



Balance Report and Solvency Ratio Analysis of PT. Ekadharma International Tbk. Period 2018-2020

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Abstract

PT. Ekadharma International Tbk. is a company that expands its business into the adhesive tape industry in meeting the needs of the Indonesian market. The development of this company must also be balanced with its financial stability. The source of information used to measure the company's financial condition is financial statements. The benchmark used in this research is vertical analysis and solvency ratio analysis which shows the company's ability to pay its obligations when the company is liquidated. The types of ratios used are Debt to Asset Ratio and Debt to Equity Ratio. Vertical analysis shows that the total assets of PT. Ekadharma International Tbk. always increase from year to year. While the results of the calculation of the solvency ratio show that the percentage is in a relatively small number, namely 10%-20% and always decreases every year. By presenting data that has been processed and interpreted, this balance sheet report can provide good insight for the company, employees, and shareholders in making economic decisions for the company.

Keywords: Balance Report, Debt to Asset Ratio, Debt to Equity Ratio, Managing Finances, Financial Statements.

1. Introduction

Along with the development of technology, companies need to prepare to anticipate changes that affect the company's performance both internally and externally. One effective step is to conduct a financial analysis (Sari and Siahaan, 2018; Sanjaya and Nursechafia, 2016; Lopus et al., 2019). Financial reports are an important and reliable source of information in the development of a company. The purpose of financial statements is to provide information on the financial position, financial performance, and cash flow statements of an entity that is useful for a large number of users in making economic decisions(Ikbal et al., 2020; Evana et al., 2019; Pramana et al., 2019).

Given the importance of financial statements, this study will analyze the financial position of a company in the period 2018-2020. The object of this research is PT. Ekadharma International Tbk., a company that is expanding its business into the adhesive tape industry in meeting market needs, Indonesia. The rapidly growing market demand has made the Company one of the market leaders in its field.

The bigger the company, the bigger the burden in making a policy (Eka, 2018; Wengel and Rodriguez, 2006; Widuri et al., 2019; Winata and Anisykurlillah, 2017). Therefore, it is necessary to make a balance sheet that will provide an overview of the number of assets compared to the amount of debt(Xu and Zhang, 2014; Puspitasari et al., 2020). This balance report aims to analyze solvency, namely the comparison of debt levels of PT. Ekadharma International Tbk. with its assets and equity to evaluate whether the company can remain afloat in the long term by paying its long-term debt. The balance sheet is expected to provide benefits for the company, employees, and shareholders. With good financial management, the company is considered to have good performance and credibility so that the company is more trusted by anyone who works with the company.

2. Materials and Methods

2.1. Material

The material used in the preparation of this financial report is quantitative data in the form of a recap of the annual asset data of PT. Ekadharma International Tbk. in the period 2018-2020.

2.2. Method

This research involves the use of secondary data, namely annual asset recap data that has been collected by the company. The data will go through a quantitative analysis process which is used to determine the solvency of PT. Ekadharma International Tbk. This report will also compare the total assets of PT. Ekadharma International Tbk. from year to year using vertical analysis. The stages used in conducting this analysis are as follows:

- 1) Identify the assets of PT. Ekadharma International Tbk. in 2018-2019
- 2) Divide total assets into two, namely total liabilities and total equity and make the percentage
- 3) Create a vertical analysis containing each category on the balance sheet as a percentage of total assets
- 4) Perform ratio analysis to calculate statistical relationships between existing data
- 5) Interpreting the processed data

3. Results and Discussion

3.1. Produced Financial Report

3.1.1. Financial Position Data

The data presented in this report include total assets, total liabilities, and total equity of PT. Ekadharma International Tbk. in 2018-2020 which can be seen in Table 1.

Table 1. Total Assets of PT. Ekadharma International Tbk.

Vertical Analysis PT. Ekadharma						
Balance						
Account name	2020	Percentage	2019	Percentage	2018	Percentage
Total Assets	1,081,980	100%	968,234	100%	853,267	100%
Total Liability	129,617	11.98%	115,691	11.95%	128,685	15.08%
Total Equity	952,363	88.02%	852,544	88.05%	724,583	84.92%

3.1.2. Solvency Ratio Analysis

The study will conduct two ratio analyzes to the data that has been presented, namely the Debt to Asset Ratio and the Debt to Equity Ratio. Debt to Asset Ratio will show the percentage of company assets that are supported by debt. The lower this ratio, the smaller the company is financed by debt so that the company can be considered healthy(Efendi and Wibowo, 2017; Thoyib et al., 2018; Priyanto and Darmawan, 2017; Jufrizan et al., 2019). Meanwhile, the Debt to Equity Ratio will show the proportion of debt financing relative to its equity. The lower this ratio, the better the company's ability to pay long-term obligations.

The calculation of the Debt to Asset Ratio uses the following formula:

$$\text{Debt to asset ratio} = \frac{\text{Total liability}}{\text{Total assets}}$$

The calculation of the Debt to Asset Equity uses the following formula:

$$\text{Debt to asset ratio} = \frac{\text{Total liability}}{\text{Total equity}}$$

3.1.2.1. Debt to Asset Ratio

The following is the calculation of the Debt to Asset Ratio at PT. Ekadharma International Tbk. in 2018-2020:

$$\text{Debt to Asset Ratio 2018} = \frac{128,685}{853,267} 0.1508$$

$$\text{Debt to Asset Ratio 2019} = \frac{115,691}{968,234} 0.1195$$

$$\text{Debt to Asset Ratio 2020} = \frac{129,617}{1,081,980} 0.1198$$

3.1.2.2. Debt to Equity Ratio

The following is the calculation of the Debt to Equity Ratio at PT. Ekadharma International Tbk. in 2018-2020:

$$\text{Debt to Equity Ratio 2018} = \frac{128,685}{724,583} 0.1776$$

$$\text{Debt to Equity Ratio 2019} = \frac{115,691}{852,544} 0.1357$$

$$\text{Debt to Equity Ratio 2020} = \frac{129,617}{952,363} 0.1361$$

3.2. Discussion

Based on the analysis of the asset data of PT. Ekadharma International Tbk., there are several aspects that can be considered. In the vertical analysis, it can be seen that the total assets from year to year always increase. The liability figure experienced a significant decline in 2019. However, it again experienced a relatively small increase in 2020. On the other hand, total equity experienced a significant increase in 2019. However, it again experienced a relatively small decline in 2020.

The solvency ratio calculation shows a relatively small number, which is between 10%-20%. The analysis of the Debt to Asset Ratio and the Debt to Equity Ratio shows that the percentage always decreases every year.

4. Conclusion

Analysis of the asset data of PT. Ekadharma International Tbk. in the period 2018-2020 showed positive results. The company's total assets always increase every year. The calculation results based on the Debt to Asset Ratio and Debt to Equity Ratio indicate that the financial position of PT. Ekadharma International Tbk. in a healthy condition because of the low financial risk experienced by the company.

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