

How to Measure the Financial Health?

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Abstract—This study aims to determine the level of the financial health of company. The data analysed is the company's financial statement data for the 2015-2017 period of PT Perkebunan Nusantara VII. The results of the analysis of the ratio of the company's health level shows is not healthy with a weight of 21.25. In 2016 the results were unhealthy with a weight of 15.25. In 2017 getting unhealthy results with a weight of 14.

Keywords—financial performance, financial health

I. INTRODUCTION

In accordance with the previous background, the researchers are interested in knowing the level of financial health of PT. Perkebunan Nusantara VII as seen from the 2015-2017 company financial statements based on Decree of the Minister of Indonesia State-Owned Enterprises Number: Kep-100 / Mbu / 2002 [1] concerning the evaluation.

TABLE I. PROFIT/LOSS ON 2015-2017

Year	Profit/loss
2015	Rp. 46.369.719.458
2016	Rp. - 547.210.138.113
2017	Rp. - 180.364.749.424

Source: Financial data of PT. Perkebunan Nusantara VII

The contribution of the results of this study is expected to provide benefits in the consideration of companies to improve company health at PT. Perkebunan Nusantara VII from a financial aspect. In addition, this research is expected to be one of the information to find out some financial problems that occur in companies.

The purpose and objectives of establishing BUMN concerning State Owned Enterprises is to contribute to the development of the national economy [2].

II. LITERATURE REVIEW

A. Ratio Analysis

Liquidity is the ability of a company to be able to provide liquid instruments in such a way that it can meet its financial obligations when billed [3].

- Current ratio

$$CR = \frac{\text{Current assets}}{\text{Current debt}}$$

- Cash ratio

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{securities}}{\text{Current debt}}$$

- Total asset turnover

$$TATO = \frac{\text{net sales}}{\text{total assets}}$$

- Average collection period

$$CP = \frac{\text{average receivables} \times 360}{\text{credit sales}}$$

- Inventory turnover

$$IT = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

According to Kasmir [4] profitability ratios are ratios to assess a company's ability to get profits.

- Return on equity

$$ROE = \frac{\text{Earning after Tax}}{\text{total equity}}$$

- Return on investment

$$ROI = \frac{\text{Earning after tax}}{\text{Total Assets}}$$

- Solvability ratio

According to [4], solvency is the company's ability to fulfil all financial obligations if the company is liquidated.

- Debt to assets ratio

$$DAR = \frac{\text{total Debt} \times 100\%}{\text{Total Asset}}$$

B. Company Health Classification

The soundness of a BUMN company is classified as:

TABLE II. CLASSIFICATION OF COMPANY HEALTHY [1]

Classification	Score
HEALTHY	if the total score > 65
UNHEALTHY	if the total score 30 - 65
NOT HEALTHY	if the total score < 30

III. METHODS

The sample used in this study is the 2015-2017 financial statements.

TABLE III. DEFINITION OF OPERATIONAL VARIABLES

Variable	Concept Variable	Scale
ROE (X1)	Measuring how efficiently a company uses money from shareholders to make profits and grow the company	Ratio
ROI (X2)	This ratio shows the results of all assets under control regardless of funding sources	Ratio
Cash Ratio (X3)	This ratio calculates a company's ability to repay short-term debt with available cash	Ratio
Current Ratio (X4)	This ratio shows the company's ability to meet short-term debt obligations	Ratio
Collection period (X5)	This ratio measures the average time it takes a company to collect each receivable	Ratio
Inventory Turnover (X6)	This ratio measures inventory efficiency	Ratio
Total Asset Turnover (X7)	This ratio measures a company's ability to generate sales from total assets by comparing net sales with average total assets	Ratio
Debt to Assets Ratio (X8)	This ratio shows the importance of the source of loan capital and the level of security held by creditors	Ratio
Company health level (Y)	See whether a financial within the company is in good health or not	Weight

The data analysis method used is a quantitative descriptive method. In this study, the analysis was carried out by analysing the financial statements of PT. Perkebunan Nusantara VII using Ratio analysis according to BUMN [1] concerning BUMN health assessment.

IV. RESULTS AND DISCUSSION

A. Result

TABLE IV. WEIGHT ASSESSMENT OF PERFORMANCE INDICATORS FROM BUMN PTPN VII 2015

Assessment of the Weight of Types of Indicators in 2015		
Indicator	Result	Weight
ROE	1,232%	4
ROI	0,356	2
Cash Ratio	7,639%	1
Current Ratio	62,727%	0
Collection Periods	1 day	5
Inventory Turnover	572 days	0
Total Asset Turnover	33,932	2
Debt to Assets Ratio	28,872%	7,25
Total		21,25
explanation	if the total score 30 = Not healthy	
Result	Not healthy	

The total weight from the ratio calculation used to see the level of company health at PT Perkebunan Nusantara VII in 2015 was 21.25 with not healthy results.

TABLE V. WEIGHT ASSESSMENT OF PERFORMANCE INDICATORS FROM BUMN PTPN VII 2016

Assessment of the Weight of Types of Indicators in 2016		
Indicator	Result	Weight
ROE	-21,488%	0
ROI	-4,622%	1
Cash Ratio	1,012%	0
Current Ratio	31,789	0
Collection Periods	1 day	5
Inventory Turnover	674 days	0
Total Asset Turnover	27,544%	2
Debt to Assets Ratio	21,552%	7,25
Total		15,25
explanation	if the total score 30 = Not healthy	
Result	Not healthy	

The total weight of the ratio calculation used to see the level of company health at PT Perkebunan Nusantara VII in 2016 was 15.25 with not healthy results.

TABLE VI. WEIGHT ASSESSMENT OF PERFORMANCE INDICATORS FROM BUMN PTPN VII 2017

Assessment of the Weight of Types of Indicators in 2016		
Indicator	Indicator	Indicator
ROE	-8,834%	0
ROI	-1,488%	1
Cash Ratio	3,632%	0
Current Ratio	25,863%	0
Collection Periods	1 day	5
Inventory Turnover	388 days	0
Total Asset Turnover	22,141%	2
Debt to Assets Ratio	16,848%	6
Total		14
explanation	if the total score 30 = Not healthy	
Result	Not healthy	

The total weight of the ratio calculation used to see the level of company health at PT Perkebunan Nusantara VII in 2017 is 14 with not healthy results

B. Discussion

Based on the results in 2016 PT Perkebunan Nusantara VII experienced a decrease in total weight by 6 due to a decrease in ROE of 2, ROI of 1 and a cash ratio of 1 while in 2017 the total breakdown again decreased by 1.25 pliers caused by a decrease in the ratio of own capital of total assets, and when observed the total weights from 2015-2017 continued to decline.

V. CONCLUSION

The health of the company which was reviewed through the financial aspects of the financial statements at PT Perkebunan Nusantara VII, namely: 1) In 2015 getting not healthy results with a weight of 21.25, 2) In 2016 getting not healthy results

with a weight of 15.25, and 3) In 2017 getting not healthy results with a weight of 14.

REFERENCES

- [1] Decree of the Minister of Indonesia State-Owned Enterprises Number: Kep-100 / Mbu / 2002, Concerning the Assessment of the Health Level of State-Owned Enterprises, 2002.
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