



## ANALYSIS OF FINANCIAL STATEMENTS TO ASSESS THE LEVEL OF FINANCIAL HEALTH AT PT. MEDCOMM SOLUTION MEDAN

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### ABSTRACT

The purpose of this study was to determine the level of financial health of PT Medcomm Solution Medan based on liquidity ratios, solvency ratios, activity ratios, and profitability ratios. This research uses a qualitative approach. The results showed that PT Medcomm Solution Medan the company's liquidity ability to meet short-term obligations and, in this study, has an inadequate Current Ratio and Quick Ratio, this indicates that the company is in an unhealthy liquid condition. Solvency reflects the company's ability to meet long-term obligations. PT Medcomm Solution's DER and Debt to Asset Ratio are high, this indicates an unhealthy level of solvency. The activity ratio measures how efficiently the company manages its assets. PT Medcomm Solution has a high turnover, efficient and healthy asset management. Profitability shows how well the company generates profits from its sales or assets, PT Medcomm Solution's financial statements show high ROA and ROE, the company is in a strong and healthy financial condition. The research has shown that there is a positive and significant influence between liquidity ratios, solvency ratios, activity ratios, and profitability ratios can assess the level of financial health.

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## 1. INTRODUCTION

Business development in this era of globalization has increased competition between companies. The rapid economic development makes people more critical in thinking to keep up with the development of economic information. Economic information is one of the parties used by the company concerned to report the state and condition of the financial statements to interested parties. The underlying financial statements are the result of an accounting process that can be used as a tool to communicate between financial data or activities of a company and interested parties. Where the

financial statements as a recording tool for finances that occur in a company. In general, the financial statements of the company include the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Notes to Financial Statements.

Ratio analysis of financial statements which is a method of analysis that is often used because it is the fastest method to determine the level of financial health, and companies will be able to make decisions to become goals. Ratio analysis is an analysis method to determine the relationship of items contained in the balance sheet or profit and loss individually or a combination of the two financial statements. In calculating the ratio will get a comparison that might be useful, rather than the various raw numbers themselves. The company's financial health will affect the overall survival of the company. The author will analyze the financial statements of PT Medcomm Solution Medan which is engaged in tower construction (contractor). The author will analyze finances for two years, because with financial statements for two years the author can compare the level of financial health from 2014-2017.

Table 1. Profit and Liability Data of PT Medcomm Solution Medan

Descriptions	Company Profit	Company Liability
2014	Rp.1.528.938.57	Rp.1.086.273.278
2015	Rp.4.486.304.497	Rp.2.320.604.200
2016	Rp.438.844.034	Rp.262.543.274
2017	Rp.2.250.898.567	Rp.2.077.018.000

Source: *Dokumen PT Medcomm Solution Medan*

From the table data above, it can be seen that from 2014-2015 the profit earned increased but not too high. However, when viewed from the profit earned by the company from 2015-2016, it experienced a very drastic decline, and in 2017 the profit earned by the company increased dramatically. Then seen from the company's liabilities in 2014-2015 it can be seen that the increase in liabilities was not too high. However, when viewed in 2015-2016 experienced a very drastic decrease in liabilities, and in 2017 the company's liabilities rose drastically as well. Because it cannot be ascertained that an increasing company profit, namely profit in 2016-2017, will be able to pay all company obligations.

Thus the authors are interested in measuring the level of financial health of PT Medcomm Solution by using the analysis of liquidity ratios, solvency ratios, activity ratios, and profitability ratios. So the purpose of this study was to determine the level of financial health of Pt. Medcomm Solution Medan based on liquidity ratios, solvency ratios, activity ratios, and profitability ratios.

According to Cashmere (2019) Financial statements are reports that show the financial position of an entity in that period or for a certain time. According to Raymond Budiman (2021) Financial statements are documents that describe the financial position and performance of the company during a certain period of time. According to the Financial Accounting Standards Disclose: Qualitative characteristics are characteristics that make information in financial statements useful to users. There are four main qualitative characteristics, namely: Understandable, Relevant, Reliability and Comparability.

According to Subramanyam (2019) financial statement analysis is the application of tools and techniques to analyze financial statements with relevant data that has a general purpose that is

useful for producing estimates and conclusions that can be used in business analysis. According to Cashmere (2019) The purpose of doing this is for the following purposes, namely: To understand the condition of the entity's financial position over a certain period of time, including knowing the amount of assets, liabilities, capital, and the results of the entity's operations, To understand the strengths and weaknesses of the company; To determine the corrective actions the company needs to take in the future against the current financial position, to evaluate management performance.

Financial ratio analysis is an effort to find a picture of the relationship and compare the number of accounts when describing financial statements, namely by dividing one account by another in the financial statements on the balance sheet and income statement (Sujarweni, 2019). To measure the liquidity of a company, the following ratios can be used:

- a *Current ratio* is the ratio resulting from the comparison between current assets and current liabilities or short-term debt, and is usually the most commonly used measure to see the ability to meet short-term obligations. According to Cashmere, the current ratio with a standard of 200% is considered a fairly good or satisfactory measure for a company.

Current ratio is said to be healthy if the percentage is 2:1

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \times 100\%$$

Short-term liabilities

- b *Quick ratio* According to Cashmere argues: If the industry average for Quick ratio is 1.5 times, then the company's condition is better than other companies.

Quick ratio is said to be healthy if the percentage of 1: 1

$$\text{Quick ratio} = \frac{\text{Cash} + \text{Bank} + \text{Effect} + \text{Credit}}{\text{Current Liabilities}} \times 100\%$$

Current Liabilities

- c *Cash ratio* According to Cashmere argues: If the industry average for cash ratio is 50% then the company's condition is better than other companies.

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Bank}}{\text{Current Liabilities}} \times 100\%$$

Current Liabilities

- d *Cash turnover* According to Cashmere argues: If the industry average for cash turnover is 10%, the company is said to be in good condition.

$$\text{Cash turnover} = \frac{\text{Net sales}}{\text{Net working capital}} \times 100\%$$

Net working capital

Solvency ratio is the company's ability to meet all company obligations which include short-term debt and long-term debt, both companies that are still running and in a state of liquidity. According to Cashmere (2019, p. 158) debt ratio is a ratio used to measure the ratio of total liabilities to total assets. This means assessing how much of the company's assets are financed by debt. The formula is:

$$\text{Debt to Assets Ratio} = \frac{\text{Debt}}{\text{Assets}}$$

To measure the Profitability of a company, the following ratios can be used:

- a Debt Ratio, this ratio shows the company's ability to obtain new loans as an addition to the capital owned by the company. Debt to equity ratio
- b Long term debt to equity ratio (LTDtER)
- c Times interest earned ratio
- d Fixed charge Coverage/ FCC)

Activity ratios are ratios that measure how effective a company is in utilizing all the resources at its disposal. The activity ratio involves a comparison between the level of sales and investment in various assets.

- a To measure the profitability of a company, the following ratios can be used:
- b Receivable turn Over
- c Inventory turn Over
- d Working capital turn Over
- e Fixed asset turns Over
- f Total asset turns Over

Profitability ratio is the company's ability to make a profit from its business. This ratio also provides the level of management effectiveness of a company. This is indicated by the profit generated by sales and investment income. To measure the profitability of a company, the following ratios can be used:

- Profit margin on sales
- RIO/Return on Linvestment
- REO/Return on equity

Previous research that raised the title of financial statement analysis to assess the level of financial health, namely as follows:

- a According to research conducted by Litari Simamora (2014), entitled Analysis of Financial Statements for the 2014-2015 period at PT Bank Sumut Medan, the results show that overall based on several ratios, the current ratio in 2014 amounted to 107.4% and in 2015 amounted to 107% based on the calculation of the liquidity ratio it can be evaluated that the current ratio in 2014 is better than in 2015.
- b According to Helvy Aida Sinaga's research (2018) entitled Analysis of financial performance assessment in terms of liquidity and solvency at PTPN III (Persero) Medan for the period 2014-2015, the results show that overall based on several ratio analyses, the cash ratio in 2014 amounted to 25.86% and in 2015 amounted to 36.43% from the results of the cash ratio study it can be evaluated that financial performance has improved in 2015 compared to 2014.

## 2. RESEARCH METHOD

This research uses a type of qualitative research. According to Sugiono (2017) Qualitative research methods are research methods used to research on natural object conditions (as opposed to experiments), where researchers are key instruments, sampling of data sources is done purposively and snowball, data collection techniques are done by triangulation, data analysis is inductive, and research results emphasize meaning. By using primary and secondary data sources. According to Husein Umar (2008), secondary data is data that is not directly collected by researchers for specific research, but is available in the form of publications, government reports, and other relevant documents. The data required in this study are a brief history of the company, the company's Organizational Structure, Balance Sheet, Income Statement, and changes in Capital at PT Medcomm Solutin Medan 2015-2017.

The data collection technique in this research is observation. Observation is the basis of all science because through observation, researchers can see and observe reality directly (Nasution, 2003). Furthermore, this study uses interview techniques in data collection by conducting communication or direct question and answer between the interviewer and the respondent (Sugyono, 2005). Library study or literature is also a series of activities related to library data collection methods, reading and recording and processing research materials (Mestika zed, 2003).

The stages of data analysis in this study with data codification as a stage where researchers name the results of the research, so that the classification of themes from the research results is obtained. Second, data presentation is a stage where researchers use matrices and diagrams to present research findings, so that categories or groupings can be made. Third, conclusion drawing or verification is the stage where researchers interpret the findings in the research process, so that a conclusion can be determined from the data findings. (Afrizal, 2016).

### 3. RESULTS AND DISCUSSIONS

PT. Medcomm Solution is a construction company based in Medan City, Indonesia. Established a long time ago, PT. Medcomm Solution has become one of the leaders in the construction industry with main specialization in infrastructure development and large-scale commercial projects. PT. Medcomm Solution provides construction services. This private company is engaged in telecommunications. Which offers cooperation to support the needs of the main contractor in carrying out the project. The balance sheet and income statement or other information on PT. Medcomm Solution Medan can be seen in the following table.

**Table 2.** Balance sheet report 2014

<b>Account</b>	<b>Value</b>
<b>Assets</b>	
Cash	1.528.938.570
Assets Total	1.528.938.570
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
Obligation	1.086.273.278
Liabilities Total	1.086.273.278
<b>Equity</b>	
Funds	442.665.292
Equity Total	442.665.292
Liabilities and Equity Total	1.528.938.570

**Table 3.** Balance sheet report 2015

<b>Account</b>	<b>Value</b>
<b>Assets</b>	
Cash	4.486.304.497
Assets Total	4.486.304.497
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
Obligation	2.320.604.200
Liabilities Total	2.320.604.200
<b>Equity</b>	
Funds	2.165.700.297
Equity Total	2.165.700.297
Liabilities and Equity Total	4.486.304.497

**Table 4.** Balance sheet report 2016

Account	Value
<b>Assets</b>	
Cash	438.844.034
Assets Total	438.844.034
<b>Liabilities and Equity</b>	
Liabilities	
Obligation	262.543.274
Liabilities Total	262.543.274
Equity	
Funds	176.300.760
Equity Total	176.300.760
Liabilities and Equity Total	438.844.034

**Table 5.** Balance sheet report 2017

Account	Value
<b>Assets</b>	
Cash	2.250.898.567
Assets Total	2.250.898.567
<b>Liabilities and Equity</b>	
Liabilities	
Obligation	2.077.018.000
Liabilities Total	2.077.018.000
Equity	
Funds	173.880.567
Equity Total	173.880.567
Liabilities and Equity Total	2.250.898.567

**Table 6.** Profit and Loss Statement for 2014

Account	Value
Operating income	2.000.000.000
Operating expenses	471.061.430
Operating profit	1.528.938.570
Net profit	1.528.938.570

**Table 7.** Profit and Loss Statement for 2015

Account	Value
Operating income	5.50.000.000
Operating expenses	1.013.695.503
Operating profit	4.486.304.497
Net profit	4.486.304.497

**Table 8.** Profit and Loss Statement for 2016

Account	Value
Operating income	1.000.000.000
Operating expenses	561.155.966
Operating profit	438.844.034

Net profit	438.844.034
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**Table 9.** Profit and Loss Statement for 2017

Account	Value
Operating income	3.000.000.000
Operating expenses	749.101.433
Operating profit	2.250.898.567
Net profit	2.250.898.567

**Current Ratio**

Current ratio =  $\frac{\text{smooth asset}}{\text{Short-term liabilities}}$

Good Standards (Kasmir, Financial Report Analysis, 2016):

Good: Current ratio  $\geq$  200% (2,0)

Bad: Current ratio  $<$  200%

**Table.10** Liquidity Ratio Calculation Results

Year	Smooth Asset	Short-term liabilities	Current ratio (%)	Status
2014	1.528.938.570	1.086.273.278	140,7%	Out of sorts
2015	4.486.304.497	2.320.604.200	193,3%	Out of sorts
2016	438.844.034	262.543.274	167,2%	Out of sorts
2017	2.250.898.567	2.077.018.000	108,4%	Out of sorts

Out of sorts every year: current ratio  $<$  200%.

**Debt to Equity Ratio / DER**

DER =  $\frac{\text{Liabilities Total}}{\text{Equity}}$

Healthy Standards (source: Kasmir, Financial Report Analysis, 2016):

Good: DER  $\leq$  100% (1,0)

Out of sorts: DER  $>$  100%

**Table 11.** Solvency Ratio Calculation Results

Year	Liabilities Total	Equity (Rp)	DER (%)	Status
2014	1.528.938.570	442.665.292	245,4%	Out of sorts
2015	4.486.304.497	2.165.700.297	107,2%	Out of sorts
2016	438.844.034	176.300.760	148,9%	Out of sorts
2017	2.250.898.567	173.880.567	1,194%	Out of sorts

Out of sorts every year DER  $>$  100%.

**Total Asset Turnover**

Asset turnover =  $\frac{\text{Profit}}{\text{Assets Total}}$

Healthy Standards (Van Horne, Financial Management, 2005):

Good: Asset Turnover  $\geq$  1 (100%)

Out of sorts: Asset Turnover  $<$  1

**Table 12.** Activity Ratio Calculation Results

Year	Profit (Rp)	Assets Total (Rp)	Asset Turnover (%)	Status
2014	2.000.000.000	1.528.938.570	130,8%	Good
2015	5.500.000.000	4.486.304.497	122,6%	Good
2016	1.000.000.000	438.844.034	227,9%	Good
2017	3.000.000.000	2.250.898.567	133,3%	Good

Good Asset Turnover  $\geq$  1 every year

**Net Profit Margin**

$$\text{Net Profit Margin} = \frac{\text{Net profit}}{\text{Profit}} \times 100\%$$

Healthy Standard (Kasmir, Financial Report Analysis, 2016):

Good: Net Profit Margin  $\geq$  20%

Out of sorts: Net Profit Margin  $<$  20%

**Table.13** Profitability Ratio Calculation Results

Year	Net Profit (Rp)	Profit (Rp)	Net Profit Margin (%)	Status
2014	1.528.938.570	2.000.000.000	76,4%	Good
2015	4.486.304.497	5.500.000.000	81,6%	Good
2016	438.844.034	1.000.000.000	43,9%	Good
2017	2.250.898.567	3.000.000.000	75,0%	Good

Good: Net Profit Margin  $\geq$  20% every year

Financial Health Level at PT. Medcomm Solution Medan with financial report analysis to assess the Health Level through: First, Liquidity reflects the company's ability to meet short-term obligations. PT. Medcomm Solution in this study has inadequate Current Ratio and Quick Ratio, this indicates the company is in an unhealthy liquid condition. Second, Solvency reflects the company's ability to meet long-term obligations. DER and Debt to Asset Ratio of PT. Medcomm Solution are High, this indicates an unhealthy level of solvency. Third, the activity ratio measures how efficiently the company manages its assets. PT. Medcomm Solution has a high turnover, this indicates efficient and healthy asset management. Fourth, Profitability shows how well the company generates profits from its sales or assets, PT. Medcomm Solution's financial report shows high ROA and ROE, the company is in a strong and healthy financial condition.

#### 4. CONCLUSION

Based on the results of the discussion above, it can be concluded that there is a positive and significant influence between the liquidity ratio, solvency ratio, activity ratio, and profitability ratio can assess the level of financial health at PT. MEDCOMM SOLUTION MEDAN. For the company, the company's management must be able to direct greater efforts to improve the level of financial health and increase the company's profit margin. For further research, it is expected to be able to examine the next object using different variables.

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