

# Ratio of Cash Flow as A Measure in Assessing the Financial Performance of Cigarette Company

**Lufriansyah**

Accounting Department, University of Muhammadiyah Sumatra Utara

e-mail: [Lufriansyah@umsu.ac.id](mailto:Lufriansyah@umsu.ac.id)

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## Abstract

This study aims to determine and analyze the performance of the company's financial-Cigarette Company listed in Indonesia Stock Exchange by measuring the ratio of cash flow to compare the performance of similar companies. The analysis used in this research is descriptive analysis. The population in this study were all cigarette company listed on the Stock Exchange Indonesia. Data used in this research is secondary data. The method used to analyze data is descriptive analysis method by calculating the ratio of cash flow of each company and see how the performance of each cigarette company listed in Indonesia Stock Exchange and compare advantages and weaknesses of the company. The Result is Hanjaya Mandala Sampoerna company (HMSP) have a ratio value Operating Cash Flow Ratio (AKO) is best compared with tobacco companies other similar, the company signaled its ability to generate net profit from operating cash flow has, and Bentoel group (RMBA) company is worst performers, HMSP have a ratio value Coverage Cash to interest ratio (CKB) is best compared with tobacco companies other similar, the company signaled its ability to pay interest on operating cash flow has, and companies RMBA company is worst performers, HMSP company have a ratio value Coverage Cash Against Debt( CKHL) the best in comparison with tobacco companies other similar, the company signaled its ability to pay current liabilities from operating cash flow has, and companies RMBA company is worst performers, HMSP company have a ratio value amount of Debt (TH) is best compared with tobacco companies other similar, the company signaled its ability to pay the total debt of the operating cash flow has, and RMBA company is worst performers.

Keywords : Cash Flow Statement, Cash Flow Ratio and Financial Report

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## Introduction

Management internal to the company, by analyzing the cash flow statement will be able to know whether the policies implemented are already well underway in the obtaining and use of cash in a given period. Externally for investors and creditors, cash flows used in assessing various aspects of the company's financial position.

In the development of more advanced business world, the financial sector is very important for companies that have a small or large scale. Companies that went bankrupt due to the uncertain economic conditions and intense competition among companies. Therefore, companies must look at the condition and performance of the company in order to compete with other companies and is able to expand its business. The performance of a company is the ability to work within a certain time period to achieve company goals. In terms of realizing the objectives, performance should be organized into units that are smaller, with the distribution system, and the mechanism of action is clear.

Each company must make annual financial statements contained therein cash flows that make the cash flow statement information as a tool to analyze the company's financial performance is increasingly important. Financial performance measurement is done by analyzing the financial statements using financial ratios of the company, especially the ratio of cash flow statements (Oktavian, 2015)

In assessing the financial performance of companies, one way to do is analyze the cash flow statement. Analysis of financial performance using the cash flow statement can help when making policy decisions for the future in order to achieve an improvement of the results of the company's financial performance.

The analysis of the financial performance using the cash flow statement have been carried out by previous investigators, among others by (Hafsah, 2018) Analysis of the Application of Financial Ratios as a Measurement of Financial Performance in a Company.

Cash flow statement analysis is useful in evaluating a company's position and operations and compared with previous years so that it can be known well whether or not the company's performance in operating. Every company in carrying out operations the business will experience cash inflows and cash outflows

## Literature Review

### Cash Flow Statement

Definition of cash by (kasmir, 2013) in the book Critical Analysis of Financial Statements say that Cash is money and other securities that can be cashed at any time as well as other securities are very well qualified; every moment can be exchanged into cash, the maturity date is very close, and little risk of changes in value due to changes in interest rates.

Meanwhile, according (Jumingan, 2014) in the Intermediate Accounting books say that Cash is the most liquid assets, an exchange media standards and measurement bases and accounting for all other posts.

Cash is the only post the most important in the balance sheet, since it applies as a medium of exchange in our economy. Cash also become so important because companies must maintain adequate liquidity, that is, they must have sufficient money to pay its obligations at maturity so that the continuity of the company can continue to operate.

According to (Yemer, 2013) in his book Financial Management Basics suggests that cash is a form of the most liquid assets, which can be used immediately to meet the financial obligations (financial) company.

### Ratio Analysis

Financial ratio analysis is an activity comparing the figures contained in the financial report by dividing one number by another number. According (Hani, 2015) states that the Ratio Analysis (Ratio Analysis) is one of the analysis of the most popular and widely used because it is very simple to use arithmetic operations, but it is very complex to interpretation.

Ratio analysis is very significant for further investigation because the ratios obtained from the post that are related and connected economically.

### Cash Flow Ratio

Financial ratios are mathematically balance between the amount of a financial statement item to another (Munawir, 2007) stated that the analysis of financial ratios can be obtained hint or sign of a condition or symptom in finance.

(Darsono & Ashari, 2012) states that the ratio is based on the cash flow statement can be used to assess the performance as well as an evaluation tool in assessing the company's financial strength and profitability of the company with a view of the sufficiency and efficiency. Clarifying further as follows.

#### 1. Operating Cash Flow Ratio

This ratio is used to calculate the adequacy of operating cash flow to pay short-term obligations.

$$AKO = \frac{\text{Operating Cashflow}}{\text{current liabilities}}$$

The ratio indicates that the operating cash flow ratio is below 1, which means there is a possibility that the company could not afford to pay current liabilities, without using cash flow from other activities.

2. Debt Coverage Ratio Cash to Current

This ratio is used to determine the company's ability to pay interest on the existing debt.

$$CKB = \frac{\text{Operating Cashflow}}{\text{Interest}}$$

With a great ratio indicate that operating cash flow has a better ability to cover the cost of interest so it is likely the company is unable to pay very little interest.

3. The ratio of Total Debt

This ratio is obtained from the operating cash flow divided by total debt by knowing this ratio we can analyze over a period of time the company will be able to pay the debt using cash flow from ordinary activities.

$$TH = = \frac{\text{Operating Cashflow}}{\text{Debt}}$$

The ratio low enough in the year to year shows that companies have less ability to pay all its obligations both in the cash flows from the normal activities of the company's operations.

4. Cash on Cash Coverage Ratio Current Debt

This ratio measures the company's ability to pay current debts based on cash flow.

$$CKHL = = \frac{\text{Operating Cashflow} + \text{Current Liabilities}}{\text{Interest}}$$

This ratio measures the company's ability to repay debt has gone well by net operating cash flow.

Information:

A low ratio indicates a low capability of operating cash flow to cover the debts smoothly.

## Research Methods

This research uses descriptive method. Descriptive research aims to describe a situation or an object in actual fact, systematically and characteristics of the subject and the object under study accurately, precisely, and according the actual occurrence.

Population is the object of research to be studied (Fahmi, 2011). The population in this study were all Cigarette Company listed in Indonesia Stock Exchange. The sampling technique used is the technique of saturated samples

Data used in this research is secondary data. Secondary data is data obtained indirectly, in this case comes from the site [www.idx.co.id](http://www.idx.co.id).

Data collection techniques used by the author is technical documentation, is by way of search, see and learn things such as notes and documents and notes written data that has to do with the object of study that the financial statements

Data analysis technique used in this research is descriptive analysis, descriptive analysis is a method used to illustrate, describe, and analyze the object of study investigated the problem and then compare with the concept of the existing theory, this method aims at describing the problem in a systematic and actual on facts the facts and the nature of the research object.

## Results and Discussion

### Operating Cash Flow Ratio

This ratio assesses the extent to which companies generate net income by measuring net income after tax against sales. The higher the Operating Cash Flow the better the results for the company.

**Tabel 1.** Operating Cash Flow Ratio 2015-2017

Company	Year	Cash Operation	Current Debt	AKO
GGRM	2015	3,200,820	24,045,086	0.13
	2016	6,937,650	21,638,565	0.32
	2017	8,204,579	22,611,042	0.36
HMSP	2015	811,163	4,538,674	0.18
	2016	14,076,579	6,428,478	2.19
	2017	15,376,315	6,482,969	2.37
RMBA	2015	2,823,747	3,446,546	0.82
	2016	(2,567,883)	3,625,665	-0.71
	2017	6,706	4,687,942	0.00
WIIM	2015	62,869	341,705	0.18
	2016	136,703	293,711	0.47
	2017	195,699	160,790	1.22

### Debt Coverage Ratio Cash to Current

Debt Coverage Ratio Cash to Current is ratio to measure the company's ability to use its own capital to produce high profits, if the profit generated is high, the better the company will be. According to Lukman Syamsuddin (2009, p. 64) states Cash Coverage to Interest is a measure of income available to company owners both ordinary shareholders and preferred shareholders of the capital they invest in the company.

**Tabel 2.** Debt Coverage Ratio Cash to Current 2015-2017

Company	year	Cash Operation	Interest	CKB
GGRM	2015	3,200,820	1,524,309	2.10
	2016	6,937,650	1,233,286	5.63
	2017	8,204,579	792,426	10.35
HMSP	2015	811,163	138,425	5.86
	2016	14,076,579	22,324	630.56
	2017	15,376,315	25,533	602.21
RMBA	2015	2,823,747	867,347	3.26
	2016	(2,567,883)	7,285	-352.49
	2017	6,706	90,709	0.07
WIIM	2015	62,869	18,431	3.41
	2016	136,703	12,738	10.73
	2017	195,699	6,552	29.87

### Cash on Cash Coverage Ratio Current Debt

This ratio measures the company's ability to pay current debt based on net operating cash flows. This ratio is obtained by operating cash flow plus cash dividends divided by current debt.

**Tabel 3.** Cash on Cash Coverage Ratio Current Debt 2015-2017

Company	year	Cash Operation	Interest	Current Liabilities	CKHL
GGRM	2015	3,200,820	1,524,309	24,045,086	3.11
	2016	6,937,650	1,233,286	21,638,565	9.68
	2017	8,204,579	792,426	22,611,042	16.67
HMSP	2015	811,163	138,425	4,538,674	94.36
	2016	14,076,579	22,324	6,428,478	1,095.38
	2017	15,376,315	25,533	6,482,969	1,092.85
RMBA	2015	2,823,747	867,347	3,446,546	3.26
	2016	(2,567,883)	7,285	3,625,665	(352.49)
	2017	6,706	90,709	4,687,942	0.07
WIIM	2015	62,869	18,431	341,705	5.55
	2016	136,703	12,738	293,711	14.85
	2017	195,699	6,552	160,790	34.84

### The ratio of Total Debt

The Total Debt Ratio is a ratio to measure a company's ability to use its own capital to produce high profits, if the profit is high, the better the company will be. According to Lukman Syamsuddin (2009, p. 64) states the Total Debt Ratio is a measure of income available to company owners both ordinary shareholders and preferred shareholders of the capital they invest in the company.

**Tabel 4.** The ratio of Total Debt 2015-2017

Company	year	Cash Operation	Total Debt	TH
GGRM	2015	3,200,820	25,497,504	0.13
	2016	6,937,650	23,387,406	0.30
	2017	8,204,579	24,572,266	0.33
HMSP	2015	811,163	5,994,664	0.14
	2016	14,076,579	833,263	16.89
	2017	15,376,315	9,028,078	1.70
RMBA	2015	2,823,747	12,369,535	0.23
	2016	(2,567,883)	4,012,420	-0.64
	2017	6,706	5,013,453	0.00
WIIM	2015	62,869	398,991	0.16
	2016	136,703	362,540	0.38
	2017	195,699	247,620	0.79

Companies HMSP have a ratio value AKO is best compared with tobacco companies other similar, the company signaled its ability to generate net profit from operating cash flow has, and companies RMBA is company worst performers, because it has a value below 1 even negative due insufficiency of cash so had to borrow to the lender so that it has a negative operating cash flow.

Companies HMSP have a ratio value CKB is best compared with tobacco companies other similar, the company signaled its ability to pay interest on operating cash flow has, and companies RMBA is company worst performers, because it has a value below 1 or even negative,

which means there an indication of the failure to pay interest through its operating cash flow, this is due to cash inflows declined in every year.

Companies HMSP have a ratio value CKHL the best in comparison with tobacco companies other similar, the company signaled its ability to pay current liabilities from operating cash flow has, and companies RMBA is company worst performers, because it has a value below 1 or even negative, which means No indication of failure to pay current debts through its operating cash flow, this is due to cash inflows declined in every year.

Companies HMSP have a ratio value TH is best compared wit tobacco companies other similar, the company signaled its ability to pay the total debt of the operating cash flow has, and companies RMBA is company worst performers, because it has a value below 1 or even negative, which means No indication of failure to pay the total debt through its operating cash flow, this is due to cash inflows declined in every year and the total debt continues to rise.

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