

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Consumer goods which also known as final goods are always needed in human daily life. It processed from raw materials to final goods and delivered to consumers. Since raw materials could not be used directly, it needs to be processed with supporting resources known as manufacturing. Example of consumer goods are clothing, food, pharmaceuticals, cosmetics etc. As an economic production activity goods will be sold to consumers to marketplace. In Indonesia Stock Exchange (IDX) has listed down the manufacturing company for the consumer goods financial statement. As a promising field for Indonesia economic growth, company who needs to seek for extra funds or expansion abroad will sell the bonds and shares to public to gain more assets. Indonesia fast moving consumer goods itself has contribute 5.5% for the sector growth in 2015 brings challenges and opportunities to create a unified market for goods and services, skilled labor, trade and investment.

Financial statement is an essentials tools to obtain the information about company's financials conditions of a company. This financial statement also will be useful for determining how much profit the company gets and whether consider purchasing the company's stock for the investor investment. Various aspects need to be considered in this performance measurement, especially the expectations of those who invest the funds. This is to find out the extent the company is able to manage funds originating from investors or shareholders by judging by how much capital gain the company can generate. The higher level of capital gain provided by the company to investors will be higher

company value that is reflected in the value of the shares on the stock exchange.

Current ratio is calculated by dividing current assets with current liabilities. The current ratio is the most common measure used to determine the ability to meet short-term obligations, because the ratio shows how far the claim from the creditor short term filled by assets that are estimated to be cash in the same period as the debt maturity.

Based on the background of study above, author would like to know the influence of current ratio, debt equity ratio, total assets turnover towards return on assets. On the other hand, author would take data from Indonesia Stock Exchange from period 2018-2020. Then the author would like to conduct research with the title: **“THE EFFECT OF CURRENT RATIO, DEBT EQUITY RATIO, AND TOTAL ASSET TURNOVER TOWARDS RETURN ON ASSETS ON ASSETS ON CONSUMER GOODS COMPANIES THAT LISTED ON INDONESIA STOCK EXCHANGE”**.

1.2 Problem Limitation

In order for more effective and efficient research, the writer decided to limit the variables in the problems of this research, the limitation of the research problem are as follows:

1. The limitation of this research was limited into three variables in which are Current Ratio, Debt Equity Ratio, Total Asset Turnover towards Return on Assets.
2. The limitation of this research was limited into Assets on Consumer Goods Company
3. The limitation of this research was limited to Consumer Goods Company that listed in Indonesia Stock Exchange in 2018-2020.

1.3 Problem Formulation

Based on the background outlined before, the formulation of the research problem are as follows:

1. Does the Current Ratio has a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange?
2. Does the Debt Equity Ratio has a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange?
3. Does the Total Assets Turnover has a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange?
4. Does the Current Ratio, Debt Equity Ratio, and Total Assets Turnover have significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange?

1.4 Objective of the Research

The objective expected from this research are as follows:

1. To determine the effect of Current Ratio has a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange.
2. To determine the effect of Debt Equity Ratio has a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange.
3. To determine the effect of the Total Assets Turnover has a significant influence towards Return on Assets of on

consumer goods companies that listed on Indonesia Stock Exchange

4. To determine the Current Ratio, Debt Equity Ratio and Total Assets Turnover have a significant influence towards Return on Assets of on consumer goods companies that listed on Indonesia Stock Exchange or not

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Based on the objectives of the research, the purposes of this research are to provide valuable information and extending the existing knowledge regarding on the current ratio, debt equity ratio and total assets turnover towards return on assets of on consumer goods companies that has been registered in Indonesia stock exchange.

1.5.2 Practical Benefit

Based on the objectives research, the research is expected to generate practical benefit as follows:

1. For Researcher

This research is expected to provide information to current and knowledge about current ratio, debt equity ratio and total asset turnover towards return on asset while analyzes and sorting through the information that have been provided by some of companies financial statements. Moreover, it also expected to help future researcher who choose the same topic to gain the insights from this research.

2. For Companies

This research is expected to give more insights on the factors such as current ratio, debt equity ratio and total assets

turnover towards return on assets affects the profit of a company by establishing more effective and efficient financial reporting through better understanding of the practices and the influencing factors.

