INTERNATIONAL PROCEEDING OF
LAW & ECONOMICS
IPLE 2020
ISBN: 978-623-6763-07-0

ASSETS STRUCTURE ANALYSIS TO INCREASE COST OF CAPITAL

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Abstract

The objectives of this research are as follows: To find out and analyze the cost of capital (DER) at PT. Kedaung Indah Can Tbk. To find out and analyze the structure of assets (total assets) at PT. Kedaung Indah Can Tbk. To find out and analyze the structure of assets (total assets) in increasing the cost of capital (DER) at PT. Kedaung Indah Can Tbk The data analysis technique used is descriptive analysis, namely by analyzing the data on the cost of capital and then drawing conclusions from the financial statement data.In the value of the structure of assets or total assets, it can be seen that in several years there has been a decline in the value of total assets. From the results of the discussion that in several years the asset structure can increase the cost of capital (DER).

Keywords: Asset Structure, DER

1. INTRODUCTION

In the company the cost of capital indicates how the company finances its operations or how the company finances its assets. Companies need funds that come from own capital and foreign capital. Riyanto (2001:15) said that "The cost of capital reflects the way in which the company's assets are spent, thus the financial structure is reflected in the overall liabilities in the balance sheet. The financial structure also reflects the balance between the total foreign capital (both short term and long term) with the amount of own capital. This cost of capital is a comparison between debt (foreign capital) and equity (own capital).

The cost of capital is a combination of debt (foreign capital) and equity (own capital) as measured by the Debt to equity Ratio (DER). The main objective of financial managers is to form a combination of the cost of capital that can reduce costs as low as possible, keep costs as low as possible, dividend and income policies, and maximize shareholder wealth (Brigham and Houston, 2001: 38).

If the company's debt is higher than its own capital, it means that the DER ratio is above 1, so that the use of funds used for the company's operational activities uses more of the debt element. In conditions of DER above 1 the company must bear thethe cost of capital is large, the risk borne by the company also increases if the investment carried out by the company does not produce an optimal rate of return (Martono and Agus, 2001:239).

The greater it is *Debt To Equity Ratio* (DER) indicates that the cost of venture capital is more utilizing debts relative to equity. The greater it is*Debt To Equity Ratio* (DER) reflects the company's relatively high risk as a result, increasing the amount of debt also makes equity riskier and consequently will reduce the rate of return on investment (Cashmir 2008).

Sawir (2003:13) that debt has a bad impact on company performance, because the higher the level of debt means it will reduce profits. This means that because the higher the value of DER or debt owned by the company, the level of profit will be lower.

According to Brealey, et.all (2008:75) the higher the DER, the greater the risk faced and investors will demand a higher level of profit. A high ratio also indicates a low proportion of own capital to finance the company's investment.

According to Halim (2015: 93) the determination of the amount of allocation for each component of assets, both current assets and fixed assets, then to measure the structure of a company's assets can be seen from the total value of the company's assets.

Assets owned by a company are economic resources, which from these sources are expected to be able to contribute, either directly or indirectly, to the company's cash flows in the future.

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In the use of these assets required a control, namely in the form of asset structure. This asset structure is the determination of how much the allocation for each component of assets, both in current assets and fixed assets (Syamsudin, 2003:81).

This research was conducted at PT. Kedaung Indah Can Tbk, because seeing the prospects for exporting goods such as glasses, plates, bowls and other types of glassware is very bright. This is because the need for glassware continues to increase from year to year, both for domestic and foreign. Initially, the marketing objectives of the glassware were only to meet domestic needs as well as neighboring ASEAN countries and Australia. But now the company's marketing area has grown rapidly and its export destinations have reached an international level. In fact, the marketing ratio is around 20% for domestic and 80% for exports abroad.

2. RESEARCH METHODS

The research approach in this research is descriptive research. According to Sugiyono (2013:41) descriptive research is collecting, classifying, analyzing and interpreting data related to the problems encountered and comparing technical knowledge (primary data) with the actual situation in the company to then draw conclusions.

The type of data used in this study is quantitative data, in the form of financial statements (Balance sheet and net income from 2011 to 2017). The source of data in this study is secondary data, namely research data obtained directly from the object of research in the form of financial statements. company (Balance sheet and net income from 2011 to 2017).

Data collection is done by taking any information that is started in the research that comes directly from the object of research, namely PT. Kedaung Indah Can Tbk.

In this study, the data analysis technique used is descriptive analysis, namely by analyzing the data on the cost of capital and then drawing conclusions from the financial statement data. The research data were analyzed with an approach to analyzing the cost of capital in improving the asset structure. The stages in analyzing the research data are as follows:

1. Collect financial report data
2. Calculating the value of the cost of capital (DER) from 2012-2017
3. Analyzing the cost of capital (DER)
4. Analyze asset structure (total assets)
5. Analyzing the structure of assets (total assets) in increasing the value of the cost of capital (DER)
6. Draw a conclusion

3. RESULTS AND DISCUSSION

1. Cost of Capital Analysis (DER) At PT. Kedaung Indah Can Tbk

In several years, the DER value has increased and there is still a DER value that is above the value of one, this shows that the company uses more debt to meet its capital in carrying out its activities.

The cost of capital is a balance between the use of own capital and the use of long-term loans, which means how much own capital and how much debt will be used so that it can be optimal. Companies that have optimal capital will produce an optimal rate of return, so that it is not only companies that make profits. Therefore, investors tend to be more interested in the DER level of less than one, because if the DER is more than one, it indicates a larger amount of debt and the company's risk is increasing. An increase in DER at a certain level will minimize the cost of capital, but if the addition is too excessive it will result in an increase in the cost of capital.

The cost of capital is a combination of debt (foreign capital) and equity (own capital) as measured by the Debt to equity Ratio (DER). The main objective of financial managers is to form a combination of the cost of capital that can reduce costs as low as possible, keep costs as low as possible, dividend and income policies, and maximize shareholder wealth (Brigham and Houston, 2001: 38).

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If the company's debt is higher than its own capital, it means that the DER ratio is above 1, so that the use of funds used for the company's operational activities uses more of the debt element. In conditions of DER above 1 the company must bear a large capital cost, the risk borne by the company also increases if the investment carried out by the company does not produce an optimal rate of return (Martono and Agus, 2001:239).

2. Analysis of Asset Structure (Total Assets) At PT. Kedaung Indah Can Tbk

In the value of the structure of assets or total assets, it can be seen that in some companies there is a decrease in the value of total assets while the theory states that assets owned by a company are economic resources, which from these sources are expected to be able to contribute, either directly or indirectly to the flow of assets. company cash in the future (S. Munawir, 2004:89).

The impact on the company's lower asset structure indicates the worse the company's performance. This is due to a decrease in the ability to generate profits used to cover investments that have been issued while this ratio relates the profits obtained from the company's operations with the amount of investment or assets used to generate operating profits. (S. Munawir. 2004:89).

Asset structureor often called Return on total assets is one of the profitability ratios. The asset structure itself is a form of profitability ratio which is intended to be able to measure the company's ability with the overall funds invested in the assets used for the company's operations to generate profits.

3. Analysis of Asset Structure (Total Assets) in Increasing Cost of Capital (DER) At PT. Kedaung Indah Can Medan

From the data above, it can be seen that the total asset value decreased while the DER value experienced a temporary increase according to Yulianto (2011: 88) "Companies with larger asset structures will use more long-term debt because existing assets can be used as debt guarantees and so on. On the other hand, if a company has a slightly smaller asset structure, the company tends not to borrow debt from external parties.

From the results of data analysis, it can be seen that the asset structure can increase the cost of capital where companies with larger asset structures will use more long-term debt because existing assets can be used as debt guarantees and vice versa if a company has a little asset structure. the company tends not to borrow debt from external parties

The problem of the cost of capital is an important problem for every company, because the good or bad of the company's cost of capital will have a direct effect on its financial position. This greatly affects where capital is needed in building and ensuring the continuity of the company, in addition to resources, machines and materials as supporting factors. A company definitely needs capital to expand.

With the optimal cost of capital, the company that has the optimal cost of capital will produce an optimal rate of return so that not only the company benefits, but the shareholders also benefit.

Research conducted by Suprihatmi and Wahyuddin (2008) in examining the effect of debt ratios, activity ratios in influencing profitability in manufacturing companies listed on the Jakarta Stock Exchange, has proven that financial ratios are debt to equity, inventory turnover, total assets turnover, return on investment, can simultaneously affectAsset structure. However, only partially inventory turnover, which has a significant effect onAsset structure. In contrast to the results of research conducted by Hapsari (2007) in testing the debt ratio, namely debt to equity to influenceAsset structure prove that debt to equity has an influence on Asset structure.

The cost of capital is a balance between the use of own capital and the use of long-term loans, which means how much own capital and how much debt will be used so that it can be optimal. Companies that have optimal capital will produce an optimal rate of return, so that it is not only companies that make profits. Therefore, investors tend to be more interested in the DER level of less than one, because if the DER is more than one, it indicates a larger amount of debt and the company's risk is increasing. An increase in DER at a certain level will minimize the cost of capital, but if the addition is too excessive it will result in an increase in the cost of capital.

The ratio of the ratio of total debt to equity which is usually measured by the debt to equity ratio (DER). In the calculation, DER is calculated by dividing debt by own capital, meaning that if the company's debt is higher than its own capital, the DER ratio is above one, so that the funds used for the company's operational activities are more from debt than equity.

ISBN: 978-623-6763-07-0

Therefore, researchers are interested in using DER because the DER level is less than one, because if the DER is more than one, it indicates a greater amount of debt and the company's risk is increasing. An increase in DER at a certain level will minimize the cost of capital, but if the addition is too excessive it will result in an increase in the cost of capital.

The higher the DER, the lower the level of funding provided by the owner so that it will be difficult to obtain funding from creditors to support its operational activities which can result in a decrease in company profits (Santoso, 2008).

There are several factors that influence the company's ROI level, including: sales stability, asset structure, funding structure, profitability, taxes, control, management attitude, attitude of lenders and rating agencies, market conditions, company internal conditions, financial flexibility.

Return On Equity(ROI) is influenced by many factors. According to Simorangkir (2007, p.78) aspects that need to be considered in order to maximize Return On Equitys (ROI) are balance sheet management, operating management, and financial management. These three aspects lead to the efficient use of capital allocation in the form of assets and reduce cost money.

The Return On Equitys analysis or often translated in Indonesian as economic profitability measures the development of the company to produce profits in the past. This analysis is then projected into the future to see the company's ability to generate profits in the future.

According to Van Horne (2008:200) the tool used to assess the financial condition and performance of the company is financial ratios. Taken together, and over time, this data offers invaluable insights into a company's health, financial condition and profitability.

Thus Return On Equitys is also influenced by factors of cash turn over and current ratio including liquidity ratio, asset management, debts ratio including debt management. Likewise Return On Equitys including profitability ratios that are useful for measuring the level of company profits.

To obtain a profit in return on assets that exist in the company, the company must pay attention to the uses and weaknesses in Return On Equity so that the company can maximize the profits earned during the period.

The cost of capital relates to the source of funding used to fund investments made by the company. The funding can be obtained through internal sources or internal funding (internal financing) or from external sources (external financing). Internal funding sources are in the form of retained earnings and depreciation, while external funding sources are divided into two, namely debt financing obtained from loans and equity financing from issuance or issuance of new shares.

According to Rahayu (2007) stated that "the cost of capital is a balance or comparison between the amount of debt with its own capital", while according to Arianto (2008) "states that the cost of capital is the composition of debt (debt) and equity (equity) which is included in it. company assets. Both debt (debt) and equity (equity) are used in most companies.

In conducting funding from both internal and external sources, there must be an optimal balance between the two. The cost of capital is said to be optimal if the cost of capital is able to minimize the average cost of capital.

The theory of cost of capital explains the effect of changes in the cost of capital on firm value. Company value is the price that prospective buyers are willing to pay if the company is sold. For companies that issue shares in the capital market, the price of shares traded on the stock exchange is an indicator of company value.

The cost of capital is a permanent expenditure that reflects the balance between debt and equity. If the financial structure is reflected in all assets in the balance sheet, the cost of capital is only reflected in debt and elements of own capital, where both sources of funds are permanent funds or long-term funds.

The cost of capital can be seen from the solvency risk. Solvency is one of the financial ratios that can be used as a consideration for investors in investing their shares in a company. Solvency can measure the amount of company assets financed by debt.

The solvency of a company shows the ability of a company to meet all its financial obligations, if the company is liquidated. The definition of solvency is intended as the company's ability to pay all its debts, both short-term and long-term.

Capital costis a balance between the use of own capital and the use of long-term loans, which means how much own capital and how much debt will be used so that it can be optimal. Companies that have optimal capital will produce an optimal rate of return, so that not only companies that benefit, but shareholders also benefit. The cost of capital that is not optimal will

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result in a cost of capital that is too large. If the debt used is too large, it will cause a large debt cost. On the other hand, if the company issues too many shares, the cost of capital borne is too large, because among other capital costs, the cost of shares is the largest. In determining the cost of capital

4. CONCLUSION

From the results of the discussion, it can be concluded that the results of the study are as follows:

1. In several years, the DER value has increased and there is still a DER value that is above the value of one, this shows that the company uses more debt to meet its capital in carrying out its activities.
2. In the value of the structure of assets or total assets, it can be seen that in some companies there is a decrease in the value of total assets
3. From the results of the discussion that in several years the asset structure can increase the cost of capital (DER).

Based on the conclusions above, the suggestions that can be given to further research include:

1. The company should further improve its business efficiency by earning profits by increasing the company's capital by reducing debts so that the profit generated from the return on capital is greater.
2. The company should pay attention to the uses and weaknesses in using the cost of capital so that the company can maximize the profits earned during the period.
3. Companies should repair facilities and facilities, or repair equipment that is already damaged, so that it can reduce costs without the need to buy new ones.

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