CHAPTER I

INTRODUCTION

1.1 Background

As time passes by there are lots of business that are starting to emerge above the surface. In this Era, businesses have to find a way to survive by having a mutual beneficial relationship or by taking over a company to achieve more benefits. Since, more types of business and opponents/competitors in the same category of business keep emerging; companies should find a way to not lose its clients and get forgotten and replace by other new companies with similar business.

Causing businesses to be more competitive and finding a way to keep their financial report attractive to keep attracting investors or clients with better services provided by the company.

Companies that cannot survive will be either forgotten or taken also known as acquired by another similar company that is willing to make that company more beneficial. Not only that but also, companies with similar goals and category of business merge into one business to keep their business bigger and more tempting. Nevertheless, it is not easy to merge into one organization. Since, each companies had its own tradition and system. Not only has that but also, companies need to complete documents and regulations to make two or more big organization as an entity.

However, merging into an entity cannot ensure that the organization will gain benefit for sure. Since, some organizations merge to just to gain more profit and benefits. Meanwhile, some merge occurs as one of its final way or hope to keep being in the system.

From Harahap (2009:189) we can know that financial report analysis is an analysis of financial report using the available data as information which helps link data into smaller parts with their own role. With the data given we will be able to obtain information that can or cannot be seen and figure out information that is a result of an error or not. However, this cannot be seen as a final result and the calculated numbers might be false information.

According to Harahap (2009: 195) there are usability of financial ratio analysis as follow: (1) able to give broader information compared to plain financial report; (2) find information that cannot be seen through plain sight; (3) discover hidden errors in financial report; (4) find inconsistency that affects the company internally or externally; (5) used to predict the future outcome. As a conclusion companies merge as one organization to gain benefit and bring positive impact towards the organization. Which we can later know the result by comparing the financial report.

Through financial report analysis we will be able to know the financial situation or financial health of an organization. By that investors and shareholders will be able to know the organization's financial health from the past to present and also predict the upcoming future. One of the ways to analyze the financial report is through calculating the financial ratios

1.2 Problem material

Based on the background the author formulates several problems as following:

1. Is there a difference in liquidity ratio (current ratio), before and after merger?

2. Is there a difference in leverage ratio (debt to equity ratio) before and after merger?

3. Is there a difference in profitability ratio (Net margin ratio) before and after merger?

4. Is there a difference in profitability ratio (return on equity) before and after merger?

5. Is there a difference in profitability ratio (return on asset) before and after merger?

6. Is there a difference in activity ratio (total asset turnover and fixed asset turnover) before and after merger?

7. Is there a difference in Gross profit margin before and after merger?

8. Is there a difference in G-score before and after merger?

1.3 Purpose of research

The purpose of research is to get the answers from the problem material mentioned above:

1. To know the effects of merger towards liquidity ratio (current ratio).

2. To know the effects of merger towards leverage ratio (debt to equity ratio).

3. To know the effects of merger towards profitability ratio (Net margin ratio).

4. To know the effects of merger towards profitability ratio (return on equity).

5. To know the effects of merger towards profitability ratio (return on asset).

6. To know the effects of merger towards activity ratio (total asset turnover and fixed asset turnover).

7. To know the effects of merger towards Gross profit margin.

8. To know the effects of merger towards G-score.

1.4 Advantage of research

The advantage of this reaserch towards:

1. Author

By writing this thesis, the author could expand more of his knowledge on the changes of merger brought towards a surviving company. Hoping that it will be a contribution in his future careers if its required.

2. Company

To the companies that are considering doing a merger as a surviving company will be able to know the effects that it will bring towards the company and help realize the pros and cons of merger.

3. For the future researcher

The writer hopes that the research done for this study will be helpful for the next researcher to pursuit their studies towards analyzing the

financial performance of a company before and after doing a merger.

4. University

The writer hopes that the research done will be able to helpful to expand and give insight of the theories related to this research towards the people studying and learning from the university related to this research.

1.5 Writing scheme

The writing scheme can be used to ease the writer and the readers to know the problem discussed in this paper systematically in each chapter. :

CHAPTER I   INTRODUCTION

This chapter contains the basic information of this thesis such as the background, problem material, purpose, advantage of research and writing scheme

CHAPTER II   THEORETICAL BASE

This chapter contains the message that the author is trying to explain with the theoretical base to support the author's information

CHAPTER III   RESEARCH METHODOLOGY

This chapter explains how the author gained the information and the research method the writer implemented in **ANALYSIS OF FINANCIAL PERFORMANCE AND G-SCORE BEFORE AND AFTER MERGER (FOR THE ACQUIRING COMPANY)**

CHAPTER IV   ANALYSIS AND DISCUSSION

This chapter will be discussing the analysis of financial ratio that has effected by merging of companies throughout 2014-2019, which is registered in Indonesia exchange market.

CHAPTER V   CONCLUSION

This chapter will be wrapping up the whole information given by the writer in this thesis. Including suggestions towards companies that are considering or planning on doing a merger.