

Study Of The Company's Ability To Meet All Financial Obligations

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ABSTRACT

This research aims to test the ability of assets to guarantee company debt. This research was conducted in depth using the case study method. The research was conducted at PT. Eagle High Plantations Tbk which is listed on the Indonesia Stock Exchange for the 2017-2019 period. Data collection techniques use documentation techniques with secondary data in the form of company financial reports. The research results show that the company tried to increase its short-term debt in 2018, whereas in 2019 it experienced a decrease. Meanwhile, long-term debt continued to increase from 2018 to 2019. Assets continued to decline from 2018 to 2019. In general, the ability of assets to guarantee the company's debt is in good condition. Companies must continue to apply efficiency principles in cost allocation. This research still needs to be developed at the influence analysis stage and can use panel data regression techniques.

Keywords: Current debt, Long-term debt, Total assets

INTRODUCTION

Every company tries to maximize its profits through fund management. The management of these funds is carried out effectively and efficiently so that every funding activity is always focused on real needs in the field.

In corporate operations, not all resources used are owned by the company. Some of these resources are held by way of debt to others. Likewise, in the process of its business, the company still separates short-term and long-term debts. Short-term money is different from long-term debt. Short-term debt has a faster maturity period, usually 1 year or less than one year.

Therefore, every company tries to fulfill its obligations before maturity.

The cause of short-term debt can come from various things such as bank debt, business debt to third parties, advances and accrual expenses, and tax debt. All types of debt have a short repayment period. Companies need to maintain short-term liquidity so that they remain trusted by investors so that they continue to invest their shares in the company. Investors assess that the company will continue to survive based on the reflection of the company's liquidity. In maintaining company liquidity, both short and long term, asset performance is required that is able to meet this

requirement. So the recommended total assets are able to guarantee every rupiah of company debt. Jumingan (2011) emphasizes that debt is a company's obligation to another party to pay a sum of money or deliver goods or services on a certain date. Based on the repayment period, debt is divided into short-term debt (current liabilities) and long-term debt (non-current liabilities). Short-term debt or current debt according to (Kieso et.al; Yunni 2016; Lestiyadi, 2021:1) that short-term debt is "obligations that are reasonably expected to be liquidated either through the use of current assets or the creation of other current liabilities". payment is reasonably estimated through the use of current assets or the provision of other short-term liabilities. Apart from good liquidity, of course a company cannot be separated from human resource aspects, especially employee performance in carrying out all company functions. In a company there are various sections where employees in these sections are expected to have work abilities.

According to Reeve (2017) in Mahmudah (2021:4) current debt or short-term debt must be paid using current debt and the payment is very short in one accounting period. Companies borrow short-term debt to operate the company within one year or goods are traded using trade debt. According to Sjahrial (2014) in Mahmudah (2021:7), it is emphasized that short-term debt is an obligation that must be paid with a repayment period of less than one year in food and beverage companies listed on the Indonesia Stock Exchange

in 2015-2019. . Then the meaning of long-term debt is explained well by Munawir 2015 in Mahmuda (2021:4) who firmly states that long-term debt is an obligation that must be paid financially with a repayment period of 1 year or more than one year from the start. date on the balance sheet and should be included in current liabilities.

Usually long-term debt payments are used to spend on company business expansion (expansion) because it can meet the company's long-term needs, which require a large amount of funds. Meanwhile, according to Sjahrial (2014) in Mahmuda (2021:7) long-term debt is an obligation that must be paid with a repayment period of more than one year in food and beverage companies listed on the Indonesia Stock Exchange in 2015-2019. . Talking about financing from debt cannot be separated from the condition of the company's wealth.

Usually the financial reports that are most discussed are two groups of assets, namely current assets and fixed assets. The definition of current assets has been put forward by many experts, one of which according to Baridwan (2011) in Kriswanto and Siddiq (2018: 2) emphasizes that current assets are cash and assets or other sources that are expected to be realized into cash or sold or consumed during the normal business cycle. company or within one year, whichever is longer.

Munawir 2014 in Kriswanto and Siddiq (2018: 2) states that current assets are cash and other assets that are expected to be liquidated or exchanged for cash, sold or sold to consumers in the

next period (a maximum of one year or within the normal cycle of company activities).

The definition of fixed assets is emphasized by Yusuf (2001) in Abdullah (2015: 5) that fixed assets are tangible assets that are used in company operations and are not intended to be sold within the framework of the company's normal activities.

Then according to Baridwan 2000 in Abdullah (2015: 5) fixed assets are assets that can be used for more than one period of time, such as land, buildings, machinery and equipment, furniture, vehicles, etc. Based on this definition, it shows that fixed assets are assets that are tangible and used for more than one period, used in operations but not intended to be sold like merchandise or goods produced by the company.

METHOD

This research was conducted in depth using the case study method. The analysis was carried out at the company PT. Eagle High Plantations Tbk in the 2017-2019 period.

The data used in this research is secondary data in the form of company financial reports, especially balance sheets. Data collection techniques use documentation techniques.

The overall research used funds sourced from three researchers. The research period was carried out from April to June 2021. To determine the ability of assets to guarantee company debt, an analysis technique is used in the form of the ratio of

total debt to total capital/assets with the following formula according to Riyanto (2016:333):

$$TDTA = \frac{\text{Current Debt} + \text{Long - Term Debt}}{\text{Total Assets}}$$

RESULT AND DISCUSSION

Companies tend to increase their debt every year. Companies sometimes add short-term debt as well as long-term debt. Likewise, the number of assets also increased.

Table 1. Growth of current debt, long-term debt and total assets of PT. Eagle High Plantations Tbk in 2017-2019

No	Description	Growth			
		2017-2018		2018-2019	
		Rp,-	%	Rp,-	%
1	Current Debt	0,1039	10,39	0,2134	21,34
2	Long-Term Debt	0,0173	1,73	0,1532	15,32
3	Total Aktiva	0,0014	0,14	0,0232	2,32

in 2018, the company increased short-term debt by 10.39% from the previous year. Meanwhile, in 2019, short-term debt decreased quite significantly to reach 21.34%.

The reduction in short-term debt in 2018 was caused by several components of reduced debt, such as advances received from third parties, accrued expenses, other debt from third parties, tax debt, and non-tax financial institution debt.

For 2019, this resulted in a significant reduction in short-term debt due to reduced business debt, advances received from third parties, bank debt, and non-bank financial institution debt.

The condition of long-term debt is relatively different from short-term debt. There has been a consecutive increase from year to year. In 2018 long-term debt increased by 1.73%, while in 2019 it increased by 15.32%. The cause of the quite large increase in long-term debt in 2019 was due to an increase in debt to non-bank institutions.

Total assets are relatively the same as short-term debt conditions. There was a decline in those two years. In 2018 it decreased by 0.14% and in 2019 it decreased to 2.32%. The decrease in 2019 was greater than in 2018.

The cause was a decrease in the amount of equity attributable to owners of the parent entity and a decrease in non-controlling interests. From the condition of short-term debt, long-term debt, and the condition of these assets, a study can be carried out on the ability of assets to guarantee the company's debt.

Table 2. The state of the ratio of total debt to total capital assets of the company PT. Eagle High Plantations Tbk in 2017-2019

Year	TDTA
2017	0,6134
2018	0,6412
2019	0,7080

Calculation of the ratio of total debt to total capital assets of PT. Eagle High Plantations Tbk in 2017-2019 showed an increase from year to year.

In 2018 there was an increase in the ratio of 0.6134 or 61.34%. As for 2019, it also increased by

0.7080 or 70.80%. This means that there is an increase in the ability of every rupiah of assets to guarantee every rupiah of company debt.

The cause of the increasing ratio in 2018 is that the growing company caused an increase in the company's total debt. The growth of short-term and long-term debt above which shows an increasing trend in 2018.

In 2019, despite a decrease in current debt, the ratio still increased. This is because there is simultaneously an increase in long-term debt followed by a decrease in total assets. So the decline in assets here cannot be regarded as a weakening of the ability of assets to guarantee debt.

In general, the ability of assets to guarantee debt is in good condition. In 2018 as much as 64.12% of assets were spent from debt as well and in 2019 there were 70.80% of assets were financed from debt. This indicates the company is in a developing condition.

CONCLUSION

In general, sometimes the amount of debt is due to reasonable operations. In the sense that the company is developing it is natural for the company to owe money to finance its activities.

The ability of assets is still able to guarantee the company's debt. In cost allocation, companies must still pay attention to the principles of efficiency and effectiveness. The company remains especially vigilant on short-term debt.

This research still has to be developed by looking at the impact of various factors. It is

necessary to conduct an influence analysis using panel data regression techniques.

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