in an effort to increase operating cash flow. For that, the company PT SMART Tbk should reduce the amount of its current debt so that in the future the company's financial performance can be even better.
2. Total debt ratio (TH), PT SMART Tbk is expected to be able to reduce the amount of debt and strive to further increase its operating cash flow. With the company's inability to increase operating cash flow, it can result in the company being unable to pay debts if it cannot be controlled and will lead to a decline or bankruptcy of the company.

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