

CHAPTER I INTRODUCTION

1.1 Background Study

With the opening of the free market, every entrepreneur must be more careful in reacting. This also includes the decision-making process that will greatly determine the survival of the company in the future. Due to the opening of the free market, competitors will become even heavier. The economic situation marked by current global competition greatly affects a company's sustainability. Companies must be able to maintain business continuity and be able to win the competition with other companies. The company's ability to maintain business continuity and win every competition is greatly influenced by the financial condition of the company concerned. Various businesses created by the company must reflect the company's goals, both long-term goals and short-term goals, one of which is to obtain optimal profits. Profit is not only a measure of the effectiveness of a company's performance, but profit is also an important factor in maintaining the viability of a company.

Healthy business practices are the organization of functions based on the principles of good corporate governance, in order to provide quality and sustainable services. Good corporate governance is a concept to increase transparency and accountability with the aim of ensuring that the goals of the hospital are achieved by using resources as efficiently as possible.

Good corporate governance is definitively a system that regulates and controls companies to create added value for all stakeholders. The concept of Good corporate governance in Indonesia can be interpreted as the concept of good corporate management. There are two things that are emphasized in this concept. First, the importance of the right of shareholders to obtain information accurately and on time. Secondly, it is the company's obligation to conduct accurate, timely and transparent disclosure of all

information on company performance, ownership and stakeholders. The application of the principles of Good corporate governance in the business world today is a demand that these companies can remain in global competition.

With companies that have good corporate governance, investors will be interested in investing in these companies. For investors, financial statements are always a matter of concern. Financial statements can be used as an illustration to assess how the performance of a company. For investors and potential investors, financial statements can make them confident or not to provide additional investment funds. This is because the information in the financial statements can provide an analysis of how the company will develop the investment fund to later be made a profit for investors. For investors, paying attention to the numbers contained in the financial statements is mandatory. In addition to knowing the company's performance, financial statements also provide an overview of financial management and how the company's system works.

By analyzing the company's financial statements, correct and complete information about company performance will be obtained. The company's financial statements based on their performance are forms of accounting information regarding the company's operations and the company's financial position. Accounting information in financial statements is very important for business people such as investors in making decisions (Mulyadi, 2001). To be useful, information from financial statements must be relevant to meet user needs in the decision-making process. Information is said to be relevant if it can influence users' economic decisions by helping them evaluate past, present, or future events, and confirm or correct the results of their past evaluations.

Financial statements in companies also have a very important function in the capital market, where financial statements are information that can describe the company's performance. In addition, financial reports

always report on the company's activities within a certain period. Activities that have been carried out are expressed in currency values, both in rupiah and in foreign currencies. (Erica, 2016).

Marginingsih (2017) argues that financial statement analysis is a company instrument in measuring the performance that has been achieved to determine the level of achievement of company goals and as a tool to obtain information about the company's financial position. The financial statements that are reported at the end of each period as an accountability report for company management as a form of information used to determine the progress of a company's condition. Analysis of financial statements is an important indicator of corporate finance, so it can be used as a tool in financial decision making and at the same time describe the company's performance. Company performance measurement is done to find out whether the company can develop, survive or fail. Financial performance assessment to determine the extent of the effectiveness of the company's operations in achieving its objectives and assess the company's performance can use ratio analysis that starts using comparable financial statements, including data about changes that occur in rupiah amounts, percentages and trends (Marginingsih, 2017).

The results of the company's financial statement analysis can be seen the strengths and weaknesses of the company by comparing the ratio of financial statements of one company with similar companies in the same period. Interpretation of accounting information that is relevant to the goals and interests of the wearer has developed a set of analytical techniques based on published financial statements. One technique that is applied in business practice is the analysis of financial performance.

The form of evaluating a company's performance can be seen from its financial ratios, especially those concerning its use in predicting future earnings. The reason for choosing accounting earnings is because earnings reflect the company's performance, from the size of earnings, it can be seen

whether the company has good performance or not. Profit as a measure of company performance reflects the process of increasing or decreasing capital from various sources of transactions (Sofyan Syafri Harahap, 2006). The company's profit is expected to increase every period, so that the estimated profit to be achieved by the company for the coming period is needed. Earnings estimation can be done by analyzing financial statements.

Evaluation of financial statements as a basis for economic decision making by companies, can be done through ratio analysis. Ratio describes the relationship or balance between one post and another post, this ratio analysis will give the analyst an overview of the good or bad situation or financial position of a company.

The development of the business world which is taken as decision for investor by the opening of a free market, makes every businessman must be more careful in reacting. This also includes a decision-making process that will greatly determine the survival of the company in the future. Decisions taken by companies can be classified into three decisions, namely decisions to invest (investing), decisions for funding (financing), and operational decisions (operating).

The economic situation which is characterized by global competition today greatly affects the sustainability of a company. The company must be able to maintain its business continuity and be able to win competition with other companies. The company's ability to maintain its business continuity and win every competition is strongly influenced by the financial condition of the company concerned. Various businesses made by the company must reflect the company's goals, both long-term goals and short-term goals, one of which is to get optimal profits. Profit is not only a measure of the effectiveness of company performance, but profit is also an important factor in maintaining the survival of a company.

Companies that are developing or experiencing growth cannot only be seen from the results of the expansion or development of the building alone,

because the company may finance expansion through the company's debt. If we see it from the outside such as a building or land, the company is classified as a profitable company. If we look at the company's financial statements it turns out that it can be good or bad. To find out the actual development of a company needs an analysis, so that it can be known whether the company's performance is good or not.

To achieve these goals, certainly not going to be easy for the company, this is due to the many pressures received by the management both from internal companies and external companies. This goal can be achieved if the company is managed well, followed by a high spirit of building from all parties involved. This can be interpreted that the determination of a policy and the right decision making is very important for the company.

The structured implementation of financial management will greatly help smooth the operations of the company, especially in the decision-making process. Decisions taken, will automatically be accountable by management. Whereas on the contrary, poor and unstructured financial management will result in the company not developing and will even cause the company to be eliminated from the competition and eventually go bankrupt. Therefore, decision making and appropriate policy setting requires an adequate and more reliable. The information is actualized in the form of financial statements that will be information that can describe all activities that occur in the company for a period.

Performance assessment is an act of measurement carried out on various company activities that are used as feedback that will provide information about the implementation of a plan. Whereas according to Mulyadi (2001, p.353), periodic performance determination of the operational effectiveness of an organization, organizational and personal parts based on targets, standards and criteria that have been previously set. To evaluate the performance of a company, information is needed by the company's operations through financial statements. By analyzing the company's financial statements will be obtained correct and complete

information on the performance of the company. The financial statements of a company based on its performance are a form of accounting information regarding the company's operations and the company's financial position. Accounting information in financial statements is very important for business people such as investors in decision making (Mulyadi, 2001). To be useful, the information from the financial statements must be relevant to meet the needs of users in the decision-making process. Information is said to be relevant if it can influence user economic decisions by helping them evaluate past, present, or future events, and confirm or correct the results of their past evaluations.

Financial statements on companies also have a very important function in the capital market, where financial statements are information that can describe the performance of the company. In addition, financial statements always report company activities in a certain period. Activities that have been carried out are set forth in currency values, both in rupiah and in foreign currencies. (Erica, 2016).

Marginingsih (2017) suggests that financial statement analysis is a company instrument in measuring performance that has been achieved to determine the level of achievement of company goals and as a tool to obtain information about the company's financial position. Financial statements that are reported at the end of each period as an accountability report for the management of a company as a form of information used to determine the progress of the condition of a company. Analysis of financial statements is an important indicator of corporate finance, so that it can be used as a tool in financial decision making and at the same time describe the performance of the company. The measurement of company performance is done in order to find out whether the company can develop, survive or fail.

Financial performance appraisal to determine the extent of the company's operating effectiveness in achieving its objectives and assessing company performance can use ratio analysis that starts using comparable

financial statements, including data on changes that occur in the amount of rupiah, percentages and trends (Marginingsih, 2017).

The results of analysis of the company's financial statements can be seen the strengths and weaknesses of the company by comparing the ratios of financial statements from one company with similar companies in the same period.

Interpretation of accounting information that is relevant to the purpose and interests of the wearer has developed a set of analytical techniques based on published financial statements. One such technique that is applied in business practice is the analysis of financial performance.

The form of evaluating company performance can be seen from its financial ratios, especially those concerning its usefulness in predicting future profits. The reason for choosing accounting profit is because profit reflects the company's performance, from the profit measure, it can be seen whether the company has a good performance or not. Profit as a measurement of company performance reflects the process of increasing or decreasing capital from various transaction sources (Sofyan Syafrri Harahap, 2006). The company's profit is expected to increase every period, so that the estimated profit that will be achieved by the company for the coming period is needed. Estimates of profit can be done by analyzing financial statements.

Evaluation of financial statements as a basis for economic decision making by companies, can be done through ratio analysis. The ratio describes a relationship or balance between a post with another post, this ratio analysis will provide an overview to the analyst about the good or bad situation or financial position of a company.

PT Indofood Sukses Makmur Tbk. is one of the leading companies of instant noodles and processed foods in Indonesia. The company has launched a commitment to produce quality, safe, and halal food products for consumption. Freshness, hygiene, nutritional, taste, practical, safe, and halal aspects for consumption are always the company's priorities to ensure the quality of products that are always excellent. End of 1980, PT Indofood

Sukses Makmur Tbk. began to move on the international market by exporting instant noodles to several ASEAN countries, the Middle East, Hong Kong, Taiwan, China, the Netherlands, the United Kingdom, Germany, Australia, and countries in Africa.

Basically, the purpose of a company is to obtain profits or profits that can be used for the survival of the company. Getting profits or profits and the size of profits is often a measure of the success of a company. This is supported by the company's ability to see possibilities and opportunities in the future.

Therefore, for companies to survive and grow, companies must look at the condition and performance of the company. To find out exactly how the conditions and performance of a company are needed, an appropriate analysis is needed. Financial statements are not only as a testing tool but also as a basis for being able to determine or assess the financial position of the company concerned by carrying out analysis. Through the results of the analysis, it can be seen the use of economic resources, obligations that must be met and capital owned by the company, and the results that have been achieved by the company. The financial statements are prepared to evaluate management performance and the achievement of company goals for a certain period. These financial statements are used to help financial statement users in assessing company performance so that they can make the right decisions for the company.

Based on empirical study based on fact problem, the writers are interested in conducting research with the title "**The Analysis of Financial Statement to Measure Performance of PT. Indofood Sukses Makmur Tbk.**"

1.2 Problem Formulation

Based on the description of the background above, the formulation of the problem that can be stated in this study is

1. How is the financial performance of the company PT Indofood Sukses Makmur Tbk through financial ratio analysis in 2013 to 2017?

1.3 Research Focus

This research only focuses on the problems of the financial statements of PT. Indofood Sukses Makmur, Tbk

1.4 Objective of Research

The purpose to be achieved in this study is to find out how the financial performance of the company PT Indofood Sukses Makmur Tbk through financial ratio analysis from 2013 to 2017?

1.5 Benefit of Research

1. For Companies

The author hopes that the results of this study can be input for companies in an effort to improve the company's financial performance, so as to improve the overall performance of the company.

2. For University

The author hopes that the results of this study can add insight into the development of science within the University.

3. For Authors

The author hopes that this research can be one of the places to deepen and apply the knowledge of writers in management science and other related sciences, which have been obtained so far to solve real problems in the field.

1.6 Systems of Writing

In this study, the systematic of writing this essay consist of five interrelated chapters. Each of them is outlined in detail which can be explained as follows:

Chapter I: Introduction

This chapter describes the background of the problem, the formulation of the problem, the boundaries of the problem, the purpose of the research, the benefits of research and the systematic writing.

Chapter II: Theoretical Framework

This chapter is about the supporting theories that are used as a basis to support the topic of this research.

Chapter III: Research Methodology

This chapter describes the type of research qualitative, place of research and time of research, type of data, object of research, data sought, research variables, data collection techniques and data analysis techniques

Chapter IV: Data Analysis and Discussion

This chapter describes the history of the company's establishment, company location, organizational structure, personnel data and company financial data, and this chapter contains an analysis of data obtained from companies with the methods and techniques described in chapter III.

Chapter V : Conclusion

This chapter contains conclusions from the results of data analysis that have been carried out and the limitations of this research and suggestions aimed at the company.