Working Capital Management Analysis to Increase Company Performance

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ABSTRACT

Working capital management is an important thing in assessing financial performance and the purpose of working capital management is to achieve company goals in terms of profitability and liquidity. This research aims to analyze the influence of working capital management on company's financial performance and company's business strategies and also policies of PT X, a construction company in Indonesia. Characteristics of working capital management explained through company's performance measurement with financial ratio. This research is a case study which using two methods, namely literature review method and field review This study uses secondary data which is company's financial statements for period of 2015-2017 with an attempt to investigate the relationship existing between working capital measured by financial ratios in obtaining sales targets for period 2018-2020. Good working capital management has an impact on the running of the company's operational activities and to support the company's financial independence. The company's performance in accordance with the plan generates profitability and increases the company's asset accumulation. The result of this research shows that working capital management affects to improve and increase company performance.

Keywords: Working Capital Management; Financial Ratio; Financial Performance; Financial Statements; Construction Company.

INTRODUCTION

Working capital is the basis of a business entity in maintaining business and management in order to survive. Research on working capital management has two discussions, which show that the higher the level of business capital, the higher the probability of the company to increase sales and get discounts from earlier payments, so as to increase the value of the company. And the higher the level of working capital will require funding so that the company will issue financing funding in a larger amount thereby increasing the likelihood that the company will go bankrupt (Kieschnick, LaPlante, &Moussawi, 2012). Working capital efficiency is needed to maintain company liquidity at a safe level. Therefore, the efficiency of working capital has important implications for the company's liquidity. The existence of sufficient working capital is very important for a company because with sufficient working capital it allows the company to operate economically and the company does not experience financial difficulties. In this study, will be discussed profitability ratios, liquidity ratios, activity ratios and working capital ratios of construction companies to steer the company's financial performance, so that companies can improve their performance better and more measurably.

This research was conducted on one of the Indonesian private construction companies and this study will evaluate how working capital management affects the company's performance, with the formulation of the problem of how effective the working capital management of the company is to improve the company's performance in the period 2018-2020 and how the company's income statement projections

The purpose of this final work is to assess the effectiveness of working capital management needed to improve company performance. This is necessary because with good financial conditions, the company can focus on its operations in accordance with the company's vision and mission and choose a strategy to compete with competitors. To improve company performance, there will be adequate working capital needs.

LITERATURE REVIEW

Pearce and Robinson (2015) define the external environment as factors that are out of control that influence the company's choice of direction and action, which ultimately also affects the organizational structure and internal processes. External environmental analysis needs to be done to identify opportunities and major threats faced by an organization against changes in the company's external environment so that managers can formulate strategies to take advantage of these opportunities and avoid or minimize the impact of potential threats that arise. David (2012), said the main external strength factors (external force) in carrying out an external environmental analysis can be divided into four categories that have important elements that must be considered by strategy decision makers in analyzing the company's external environment, namely (1) Politics, political stability , direction and government policy, is an important factor for a businessman in running his business in a country, (2) Economy, economic factors are the economic conditions of a country at present and in the future, which can affect the conditions and strategies of the company, (3) Social & Culture, the socio-cultural factors referred to here are centered on the values or attitudes of customers and employees that can affect the company's strategy, and (4) Technology, the power of technology describes the main opportunities and threats that must be considered in formulating a strategy.

Analysis of the company's internal environment aims to identify a number of strengths and weaknesses contained in the company's internal resources and business processes. According to Pearce and Robinson (2015), SWOT analysis needs to be done because SWOT analysis is to match internal resources and external situations of the company. According to David (2012), SWOT analysis is a strategic planning method that serves to evaluate the strengths, weaknesses, opportunities and threats of a company. This process involves determining the specific objectives of business speculation and identifying internal and external factors that support and are not in achieving these goals. The analysis used to measure the ability of the company's internal resources is a SWOT analysis (Strength, Weakness, Opportunities, Threat). According to David (2011), to develop a strategy that considers the SWOT profile of the matrix (also known as TOWS Matrix) is shown in the following figure:

	Strength	**Weaknesses**
Opportunities	S-O Strategies	W-O Strategies
Threats	S-T Strategies	W-T Strategies

FIGURE 1. TOWS Matrix

Source: David, Fred R. Strategic Management. 2012

Financial performance is a description of the company's financial condition in a certain period of both aspects of fund raising and channeling of funds, which is usually measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006). Financial performance will describe the financial condition of an organization that is analyzed using financial analysis tools so that it can be known the good and bad financial condition of an organization that reflects work performance in a certain period. According to the Indonesian Institute of Accountants (IAI, 2017) that corporate performance can be measured by analyzing and evaluating financial statements.

The benefit of working capital according to Munawir (2010) is to protect the company against the crisis of working capital because of the decline in the value of current assets, allowing it to be able to pay all liabilities on time, allowing it to have sufficient quantities to serve consumers, allowing the company to provide a more favorable repayment period for customers, allowing companies to operate more efficiently because there is no difficulty in obtaining the goods or services needed.

Financial statements are a very important tool for obtaining information regarding the financial position and results achieved by the company concerned. That way the financial statements are expected to help users (users) to make financial decisions that are financial. According to PSAK No. 1 concerning the Presentation of Financial Statements, an annual report consists of five financial statements, namely (1) Financial Position Reports, (2) Comprehensive Income Statement, (3) Equity Change Reports, (4) Cash Flow Reports and (5) Report Reports Finance.Financial report analysis is a company performance analysis instrument that describes financial indicators that are intended to indicate the financial condition or results of operational activities in the past and help illustrate the trend for these changes which then shows the risks and opportunities in the company concerned.

According to Horne and John (1995) that "to evaluate the financial condition and performance of a company, financial analysts need certain benchmarks. The benchmark that is often used is the ratio, index, which connects two parts of financial data with each other ". Financial ratios play an important role in analyzing the company's financial condition. Financial ratio analysis begins with basic financial statements, namely the statement of financial position, income statement and cash flow statement. The types of financial ratios that can be used to measure a company's financial performance are liquidity ratios, activity ratios, profitability ratios and working capital ratios.

METHODOLOGY

The discussion is a case study that uses two methods, namely a literature review method and a field review. The method of literature review is done by studying various books, articles or scientific journals related to research topics.

While the field review is carried out by conducting direct observations at the company. The approach used is a qualitative descriptive case study. The data used in this study are company data, namely financial statements and other data relating to the management of working capital and financial ratios of the company. In this study, data processing is done by making financial ratio analysis, analyzing the liquidity of current assets that are expected to meet the company's liabilities, so that it can assess the appropriate working capital needs and provide alternatives to the management of working capital needed by the company and predict the risks that will be faced by alternative companies that.

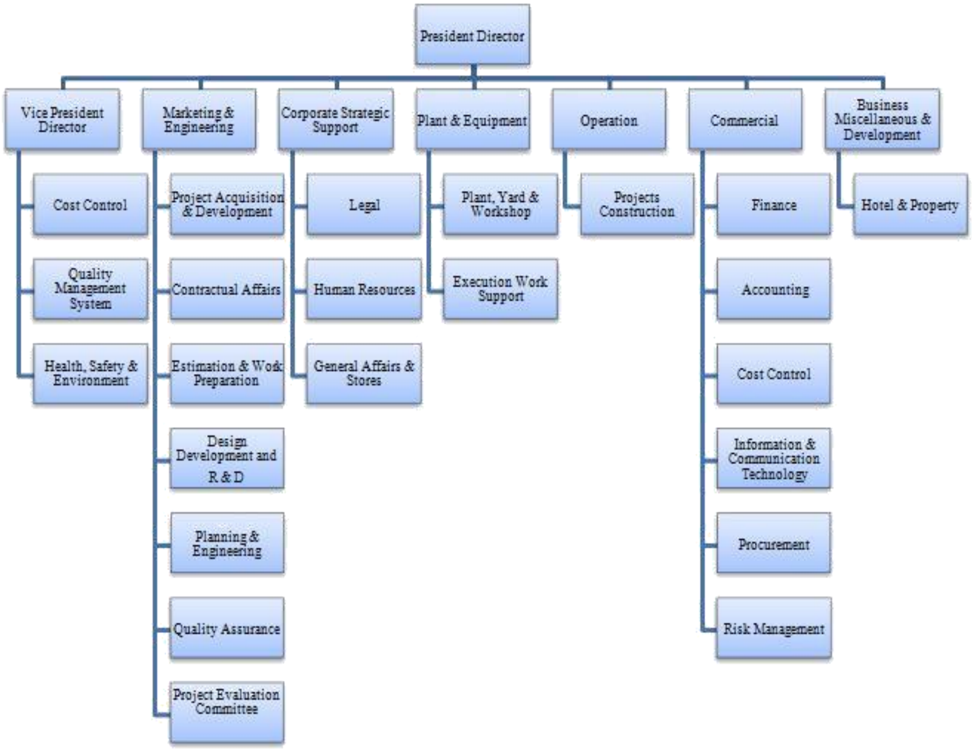
RESULTS

Construction is an activity to build facilities and infrastructure. A construction is also known as a building or infrastructure unit in an area. Construction activities are carried out by construction companies or by special contractors of business units or individuals who carry out construction activities for their own use. Construction services are consulting services, construction work planning, construction work implementation services and construction work supervision supervision services. PT X is a private construction company in Indonesia which was founded in 1984, PT X is one of the leading general contractors in Indonesia, offering support services for civil engineering and integrated construction.

Each project complies with the ISO 9001, ISO 14001 and OHSAS 18001 quality standards, namely by carrying out total integration at each stage of the development process, starting from studying design and planning to construction and maintenance. With the slogan "Turning Vision Into Reality", the company continues to make its promises to its customers. The company's vision is to become a customer-friendly and trusted contractor, best in the premium market segment to fulfill the wishes of stakeholders. The company's mission is to conduct business activities in the fields of construction, infrastructure and property, prioritizing growth through internal strength and market expansion.

To support the effectiveness and performance of the organization, the company needs an organizational structure that is a place to achieve the goals and objectives of the company. The preparation of the Company's organizational structure has been studied in depth which is aligned with the vision and mission and considers current needs. The following is the organizational structure of PT X:

FIGURE 2. Organizational Structure PT X



To find out how the strength of PT X in dealing with its competitors is through a SWOT analysis. The SWOT analysis for PT X is:

1. Strength

   a. The company has ISO 9001: 2015 certification which is a quality management certification in accordance with international standards.

   b. The company has ISO 14001: 2015 certification, which is an internationally agreed standard in implementing requirements for environmental management systems.

   c. The company has OHSAS 18001 certification which is an international standard for occupational health and safety management systems that aims to manage occupational health and safety (K3) aspects in every work process in the company.

2. Weakness
   a. The financial structure and bookkeeping system are still weak.
   b. Utilization of company assets that have not been used optimally.
   c. Not utilizing loan facilities from available financial institutions.

3. Opportunity (Opportunity)
   a. Increase revenue from the market share of the construction services industry outside Jakarta.

b. Government policy regarding equitable development.

4. Threats (Threats)
   a. Increasing competition.
   b. The existence of a BUMN company in the field of construction services as a competitor.
   c. The influence of the political climate in Indonesia.

PEST analysis is a framework for assessing a situation and assessing strategy or position, direction of the company and marketing plan, as follows:

1. Political Factor
   Some project owners are still waiting and seeing Indonesia's political development, delaying the procurement of tenders for the project construction work contract.
2. Economic Factors
   In recent years there have been many challenges surrounding the Indonesian economy, such as increases in minimum wages, economic growth, interest rates, inflation rates to the weakening of the rupiah against the dollar which has resulted in an increase in raw material prices so that there can be an increase in construction costs.
3. Social Factors
   Social factors include all factors that can affect the needs of customers and influence the size of the existing market share.
4. Technology Factor
   Technological factors include all things that can help in facing business challenges and support the efficiency of business processes. The existence of good information system governance in a company, then the information carried out can run systematically and automatically, controlled and effective, and can even efficiently reduce operational costs and improve the competitiveness of the company.

Based on the income statement states below, it can be seen that the value of company profits varies. In 2015 the company's profit was Rp. 45,865 million or equivalent to 2.17% of sales of Rp. 2,029,438 million. For profit in 2016 there was an increase of 90.17% from the 2015 profit of Rp. 45,865 million to Rp. 87,219 million. The decline in profit occurred in 2017 amounting to 33.07% of 2016 profit due to the decrease in sales amounting to Rp 144,794 million and an increase in the total operating expenses of Rp 48,909 million. From the report, it is known that in 2017 there was an additional information of increase in outside business income by Rp. 47,088 million due to dividends obtained from subsidiaries.

TABLE 1. Income Statement PT X

INCOME STATEMENT

(in million Rupiah)

	2017	2016	2015
Revenue	2,167,567	2,312,361	2,029,438
Cost of Goods Sold	(1,855,579)	(1,968,352)	(1,744,888)
Gross Profit	311,987	344,009	284,550
Operational Expense	(279,780)	(230,871)	(217,781)
Operating Profit	32,207	113,137	66,769
Other Expenses and Income			
Other Expenses	(6,052)	(8,778)	(224)
Financial Expense	(44,758)	(48,042)	(50,151)
Other Income	70,947	23,859	23,558
Financial Income	6,373	7,208	6,049
Total Other Expenses and Income	26,509	(25,753)	(20,768)
Profit Before Tax	58,716	87,384	46,001
Income Tax Expenses	(342)	(166)	(136)
Net Profit	58,374	87,219	45,865

In the statements of financial position, it can be explained that the company's financial position in the five periods is getting better with the increasing number of assets owned by the company.

TABLE 2. Statements of Financial Position PT X

STATEMENTS OF FINANCIAL POSITION

(in million Rupiah)

	2017	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	316,157	176,714	291,355
Trade Receivables	277,711	302,370	246,693
Others Receivable	6,083	6,935	10,878
Prepayments	81,546	12,035	7,861
Prepaid Taxes	-	14,854	21,151
Projects Under Construction	891,729	674,175	605,663
Total Current Assets	1,573,226	1,187,084	1,183,600
NON CURRENT ASSETS			
Restrictive Deposit	34,448	17,200	21,750
Investment	206,826	227,198	70,338
Land	66,600	66,600	89,820
Fixed Assets	-	-	-
Assets Book Value	442,800	382,562	302,700
Accumulation Depreciation	(182,223)	(146,297)	(115,313)
Total Fixed Assets (nett)	260,577	236,265	187,386
Non-trade Receivables	5,376	32,499	210,971
Other Assets	110	106	106
Total Non Current Assets	573,937	579,868	580,372
TOTAL ASSETS	2,147,163	1,766,952	1,763,972

LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade Payables	267,113	305,139	209,455
Tax Payables	12,914	19,930	14,775
Unearned Revenue - current portion	528,587	459,126	291,369
Finance Lease Liabilities	3,533	6,299	9,423
Bank Loan	504,562	346,760	328,782
Other Payables	4,959	131	8,828
Total Current Liabilities	1,321,668	1,137,385	862,632
Non Current Liabilities			
Unearned Revenue - long term	214,284	94,874	455,704
Finance Lease Liabilities	10,930	8,875	4,010
Bank Loan	-	3,545	3,731
Post-Employment Benefit	159,177	139,598	142,852
Total Non Current Liabilities	384,391	246,891	606,298
TOTAL LIABILITIES	1,706,059	1,384,276	1,468,930
EQUITY			
Capital Stocks	200,000	200,000	200,000
Additional Paid in Capital	26,775	26,775	-
Retained Earnings	178,814	91,595	57,731
Current Profit	58,374	87,219	45,865
Other Comprehensive Income	(22,859)	(22,913)	(8,553)
TOTAL EQUITY	441,104	382,676	295,042
TOTAL LIABILITIES AND EQUITY	2,147,163	1,766,952	1,763,972

MANAGERIAL IMPLICATION

To measure the level of liquidity of a company can be done by using the current ratio that is comparing the amount of current assets with current liabilities, quick ratio that is the ratio between the amount of current assets which has been reduced by inventory and divided by the amount of current liabilities, as well as cash ratio to measure the ability to repay long-term debt short with cash / cash equivalents. The following data shows the increase and decrease in current assets and short-term liabilities for the 2015-2017 period:

TABLE 3. Increase (Decrease) Current Assets and Current Liabilities

STATEMENTS OF FINANCIAL POSITION

(in million Rupiah)

	Increase (Decrease) 2017 & 2016			Increase (Decrease) 2016 & 2015			
	%	Rp	2017	%	Rp	2016	2015
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	78.91%	139,443	316,157	-39.35%	(114,640)	176,714	291,355
Trade Receivables	-8.16%	(24,659)	277,711	22.57%	55,677	302,370	246,693
Others Receivable	-12.28%	(852)	6,083	-36.25%	(3,943)	6,935	10,878
Prepayments	577.58%	69,511	81,546	53.10%	4,174	12,035	7,861
Prepaid Taxes	-100.00%	(14,854)	-	-29.77%	(6,297)	14,854	21,151
Projects Under Construction	32.27%	217,553	891,729	11.31%	68,512	674,175	605,663
Total Current Assets	32.53%	386,142	1,573,226	0.29%	3,484	1,187,084	1,183,600
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Trade Payables	-12.46%	(38,026)	267,113	45.68%	95,684	305,139	209,455

Tax Payables	-35.20%	(7,016)	12,914	34.89%	5,155	19,930	14,775
Unearned Revenue - current portion	15.13%	69,461	528,587	57.58%	167,756	459,126	291,369
Finance Lease Liabilities	-43.91%	(2,766)	3,533	-33.16%	(3,124)	6,299	9,423
Bank Loan	45.51%	157,802	504,562	5.47%	17,979	346,760	328,782
Other Payables	3697.23%	4,828	4,959	-98.52%	(8,698)	131	8,828
Total Current Liabilities	16.20%	184,283	1,321,668	31.85%	274,752	1,137,385	862,632

If cash is lower than the company's current liabilities, the company can be declared illiquid because the available cash is unable to pay the company's current liabilities quickly. Therefore, to increase cash, companies should need to plan cash receipts and expenditures. Including in planning the sources of revenue that can be obtained if at any time experience a lack of cash and plan its use if experiencing excess cash by making a cash budget for certain periods.

TABLE 4. Liquidity Ratio

Tahun	**Current Ratio**	**Quick Ratio**	**Cash Ratio**
2015	137,21%	67,00%	33,78%
2016	104,37%	45,10%	15,54%
2017	119,03%	51,56%	23,92%

It can be seen from the ratio of Total Assets Turnover that the company is not optimal because the company's asset turnover ratio is very slow and tends to decline. This proves that the management is not optimal in managing all of the company's assets to generate sales.

TABLE 5. Total Asset Turnover Ratio

Year	Revenue (in million rupiah)	Total Assets (in million rupiah)	Total Asset Turnover Ratio
2015	2,029,438	1,763,972	1.15
2016	2,312,361	1,766,952	1.31
2017	2,167,567	2,147,163	1.01

In 2016 the ratio was the highest compared to 2015-2017. From the TATO ratio data movement during the 2015-2017 period, in general this ratio can be said to be not good, because the TATO ratio has decreased in 2017.

Whereas Gross Profit Margin shows the ability of the company to generate the gross profit obtained from each rupiah for several periods. Based on the results of the calculations in the table, it is shown that the Gross Profit Margin value of the company tends to be stable, which is in the range of 14%. Margin ratio was 14.02% in 2015, the highest ratio in 2016 was 14.88%, but in 2017 it dropped to 14.39%.

TABLE 6. Gross Profit Margin Ratio

Year	Gross Profit (in million rupiah)	Revenue (in million rupiah)	Gross Profit Margin Ratio
2015	284,550	2,029,438	14.02%
2016	344,009	2,312,361	14.88%
2017	311,987	2,167,567	14.39%

So that the company's performance in terms of generating profits is relatively good and can be said to be healthy, but needs to be increased again by pushing the number of sales to be higher and minimizing the cost of goods sold.

The Net Profit Margin condition in 2015 was 2.26%, in 2016 the ratio increased to 3.77%. In 2017 there was an increase in the cost of the company so that it had a direct impact on the company's profits.

TABLE 7. Net Profit Margin Ratio

Year	**Net Profit (in million rupiah)**	**Revenue (in million rupiah)**	**Net Profit Margin Ratio**
2015	45,865	2,029,438	2.26%
2016	87,219	2,312,361	3.77%
2017	58,374	2,167,567	2.69%

From the 2015 NPM data to 2017, this ratio can be said to be not good because the value of the NPM ratio has decreased which means that the company's income has decreased, even though in 2016 it experienced an increase but not significant, which means the company did not generate huge profits. The higher this ratio, the better, because it is considered that the company's ability to gain profits is quite high.

Return on Assets (ROA) of the company in 2015 amounted to 2.60%, meaning that each rupiah invested capital generated a profit of Rp. 0.026. In 2016 there was an increase in ROA from 2.60% to 4.94%. But in 2017 there was a decline back to 2.72%.

TABLE 8. Return on Assets Ratio

Year	**Net Profit (in million rupiah)**	**Total Assets (in million rupiah)**	**Return on Assets (ROA)**
2015	45,865	1,763,972	2.60%
2016	87,219	1,766,952	4.94%
2017	58,374	2,147,163	2.72%

Assessment of ROA is reviewed by analyzing the management of working capital can be said to be good. The decrease in ROA is caused by one of them is working capital turnover. Even though it has been improved every year, the working capital turnover is still not able to reach optimum figures and sales are not maximized so that the profits earned are also not optimal. Therefore management must work even harder so that the value of ROA improves.

The value of the company's Return on Equity varies, in 2015 it was known that the ROE ratio was 15.55% while in 2016 it rose to 22.79%. The increase in the value of this ratio was due to the net income earned by the owners of the capital invested more than their own capital net profit. But in 2017, there was a decrease in the ratio to 13.23%. The higher the ROE, the higher the income that the owner of the company receives, which also means the better his position in the company.

The ratio value above shows that the net profit owned by the company is used to cover investment costs of great value and it can be said that the performance of the company is in good condition, because the income or net income earned by the company for the invested capital is very high. This means that every fund spent on investment can generate a profit of 15.55% in 2015, in 2016 amounting to 22.79% decrease in the ratio in 2017 to 13.23%.

TABLE 9. Return on Equity Ratio

Year	**Net Profit (in million rupiah)**	**Total Equity (in million rupiah)**	**Return on Equity (ROE)**
2015	45,865	295,042	15.55%
2016	87,219	382,676	22.79%
2017	58,374	441,104	13.23%

Regarding working capital turnover, the analysis uses data from the company's financial statements for three periods, namely 2015-2017 where by calculating the working capital turnover so that it can be seen how the company's working capital turnover and the causes of changes in working capital levels. Working capital turnover at the latest in 2015 is 6 times or 60 days. The slow pace of working capital turnover in 2015 was due to the slow acquisition of receivables that had an impact on sales. The fastest working capital turnover value in 2016 is 47 times or 8 days. The rapid turnover of capital in 2016 was due to the fast collectability of receivables so that the amount of assets and liabilities smoothed a little. TABLE 10. Working Capital Turnover

Year	Revenue (in million rupiah)	Current Assets (in million rupiah)	Current Liabilities (in million rupiah)	Working Capital Turnover (times)	Working Capital Turnover Duration (days)
2015	2,029,438	1,183,600	862,632	6	60
2016	2,312,361	1,187,084	1,137,385	47	8
2017	2,167,567	1,573,226	1,321,668	9	40

Based on the results of calculations regarding working capital turnover and working capital turnover, it can be seen that the average value of working capital turnover for three periods is 20 times, which means that on the whole the company needs 18 days to turn its working capital on average.

Regarding the analysis of corporate financing sources can be seen in the table above, where during 2015-2017 the company used short-term liabilities between 72.88% - 95.81%, while the rest using their own capital.

TABLE 11. Current Liabilities to Current Assets Ratio

Year	Current Liabilities (in million rupiah)	Current Assets (in million rupiah)	Current Liabilities to Current Assets Ratio
2015	862,632	1,183,600	72.88%
2016	1,137,385	1,187,084	95.81%
2017	1,321,668	1,573,226	84.01%

The Company seeks to adjust the maturity date between its investment in current assets and its current liabilities. This shows that the company's policy in working capital financing uses the approach of own capital financing. However, the company is flexible in its working capital financing policy, especially if there is a discrepancy with the maturity of the current liability, then to cover the difference between the nonconformities, the company uses an approach with banking financing.

Projections of financial statements prepared by the company in order to find out how much the company benefits the company in the coming year. The projected financial statements for the 2018-2020 period include projection of the income statement, projected financial position report and projected cash budget report (cash budget).In preparing the financial position report projection, the working capital adequacy ratio for 2018 with the projected asset growth of 16.39% is financed by 71.48% debt and 28.52% of own capital. For the projection of 2019, the portion of funding from debt fell to 41.80% and funding from own capital to 58.20% with asset growth of 8.97%. While the ratio for 2020, the projected asset growth is 8.92%, with the proportion of funding from bank debt decreasing to 25.95% and funding from own capital to 74.05%.

Overall the company becomes more independent in financing its projects so that the level of profitability can be entirely enjoyed by the company because the share that must be shared with the bank is reduced.In preparing the cash budget statement projections, the company assumes cash income which consists of the assumption of an average receivable receipt of 74.75% per year, the percentage of increase is based on the company's historical collection data. Revenues from project advances are assumed to increase by 8% every year, along with the increase in new projects obtained by the company. And other revenues are current account service revenues which are assumed to have the same nominal value of Rp3,984 million.

TABLE 12. Income Statement Projection
INCOME STATEMENTS PROJECTION
(in million Rupiah)

	2017 (audited)		2018		2019		2020	
	Rp	%	Rp	%	Rp	%	Rp	%
Revenue	2,167,567	100.00%	2,642,935	100.00%	3,039,375	100.00%	3,495,282	100.00%
Cost of Goods Sold	(1,855,579)	-70.21%	(2,233,544)	84.51%	(2,568,576)	84.51%	(2,953,863)	84.51%
Gross Profit	311,987	11.80%	409,391	15.49%	470,799	15.49%	541,419	15.49%
Operational Expense	(279,780)	-10.59%	(307,758)	-11.64%	(338,534)	-11.14%	(372,388)	-10.65%
Operating Profit	32,207	1.22%	101,632	3.85%	132,265	4.35%	169,031	4.84%
Other Expenses and Income								
Other Expenses	(50,810)	-1.92%	(40,308)	-1.53%	(35,308)	-1.16%	(25,308)	-0.72%
Other Income	77,319	2.93%	3,984	0.15%	3,984	0.13%	3,984	0.11%
Total Other Expenses and Income	26,509	1.00%	(36,325)	-1.37%	(31,325)	-1.03%	(21,325)	-0.61%
Profit Before Tax	58,716	2.22%	65,308	2.47%	100,940	3.32%	147,707	4.23%
Income Tax Expenses	(342)	-0.01%	-	0.00%	-	0.00%	-	0.00%
Net Profit	58,374	2.21%	65,308	2.47%	100,940	3.32%	147,707	4.23%

Cash expenditure consists of site management costs and indirect cost costs which are projected to increase by 15% each year, in line with the increase in income. While the salary and general administrative costs are projected to increase by 10% each year following the potential for regional minimum wage increases and rising inflation. For bank interest costs, the movement is assumed to decrease every year by Rp. 5,000 million due to the reduced projection of bank debt.

TABLE 13. Cash Budget Projection
CASH BUDGET PROJECTION
(in million Rupiah)

	2018	2019	2020
CASH IN			
Cash Received from Customers	1,836,054	2,352,212	2,705,044
Cash Received from Advance Payment	798,348	865,108	934,748
Cash Received from Others	3,984	3,984	3,984
TOTAL CASH IN	2,638,385	3,221,303	3,643,775
CASH OUT			
Site Management Cost	202,738	222,100	255,415
Indirect Cost	10,872	12,502	14,378
Cash Paid to Employees	115,316	126,848	139,533
Cash Paid for Other Operational Expenses	46,482	51,130	56,243
Interest Payment	40,308	35,308	25,308
Cash Paid to Suppliers	1,897,441	2,302,767	2,699,938
Repayment of Bank Loan	150,000	75,000	100,000
Payment of Financial Lease Liabilities	3,092	3,092	3,092
Cash Paid for Taxes	93,175	91,181	104,858
TOTAL CASH OUT	2,559,423	2,919,929	3,398,765
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,962	301,375	245,010
CASH AND CASH EQUIVALENTSAT THE BEGINNING OF THE YEAR	316,157	395,119	696,494
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	395,119	696,494	941,504

TABLE 13. Statement of Financial Position Projection

STATEMENTS OF FINANCIAL POSITION PROJECTION
(in million Rupiah)

	2017	2018	2019	2020
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	316,157	395,119	696,494	941,504
Trade Receivables	277,711	528,587	607,875	699,056
Others Receivable	6,083	6,913	6,913	6,913
Prepayments	81,546	76,558	76,558	76,558
Prepaid Taxes	-	23,015	23,015	23,015
Projects Under Construction	891,729	916,674	797,273	741,212
Total Current Assets	1,573,226	1,946,867	2,208,128	2,488,260
NON CURRENT ASSETS				
Restrictive Deposit	34,448	50,418	50,418	50,418
Investment	206,826	206,827	206,827	206,827
Fixed Assets (nett)	327,176	290,519	253,306	216,093
Non-trade Receivables	5,376	4,376	4,376	4,376
Other Assets	110	110	110	110
Total Non Current Assets	573,937	552,250	515,037	477,824
TOTAL ASSETS	2,147,163	2,499,117	2,723,165	2,966,084
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade Payables	267,113	418,085	332,591	263,039
Tax Payables	12,914	-	-	-
Unearned Revenue - current portion	528,587	767,324	1,004,529	1,219,328

Finance Lease Liabilities	3,533	3,092	3,092	3,092
Bank Loan	504,562	346,056	279,562	179,562
Other Payables	4,959	10,425	10,425	10,425
Total Current Liabilities	1,321,668	1,544,983	1,630,199	1,675,446
Non Current Liabilities				
Unearned Revenue - long term	159,177	156,311	156,311	156,311
Finance Lease Liabilities	214,284	239,504	259,532	280,424
Bank Loan	10,930	8,317	5,225	2,133
Post-Employment Benefit	-	8,506	-	-
Total Non Current Liabilities	384,391	412,639	421,068	438,868
TOTAL LIABILITIES	1,706,059	1,957,622	2,051,268	2,114,315
EQUITY				
Capital Stocks	200,000	200,000	200,000	200,000
Additional Paid in Capital	26,775	26,775	26,775	26,775
Retained Earnings	178,814	272,326	367,095	500,200
Current Profit	58,374	65,308	100,940	147,707
Other Comprehensive Income	(22,859)	(22,913)	(22,913)	(22,913)
TOTAL EQUITY	441,104	541,495	671,897	851,769
TOTAL LIABILITIES AND EQUITY	2,147,163	2,499,117	2,723,165	2,966,084

CONCLUSION

Regarding the effectiveness of working capital management can be seen from the results of the analysis of financial performance at PT X for the period 2015-2017, namely the policy taken by PT X in the management of net working capital to finance its operational activities.

Based on the financial statement projection report above we can conclude that good working capital management affects the running of the company's operational activities and supports the occurrence of financial independence of the company. This can be achieved by means of working capital that can support company performance.

Company performance in accordance with planning results in the profitability of the projects handled and the accumulated profitability increases the accumulation of assets, then the accumulation of these assets as a whole makes the company more independent in financing working capital to support the performance of its projects and the company's operational activities (self financing). The effect of self financing is the level of profitability in the following years can be entirely enjoyed by the company because the part that must be shared with other parties (eg the Bank) is reduced.

And in this case it shows that the company is good enough in preparing the financial statement projections for 2018-2020, but the company must further improve its operational performance, by increasing the operational efficiency of the company with indicators that decrease the percentage of inventory growth to total assets.

SUGGESTIONS

Based on the results of this research, it is advised that entrepreneurship develops a good model performance strategy. Net working capital which tends to decline must get attention from management, because it has a considerable risk. This is the ideal thing to do by analyzing the financial statements comprehensively every month so that management can find out the latest financial conditions or if there is an error in the financial statements the management will immediately get an early warning. In the case of the income statement, the company must increase profits every year, therefore the Company can focus on controlling project finances better so that the profitability per project will increase, among others by accelerating progress billing for all projects running in accordance with the percentage of completion of the work so that every project cost that has been issued by the company can be immediately billed to the employer to be recognized as revenue for the company.

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