

A Comparative Analysis Of Liquidity Condition Entity Pqr By Using Financial Ratio And Cash Flow Report

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ABSTRACT: *In Indonesia, there are limited studies in public sector entity, especially non government entity. This Research Paper explores how accounting practice in non government entity and focused on liquidity analysis as a tool to predict entity's ability to pay short term liabilities. This is a case study research in Public Service Agency PQR, it services related to provided land or area for public activities/ exercises and also provided a place for national and international scale of sport event. This research done by comparing entities' PQR financial statements with requirements from PSAK 45, and next, to analyze liquidity condition by information provided in the financial statements based. There are some findings: first, overall, accounting process in entity PQR is quite good and overall, already fulfill the PSAK 45 requirements, secondly, Liquidity conditions of entity PQR is over liquid according to ratio analysis approach thirdly, contrastly findings in Liquidity condition of entity PQR relative not in liquid conditions by using cashflow ratio analysis comparing to ratio analysis, fourthly, entity PQR should keep continuing of maintenance all of the facilities in the public area and also supporting facilities in every sport center areas/places.*

Keywords: *accounting, not for profit entity, Liquidity Analysis, PSAK 45, Public Service Agency*

I. INTRODUCTION

Role of Public Sector Entity in the society is undoubtedly, and in the future it can contribute more significant in order to elevate public welfare. The sustainability of public sector entity to play a role to elevate social welfare should take in to our considerations. One factor that influence continuity of public sector entity to give service to public is to maintain its liquidation condition (Thomas dan Alexandru, 2004). Previous paper wrote about public sector entity regarding its liquidation condition in the Romanian governmental (Batrancea, et.al , 2012) concluded that liquidity condition of governmental describes about government ability to pay when its expired. In the Filiphine, research on public sector entity's liquidation condition did by Johnstone dan Tugas (2009), with the respondent is several universities in Filiphine and Malaysia, they found that it is very important of public sector entity to maintain its liquidity condition especially in the era high technology information in the education world, and this findings have similarity with Alexandru (2004), Alexandru wrote that liquidity is entity ability to convert assets into cash and cash equivalent.

Fraser dan Ormiston (2004) study how to analyze liquidity condition of entity which is one of the indicator of financial ratios (Drake, 2010), by calculating *current ratio* it measures institution's solvency that have a meaning the ratio figure expressed the ability of entity to paid its long term debt. Gibson (2009) used informations in the financial statement to analyze entity financial performance, that one tool of measurement is ratio analysis. Marsdenia (2013) with case study in private hospital in Depok, West Java, used current ratio to analyze the ability of hospital to pay it current liabilities compared to its current assets. Many papers wrote how to measure liquidity condition using cashflow report, similar to Giacomino dan Mieke (1993), Zeller & Stanko (1994), Sylvestre (1994) with sample survey financial statement of hospital dan Kirkham (2012) with sample public service entity in USA (*Working Paper* NO. 24), concluded by using cashflow report approach will gives more precise conclusion compared to financial statement ratio. Figlewics dan Mieke (1993) suggested cashflow report can be used as a complementary for ratio analysis in order to inform entity liquidity condition.

In order to measure public sector liquidity condition precisely in we can use either ratio analysis approach or cash flow report analysis approach, so IAI as a standard setter body in Indonesia have PSAK 45 as guidance for not for profit entity financial statement preparation. Accountability of public sector entity is very crucial as their existence in the society can not live separately due to their role to renders services to the public, to elevate social welfare by provide various services such as, religious activity health care services, education etc. The public service entities such as: mosque, hospital, university, political party, etc (Nordiawan, 2010). Papers wrote about implementations PSAK 45 at various religious entity sech as curches (Mamaesah, 2013) showed that management of GMIM Efrata Sentra Sonder not yet apply PSAK 45 in preparing its financial satements, and only prepared financial statement in the form of budget realization report comply with guidance by *Badan Pekerja Majelis Sinode*. Meanwhile, paper about mosque accountability aspects (Ibrahim, Handayani, 2009), concluded that in general they have adopted PSAK 45 in preparing financial statements, unfortunately can not published their consolidated financial statements to the public. In spite of have adopted PSAK 45, the mosque

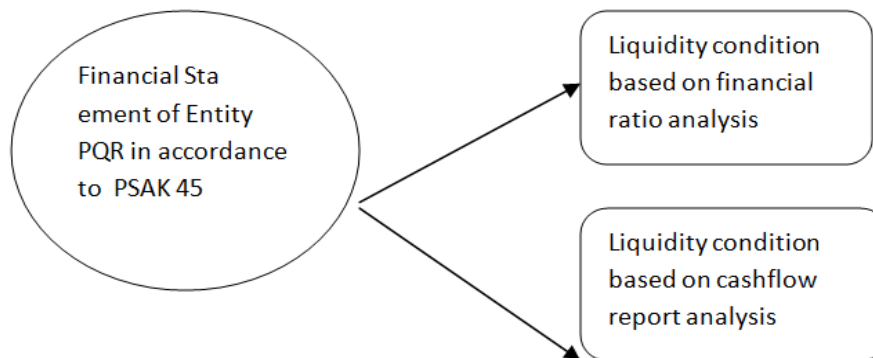
are using different terminology for some items, such as activity report in PSAK 45 they preferred call it Calculation and Distribution Report of Zakkah, which explained sources and using of zakat fund by public. In sector Health care, according to Sutarti, Prayitno (2007) implementation of PSAK 45 in hospital, have complied with PSAK 45, only little adjustment with hospital environment, for example no attachment about net assets on the permanent and temporarily restricted equity report.

This paper different with previous public service entities' paper, due to on this paper we focused on public protected that should happen in case of there are early warning system from public sectors' liquidity condition from the calculation which using figures from financial statement on PSAK 45 basis. Here. We proposed active participation of accountant profesion to socialized PSAK 45 to public sector entity, especially non government public entity that almost untouchable, hopefully in the future non governmental public sector have moral responsibility to published their financial statement on the PSAH basis. Contribution of this paper, we have an experienced in analyzing liquidity condition of public sector entity that already adopted PSAK 45 in the financial statement, hopefully we can give more inputs to entities, regulator and the society about the importance of awareness of liquidity condition of public sector entity. The standard setter body (IAI) should increase their responsibility in the society by more concerned on public sector entity in order to protect public interest. Objective of this paper are To know weather Financial Statements of Entity PQR comply with PSAK 45, To know Liquidition Condition of entity PQR by using Liquidity ratio approach, and to know Liquidition Condition of entity PQR by using cashflow report approach. Last, this paper hopefully will give recommendation regarding the PT PQR liquidity condition by two approach in order to keep its continuity as public service body

II. RESEARCH METHOD

Research is using descriptive analysis method by comparing Entity PQR Financial Statement with PSAK 45. And based on the financial Statement Information, we calculate liquidity condition either by using ratio analysis approach or by using cashflow report approach. The Collection data technique by interview key informan and supporting informan, document analysis and direct observation by tool PSAK 45 (2011 Revised), and also liquidity ratio and cashflow report analysis of financial statement's entitys not for profit, and also using questionnair.

The research using primary data from entity PQR, interview of related party such as management, owner and Human Resources in department finance and accounting. Below the research conceptual frame work.



Picture 1. Conceptual of Framework

Picture 1 describes how financial statement component in accordance with PSAK 45 using to analyze financial condition of entity PQR by two approaches. Additionally, I indepth interviewed key person to know better about its comparison. Indepth interview to elaborate if any discourage condition in implementing PSAK 45 in preparing financial statement in order to increase public sector accoutability. Finally, measure liquidity condition either by financial ratio or by cashflow report approaches. **Research Design** This Paper is Operational research design which used quantitative data dan qualitative data to answer the research questions, where qualitative data collect from indepth interview and quantitative data from figure/ account balance in the financial statements. **Research Location and Period** Entity PQR at the DKI Jakarta Province, as a capital city of Republic of Indonesia, the Financial Statement for the periodpe ended / as at 31 December 2013 and 2014 . **Research Informan** Non Probability Sampling method is *judgment Sampling/Purposive Sampling*. Key Informan is CEO of PQR and supporting informan is Human Resources **Collecting Data:** Collect primary data by direct observation and secondary data by analyzed account balance and other informations / data from financial statement and also data/information from other supporting internal documents.

Data Processing: *editing* is processing collecting data by *editing* to know quality of data and informasi provided, if it is proper and sufficient. **Gouping Data,** Grouping data by specified criteria by function and role

to make an easier summarization. **Data Summarization**, Data summarized by criteria related to research questions. **Data Analysis**, to analyzed information / data in order to find the answer of research questions. Preparing the comparative analysis between findings or infomation and relevant literatur review. **Data Presentation**, from summarized data / information presented in narrative form based on findings and researcher and informan’s summarizations. **Research Process** is Collecting Primary and secondary data of PQR from January to March 2015, At Jakarta. **Research Limitations** Consists of:Timing difference between operation / process and timing the financial statement provided to researcher and No Focus Group Discussion (FGD), due to routine activities of each human resources in department finance and accounting.

III. RESULTS AND DISCUSSIONS

According to Government Regulation (PP) No 23 (2005) Public Service Agency next we call “BLU” is entity in government area that have goal to give public services in the form of product or services sold at not profit oriented selling price and doing their business in the efficient and productivity context. And based on indept interview with key informan of PQR we found that PQR is BLU related to provided open green area to public either for recreation or for national and international sport event . PQR should manage their financial resources based on BLU financial management pracice, so PQR have a flexibility to apply best practice in business to elevate rendering services to public in order to increase public welfare and participate in educating people, as stated in government regulation, as an exception from several requirement of state finance management. In doing business, PQR collect money from public in the form of selling price as revenue rendering services or product to public. Selling price in the rate derived from calculation cost per unit product or services or result from investment activities.

Financial Statement is an obligation of every entity to prepare and report financial statement in a certain period. Analyzed item reported then, so we will know the current condition and status of the company financial statement. Based on information of the financial statement, An intuition can decided the planning in the long run as well as in the short run. Entity can also used the financial statement to decided operational plan today and tomorrow in order to keep doing their business by taking into their onsideration regarding the weakness and strenght of the company. In the simple word or meaning, financial statement is one tool to show entities’ financial statement current and future period. Usually, financial statement report on periodical basis, it could be three months, sixth months and a year.

In practice, financial statement consists of several components, such as : Financial Position Report, Income Statements, Statement of changes in equities, Cash Flow Report, Notes to Financial Statements. Each report have a detil component and each component provide specific information regarding financial data or information of the entity (Kasmir, 2012). According to Government Regulation, Ministry of Finance (PMK Nomor 76, 2008) stated about financial reporting of BLU article 10, stated that in order of management of responsibility on financial t and service activities, BLU should prepare and present financial dan performance report. Financial Statements consists of Statement of Activity/Activity Report, Statement of Financial Position, Cashflow Report and Notes to Financial Statements. PQR has already prepared all of components of above components of financial Statements.

Liquidity Condition of PQR by Financial Ratio Analysis Approach

Table 1. Liquidity Condition of PQR – Financial Ratio Analysis Approach

Name	Formula	Year 2014	Year 2013
Current Ratio	Current Assets/Current Liabilities	13,73	4,48
Quick Rasio	Current Assets-Inventory/Current Liabilities	13,73	4,50
Interest Coverage	$\frac{\text{Net Operating cashflow} + \text{Interest} + \text{Tax}}{\text{Annual Interest}}$	NA	NA

Sources : Financial Statement of PQR

In the table 4, there are current ratio, Current Ratio is a ratio expressed company ability to pay current liabilities by converting current assets into cash or equivalent of assets, in the table 4.2 current ratio is comparing current assets with current liabilities. On the other words, How many of Current Assets available to converted into cash to pay Rp 1 of current liabilities on its maturity date.

In the year of 2013 PQR has current assets amounting to Rp. 210.583.007.643 current liabilities amounting to Rp. 46.800.308.197. After calculating the current ratio figure is 4.50, it means of therea are Rp 4.50 of Current Assets available to converted into cash to pay Rp 1 of current liabilities on its maturity date. Or we can interpreted that current asseps of PQR 4.50 times of its current liabilities.

Pada tahun 2014 PQR has current assets amounting to Rp. 260.908.972.996.01 current liabilities amounting to Rp. 18.893.214.275.77. After calculating the current ratio figure is 13.81 kali, it means of therea are Rp 13.81

of Current Assets available to converted into cash to pay Rp 1 of current liabilities on its maturity date. Or we can interpreted that current asseps of PQR 13.81 times of its current liabilities.

We found in the year of 2013 to 2014, there a significant changes of current ratio PQ, the changes is quite good, due to there are an increasing from current ratio 4.50 to 13.81 in the year of 2014. It almost 3 times increasing of current ratio of PQR in the year of 2014 compared to last year. So, we can conclude that financial liquidation condition of PQR in the secure condition, no default or fail to paid of the current liabilities on the maturity date. The second ratio is quick ratio, the difference between current ratio and quicj ratio is excluded inventory account, so theoretically the figures of quick ratio should be smaller than current ratio id PQR has inventory account balance. Table 2, we can see that in the 2013 current ratio smaller than quick ratio, but in the 2014 either 2013 or 2014 current ratio and quick ratio at the same figures. If we analyze horizontal side, there significant increasing of quick ratio in the 2014 compared to last year. Because of null inventory balance , the explanation of the reason is the same with previous current ratio.

If we look on PQR documents and detil items of financial statements of PQR, the inezasing of Current ratio basically comes from significant increasing of cash and cash equivalent account and drastically decreasing of account receivable. From current liabilities side, there are decreasing in the current liabilities that PQR should pay on its expired date. So, the conclusion of financial liquidity condition of PQR by financial ratio analysis approach is in the liquid positions due to the increasing of Current Ratio and Quick Ratio in the 2014 compared to last year.

Table 2. Liquidity Condition of PQR - Cash Flow Report Approach

Name	Formula	Year 2014	Year 2013
Cashflow Ratio	$\frac{\text{Cash generated from oprating activities}}{\text{Current Liabilities}}$	3,38	0,85
Critical Needs Coverage	$\frac{\text{Cash generated from oprating activities} + \text{interest paid}}{\text{Current Liabilities} + \text{interest paid}}$	NA	NA
Cash Interest Coverage	$\frac{\text{Cash generated from oprating activities} + \text{interest paid} + \text{Tax}}{\text{Annual Interest}}$	NA	NA

Sources : Financial Statement of PQR

As we noted from Table 5, liquidity condition of PQR for 2013 only Rp 0,85 for each Rp 1 current liabilities that PQR should pay when it expired, and in the year of 2015 have increasing in ratio that is Rp 3,85 for each Rp 1 current liabilities that PQR should pay when it expired.

Meanwhile, the other two of measurements instrument of cash flow report is not available for PQR, due to no loan balance and no balance for cash generated from finance activities (Table 3). So, we just only used measurements isnrument that fitted to PQR condition. If we compared Liquidity condition on ratio analyzed approach and cashflow report approach we found surprised gap for entity PQR case, as show in table 7, we concluded that result on rap 4,48 current asset available to converted into cash and cahs equivalent to pay Rp 1 current liabilities, the status is very liquid. Contrastly, result on cashflow report approach PQR only have only have Rp 0,85 for each Rp 1 current liabilities that PQR shoudk pay when it expired. Gap in the Liquidity condition large enough in the year 2014, eventhough over all Entity PQR more liquid status in the 2014 compared to previous year. According to financial ratio analysis, Ability of PQR to pay every current liabilities in Rp 1 is amounting to Rp 13,73 fixed asset, but if we count based on casflow ratio analysis the amount much less, only amounting to Rp 3,38, the difference is large enough.

Table 3. Comparison Liquidity Condition – Finantial Ratio Approach and CashFlow

No.	Measurement Tool	In the 2014	In the 2013
1	Analysis Financial Ratio	13,73	4,48
2	Cashflow Report Analysis	3,38	0,85

Sources: Document of PQR

Recommendation for Liquidity condition of PQR

Liquidity condition of PQR in the liquid position in 2013 and more liquid condition in the 2014, actually in both condition PQR have possibility to elevate in rendering services to public such as maintenence and innovation in the business unit of PQR. If there any rstriction in government regulation, actually management of PQR still have a room of flexibility to get a permit from regulator if there is any strategic planning in the future to implement more sophisticated high technology in their business. Hopefully, through implementation of sophisticated hig-technology in doing their activities, to increased PQR opportunity to make an internstional-scale of sport event, so can make a new job for workers in Indonesia, inteh short and long run, also informal and formal job. Creating a job for workers in our country, finally have positive impact on aur reserve and economic of growth increased, and our peope live in better welfare.

IV. CONCLUSION

Conclusions for this paper are Overall PQR financial statements which is consists of financial conditions of PQR already in accordance with PSAK 45. Overall liquidity condition of PQR for the period from 2013 to 2014 has slightly increased from both approach, either ratio analysis or cashflow report analysis. Research Implications The conclusions of this research, that management should take their considerations that more conservatism will result from analysis liquidation conditions from cahs flow report analysis than financial ratio. So, through cashflow report analysis approach, management can implement prudential attitude in manage the liquidity condition of public sector entitiies in order to keep rendering services to public. So, There some limitations in this research. Firstly, Qualitative research with case study in one sample of public sector entity, so we can not generalized the findings of this research to all public sector entities. Secondly, We found some documents are strictly confidential, consequently there are limitation in narrative of this paper. There some limitation of this paper, then for future research, there are several factors of recommendation firstly, Quantitative research approach, by using large samples data from not for profit entitites by survey technique. Secondly, Research with coverage period more than 2 (two) year , for instance 5 to 10 years financial statements period coverage.

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