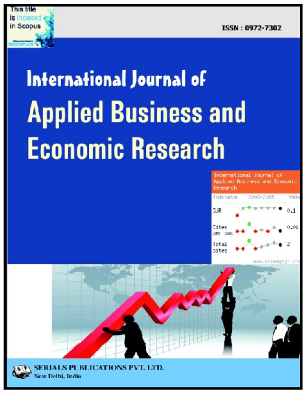

International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at http: www.serialsjournals.com

Volume 15 • Number 19 (Part-II) • 2017

Account Receivable and Fixed Asset Management Effect to Profitability in Consumer Goods Companies Listed in Indonesia Stock Exchange 2012-2016

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Abstract: Improving sales is one of the most important way to improve company income. In this era when credit sales is almost unavoidable, account receivable management has an increased importance. Companies that increase their credit sales that lead to bigger account receivable have more potency to increase their income. At the same time credit sales that is poorly managed can lead to financial problem and further to bancruptcy. Other than that fixed asset is also a necessity of a company in order to make product and create sales which will further increase their income. Therefore the effectiveness of fixed asset management will also determine company performance. This research tries to determine the importance of account receivable management and fixed asset management in imroving company perfromance seen by their profitability. This research is quantitative research using SPSS 20. The companies examined are consumer goods company listed in Indonesia Stock Exchange (IDX) period2012-2016. The result shows that account receivable proportion to sales and fixed asset turnover simultaneously do affect company performance measured by its Return of Equity (ROE) while partially only fixed asset turnover affect ROE significantly.

Keywords: Account receivable, fixed asset, sales, profitability

INTRODUCTION

In order to achieve its goals a company needs to be well managed. In order to carry out this management task, the study of financial management is developed. One area of financial management is account receivable management. Accounts receivable occur when a company sells its products on credit. Sales either in cash or on credit will be the primary source of income of the company. An increasingly high sales level in a company seller level, has big potential to increase net profit of a company.

The effect of accounts receivable to net income depends on the accounting method used. If the company uses cash-based accounting method then the new receivables can be recognized as income when the receivables are paid and cash has been received whereas if the company uses the accrual basis accounting method then the receivables can already be recognized as income at the time of the transaction and can immediately affect company's net income.

However, since account receivable itself is part of the sales, logically it should not matter if the company receives cash or account receivable and both will affect the company's profit or loss. Then isnt it better if the sales is made in cash to reduce the risk of bad debts / payable? But the logic of calculations is different from the reality in the field. In this present era especially in certain industrial sectors it is difficult for the company to sold its products solely in cash. Many retailers tend to prefer to buy goods on credit from the company Therefore, for companies that want to increase the value of sales, they must provide credit sales facilities or else they will lose the competition and ignored by retailers. Sales is one of two important factors that determine the level of profitability of the company. The greater the level of sales with the assumption there is no change in cost and expenses will increase the company's earnings because the company's earnings are calculated from sales minus by cost and expenses. Therefore, the level of sales is very important and will affect the level of corporate profitability and the level of sales in the current era can be increased by increasing credit sales hence it can be said that the ability or capacity of the company in improving the level of credit sales willin terms of improving profitability.

However, the provision of credit sales facilities by the company is not without risk. In contrast to cash sales, credit sales have the risk of unpaid receivables, late pay, etc. If not properly managed these risks can cause financial problems for companies that could lead to bankruptcy.

Another thing that is allegedly can affect the level of sales and later may affect the company's performance in terms of profitability is how the management of the company's fixed assets. In order to perform production and sales, company needs fixed assets. This fixed asset is basically purchased to increase production, sales and ultimately bring benefits to the company. In reality, however, there are always ineffective fixed assets. Therefore, fixed asset management is required. One of the ratios that can indicate a fixed asset management company is a fixed asset turnover ratio.

Due to the importance and close relation between the management of accounts receivable and fixed assets to the company's performance in improving profitability and the fact that the profitability of the company is important to increase the company's value, The researcher feels that it is important to examine the relation that exist between those variables. In addition, there are differences between the theory and the findings in the field and between the each findings. Researcher is interested to examine and review the effects of receivables management and fixed asset turnover to the profitability of the company.

THEORITICAL REVIEW

Company performance

The main purpose of a company's management is to increase the value of the company. There are various ways that a company's management can improve a company's value, but the most common and must-do way is to improve the profitability of a company. Brigham and Daves (2014) argue that profitability is one of the value drivers that have an impact on stock prices although the effects vary between companies depending on their respective situations. Therefore, although maximum profitability does not necessarily mean maximum corporate value but firm profitability is an important benchmark of a company's management performance.

Profitability

Guinan (2010: 288) states that profitability ratios are a class of financial metrics that help investors assess a business's ability to generate profits compared to expenses and other relevant expenses used over a given period. Zaharuddin (2006: 295) states that profitability is a measure of the ability of individual companies or entities to generate profits by taking into account the capital used. Profitability of a company can be measured by using profitability ratios.

The ratio used in this study to show the performance of management in keeping company profitable is Return on Equity (ROE)

Kartono (2008: 190) states that ROE is the rate of return for investors of the shares of their investment in companies calculated by the formula;

$$ROE = \frac{Laba\ Bersih}{Ekuitas}$$

Accounts Receivable Management

Soemarso (2002: 308) states that accounts receivable is a company's claim against someone or another company. Baridwan (2004: 123) states that accounts receivable represents receivables arising from the sale of goods or services produced by the company.

Akmal (2009) states that the management of accounts receivable includes three stages, namely the first phase, concerning the conditions that cause the receivables, the second concerning the administration and organization of receivables and the last concerning the settlement of receivables. All these steps must be done carefully and maximally so that receivables can effectively increase revenue for the company.

To calculate the level of effectiveness of accounts receivable management, the most appropriate way is to use the level of credit sales, but most public companies generally do not report their credit sales so that analysts generally use the value of sales. In this research, researcher will use the proportion of accounts receivable to sales as follows:

$$\text{Account Receivables as \% of Sales} = \frac{Account\ Receivable}{Sales}$$

Fixed Assets Management

In order to produce its products the company needs a variety of fixed assets including buildings and various equipment such as factory machinery, According to PSAK No. 16 of 2007, fixed assets are defined as tangible assets acquired in ready-to-use or pre-built form, used in company operations, not intended to be sold in the ordinary course of the company and have more than one year economic life (Ikatan Accountant Indonesia, 2007). Fixed assets will increase the company's production and increase the company's sales. But to obtain fixed assets generally require large funds so that the purchase is called as an investment.

The 2007 Financial Accounting Standard states that investment activity is the acquisition and disposal of long-term assets and other investments that do not include cash equivalents (Ikatan Akuntan Indonesia, 2007). Mardiyanto (2009: 20) states that investment activities are activities that require cash flow expenditures, especially for the purchase of fixed assets and long-term securities investment. So investment in fixed assets is a common thing done companies who want to increase its performance, especially in improving the profitability of the company.

Nonetheless, investing in fixed assets is not without risk. The large funds needed to buy fixed assets will lower the company's liquidity level. From here there are 2 important things that can be opposite but interconnected namely liquidity and profitability. Profitability is important for the continuity of the company. Many companies go bankrupt because they are unable to generate profits for a certain period of time. But to increase profitability companies need to sacrifice liquidity to invest. Liquidity is also important and if the company does not have liquid funds it will also be threatened with bankruptcy. Sugiono (2009: 5) states that investment needs to get optimal attention in order to create optimal fund utilization.

So the company's fixed assets derived from these important investments should be utilized properly. In this study the turnover of accounts receivable is calculated using the formula:

$$\text{Fixed Asset Turnover} = \frac{\textit{Net Sales}}{\textit{Fixed Asset}}$$

The higher this ratio shows the more efficient the management in managing investment in fixed assets and in utilizing them in order to generate sales. The lower this ratio indicates the inefficient use of the asset.

Previous Studies

Several previous studies have been carried out by various researchers. Mbula et al. (2016) found that accounts receivable have a significant positive effect on the profitability of the company. Ikechukwu and Nwakaego (2015) also found that accounts receivable had a significant positive effect on corporate profitability while Baveld (2012) found that accounts receivable had a significant negative effect on corporate profitability.

Regarding the effect of fixed asset turnover, Sunjoko and Arilyn (2015) found that fixed asset turnover affects profitability while Warrad and Al Omari (2015) found that fixed asset turnover has no significant effect on ROE.

RESEARCH METHODS

This research is a quantitative research which is accompanied by discussion and literature study. This research data is secondary data taken or downloaded from BEI website. The data is taken from the summary of data of consumer goods companies listed on the Stock Exchange from the period 2012-2016. The number of companies studied is 23 companies. At the stage of further research it was found that two companies differed considerably with other companies in terms of profitability so that data must be excluded because it is an extreme data or outlier. The method used in this research is multiple regression analysis method using SPSS 20 program support. Before the multiple regression analysis test is done the predecessor test to meet the classical assumption of normality test, heterokedastisitas test, multicolinearity test and autocorrelation test as a prerequisite of multiple regression analysis with using SPSS 20 program.

Formulation of Research Problems

1. Do proportion of accounts receivable to sale ratio and turnover of fixed assets ratio simultaneously have a significant effect on ROE?
2. Doproportion of accounts receivable to sale ratiohave a significant effect on ROE?
3. Doturnover of fixed assets ratio simultaneously have a significant effect on ROE?

Hypothesis

1. Ha: Proportion of accounts receivable to sale ratio and turnover of fixed assets ratio simultaneously have a significant effect on ROE

   Ho: Proportion of accounts receivable to sale ratio and turnover of fixed assets ratio simultaneously dont have a significant effect on ROE
2. Ha: Proportion of accounts receivable to sale ratiohas a significant effect on ROE

   Ho: Proportion of accounts receivable to sale ratiodoes not have a significant effect on ROE
3. Ha: Turnover of fixed assets ratio have a significant effect on ROE

   Ho: Turnover of fixed assets ratio does not have a significant effect on ROE

Statistical Hypotheses

1. Ha: $\beta YX1 = \beta YX2 \neq 0$

   Ho: $\beta YX1 = \beta YX2 = 0$
2. Ha: $\beta YX1 \neq 0$

   Ho: $\beta YX1 = 0$
3. Ha: $\beta YX2 \neq 0$

   Ho: $\beta YX2 = 0$

Purpose of Research

It is generally known that management science including account receivable management and fixed asset management is needed in order to create a healty and profitable company. But facts in field can be different with theory. This reseach tries to examine how account receivable management and fixed asset management and its effect to company profitability especially in consumer goods companies in Indonesia. Hopefully this research will shown the characteristic of consumer goods company in Indonesia in terms of account receivable and credit sales and in term of fixed asset management and can found way to improve company profitability

RESULT AND DISCUSSION

Classic Assumption Test

Before carrying out regression test, first classic assumption test is used as a prerequisite for multiple regression test. Normality test is using Kolmogorov-Smirnov test. A total of 8 extreme data outlierareremoved because the value is very high and different is derived mainly from Multi Bintang Indonesia Tbk. And Unilever Indonesia Tbk.

Table 1
Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		absres
N		107
Normal Parameters[a,b]	Mean	11.5506
	Std. Deviation	7.37222
Most Extreme Differences	Absolute	.088
	Positive	.088
	Negative	-.066
Kolmogorov-Smirnov Z		.912
Asymp. Sig. (2-tailed)		.376

(a) Test distribution is Normal.

(b) Calculated from dat

Source: Data Processing using SPSS 20

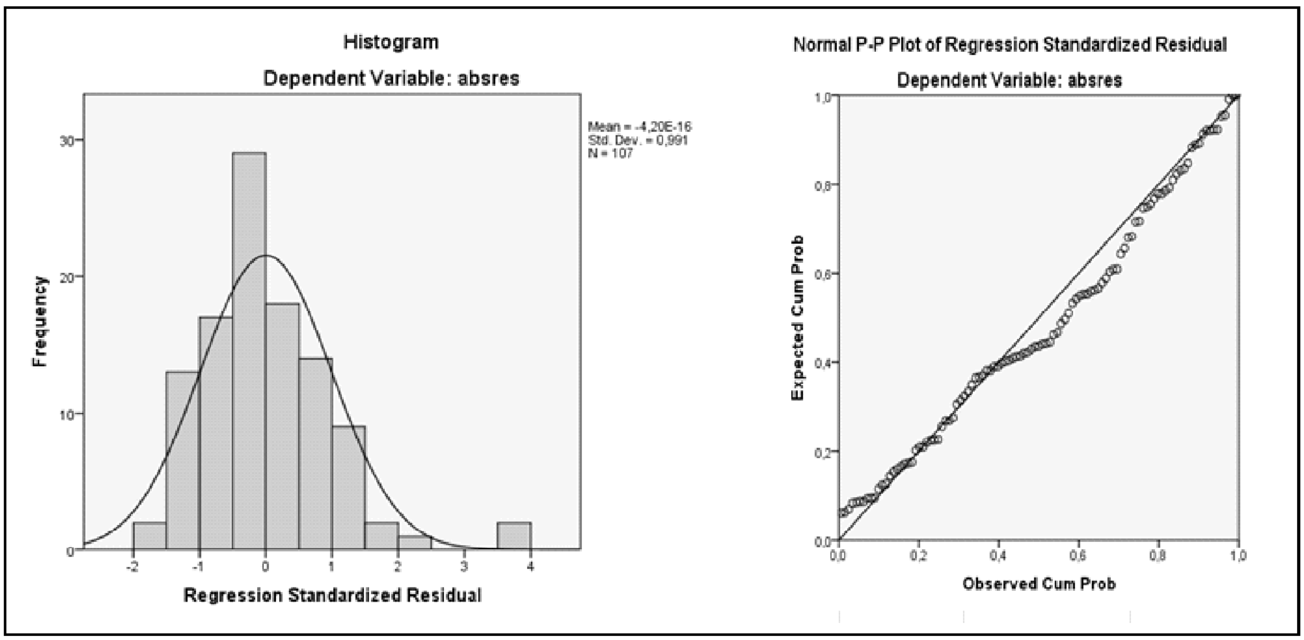

Figure 1: Histogram and P-Plot of Normality Test

Source: Data Processing using SPSS 20

Normality test results can be seen from table from the value of Asymp. Sig. (2-tailed) of 0.376. This value is greater than 0.05 so it can be concluded that the tested data is normally distributed.

Furthermore, heterokedastisity test is conducted

Table 2
Heterokedastisity Test Result

Coefficients[a]

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
1	(Constant)	10.559	1.358		7.773	.000
	ARSALES	.026	.034	.075	.763	.447
	FATO	.001	.002	.048	.491	.624

(a) Dependent Variable: absres

Source: Data Processing using SPSS 20

Result of heterokedastisity test as seen in table 2, shows the value of proportion of account receivable to sales ratio (X1) is 0.447>0.05 which mean that there are no heterokedastisity. Then the significance value of fixed asset turnover ratio variable (X2) is 0.624> 0.05 which means no heterokedastisity occurs.

Furthermore, multicollinearity test was performed

Table 3
Multikolinierity Test Result

Coefficients[a]

Model		*Unstandardized Coefficients*		*Standardized Coefficients*			*Collinearity Statistics*	
		B	*Std. Error*	*Beta*	*t*	*Sig.*	*Tolerance*	*VIF*
1	(Constant)	11.214	1.895		5.918	.000		
	ARSALES	-.060	.047	-.121	-1.284	.202	.997	1.003
	FATO	.007	.003	.248	2.625	.010	.997	1.003

(a) Dependent Variable: ROE

Source: Data Processing using SPSS 20

Multicollinearity test results as shown in table 3, it is shown that the tolerance value of proportion of account receivable to sales ratio variable (X1) is 0.997 < 0.10 and its VIF value is 1.003 <10 which means no multicollinearity occurs. The tolerance value of fixed asset turnover ratio variable (X2) is 0.997 <0.10 and its VIF value is 1.003 <10 which means no multicollinearity occurs Subsequently performed autocorrelation test.

Previously determined the value of DU (Durbin Upper) of data is 1.69439 and the DL value (Durbin Lower) of data is 1.65404. Autocorrelation test results as shown in table 4, it is known that Durbin Watson value is 2.043. Because DW> DL value, there is no positive autocorrelation and because of 4-DW> DL it means there is no negative autocorrelation.

Table 4
Autocorrelation Test Result
Model Summary[b]

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Change Statistics*					*Durbin-Watson*
					R Square Change	*F Change*	*df1*	*df2*	*Sig. F Change*	
1	,270[a]	.073	.055	10.33864	.073	4.088	2	104	.020	2.043

a. Predictors: (Constant), FATO, ARSALES

b. Dependent Variable: ROE

Source: Data Processing using SPSS 20

Multiple Regression Test

After all the requirements of the classical assumption test are met then the next multiple regression test is conducted to test the truth of the hypothesis.

Table 5
F Test Result
ANOVA[a]

	Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	873.816	2	436.908	4.088	,020[b]
	Residual	11116.288	104	106.887		
	Total	11990.104	106			

a. Dependent Variable: ROE

b. Predictors: (Constant), FATO, ARSALES

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	,270[a]	.073	.055	10.33864

(a) Predictors: (Constant), FATO, ARSALES
Source: Data Processing using SPSS 20

From table 5 anova F vallue is obtained which is 4.088 with probability value (sig) = 0.020. Since the sig <0.05 then the decision is that on the first hypothesis, Ho is rejected and Ha accepted. This means the ratio of the proportion of accounts receivable to the sale and turnover of fixed assets simultaneously have a significant effect on ROE. The magnitude of the determinant coefficient of adjusted R Square = 0.055 = 5.5% and the magnitude of the effect of other variables βYЄ = 94.5%.

From table 6 above shows that ARSALES has Sig. 0.202> 0.05 then the decision is on the second hypothesis, Ho accepted and Ha rejected which means the ratio of proportion of accounts receivable to sales partially have no significant effect on ROE. The path coefficient can be seen in beta standardized coefficients ie βYX1 = - 0.121

Table 6
t Test Result

Coefficients[a]

	Model	*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
1	(Constant)	11.214	1.895		5.918	.000
	ARSALES	-.060	.047	-.121	-1.284	.202
	FATO	.007	.003	.248	2.625	.010

(a) Dependent Variable: ROE

Source: Data Processing using SPSS 20

From the table above shows that FATO has Sig. 0.010 <0.05 then the decision is that on the third hypothesis, Ho is rejected and Ha accepted which means that fixed asset turnover has significant effect on ROE. The path coefficient can be seen in standardized coefficients beta which is $\beta YX2 = 0.248$. These results indicate that the more effective the management of fixed assets the higher the role of fixed assets owned in bringing benefits to the company.

Simultaneously both the proportion of accounts receivable to the sale and turnover of fixed assets show a significant positive effect on the profitability of the company in accordance with the fact that the fixed assets are purchased and obtained to increase production and sales. The increase in sales will bring increased profitability for the company. While the increase in accounts receivable is indeed intended to reach retailers who want to purchase product on credit.

Partially, the proportion of accounts receivable to sales does not affect the level of profitability of the company. This can happen because the profitability of the company is more likely to be affected more by other variables. Furthermore, after further study it was found that the average proportion of accounts receivable to sales in the companies studied was arguably low at only 0.1924 or 19.24% with the highest score of 0.6462 or 64.62% and the lowest value of 0, 0222 or 2.22%. Based on the data given the proportion of accounts receivable to sales can be said to be high when close to 1.0 or 100% it can be said that the consumer good companies studied like to play safe and not relying too much on credit sales in marketing their products. The type of industrial company can also play a role here. Products of consumer goods companies may have a fast turnover and much sought after consumers.

In partial, turnover of fixed assets ratio have a positive and significant effect on the profitability of the company. From the results of further observation on the companies studied, the average fixed asset turnover is 483.58% with the lowest value of 99.79% only occurs once and the restis above 100% This indicates that in the companies examined, company management has done a good performance in managing their fixed assets and ensuring that their fixed assets and purchases are effective and efficient in boosting sales and in contributing to improve the profitability of the company.

CONCLUSION

Results of research shows that accounts receivable and fixed assets management of the company has important meaning and it is closely related to the performance of the company's management in bringing in and improve the profitability of the company. In addition, accounts receivable and fixed assets are also closely related to the level of corporate liquidity. A company management that is capable of optimizing and maintaining liquidity while continuing to optimize the profitability of the company will be able to keep the company survive and continue to grow in the future.

This reseach result also shows the characteristic of consumer goods companies in Indonesia that doesnt much rely on credit sales in order to improve its profitability. While for the fixed asset management, the consumer goods companies in Indonesia shows a great level of fixed asset management that is shown from its high fixed asset turnover that latter can signifficantly affect company profitability.

At the beginning of the study the researcher was also interested to examine the direct effect of the proportion of accounts receivable and fixed assets on sale but this did not happen since the companies studied can differ greatly in terms of the level of sales because it consists of different size of companies. This will make the research biased so that in the future , research may be continued by performing clearance and separation based on firm size.

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