

# ANALYSIS OF RECEIVABLES MANAGEMENT EFFECTIVENESS AND THEIR EFFECT ON COMPANY LIQUIDITY AT PT JACO NUSANTARA MANDIRI MEDAN

Elwardi Hasibuan

Universitas Alwashliyah Medan

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### E-mail:

[elwardihasibuan17@gmail.com](mailto:elwardihasibuan17@gmail.com)

## ABSTRACT

This study aims to determine the practice of receivable management and its effect on the level of liquidity of the company PT Jaco Nusantara Mandiri Medan. The sample in this study was taken from the financial statements of PT. Jaco Nusantara Mandiri Medan for three years, namely 2016, 2017 and 2018. The analytical method used is quantitative analysis using ratio analysis as a measuring tool. The results of the analysis carried out show that the company's receivables management has established a loose credit policy and a passive collection policy, as well as. Receivable Turn Over (RTO), ACP, and AIOR performance continues to decline every year. This decrease shows that the ineffective management of the company's receivables management will affect the decrease in the company's liquidity.

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## 1. INTRODUCTION

In general, the success of a company in carrying out its activities is often based on the level of profit earned. However, large profits are not necessarily a measure that the company has worked efficiently. The new level of efficiency is known by comparing the profit earned with wealth or capital in order to generate the profit or profit.

The problems faced by companies in the current era of globalization, namely competition in marketing their business products, therefore companies are required to make various efforts to seize the market through various policies to increase sales, among these efforts is the application of a credit sales system in order to increase sales volume.

The sales cycle begins with receiving customer orders and ends when cash is received from the collection of receivables. However, the greater the receivables from credit sales, the greater the need for funds invested in receivables. Therefore, the management of receivables is very important for the survival of a company, so it is necessary to consider the risks that may occur, in the form of uncollectible receivables. The bigger the receivables, the more likely the company is to experience problems in its financial liquidity. Therefore, receivables are an element of working capital that always rotates continuously in working capital turnover .

PT . Jaco Nusantara is a distributor company of innovative products with a telemarketing sales system known as Jaco TV Shopping which is a TV Home Shopping in the online trading sector and implements a direct response advertising system in its sales in the form of health, beauty, household appliances and sports equipment, where customers often do not make payments on time, but the company continues to tolerate customers and extends the payment due date, resulting in an increase in bad debts every year. For this reason, PT Jaco Nusantara needs effective and professional handling to determine receivables management policies in an effort to maintain the quantity of profit earned while maintaining the Company's financial liquidity .

## 2. METHOD Effectiveness

*Analysis Of Receivables Management Effectiveness And Their Effect On COMPANY LIQUIDITY AT PT Jaco Nusantara Mandiri Medan- Elwardi Hasibuan*

The word effective comes from English, namely *effective* which means successful. Effectiveness means successful or appropriate. Effective is a basic word, while the adjective of effective is effectiveness. Effectiveness is information must be in accordance with user needs in supporting a business process, including that information must be presented in the right time, in the right format so that it can be understood, consistent with the previous format, the content is in accordance with current needs and complete or in accordance with the needs. and provisions (Azhar Susanto, 2004:47)

### Understanding Accounts Receivable

Receivables are part of current assets which are usually termed *accounting receivables*. In this normal company activity, trade receivables will usually be repaid in less than one year, as stated by Kieso, receivables are amounts owed by customers for goods and services provided as part of normal business operations (2007: 415) or It can also be said that receivables are all money claimed against other entities, including individuals, companies, and other organizations. Receivables include all claims in the form of money against other parties, including individuals, companies or other organizations

### Receivables Function and Purpose

The function of receivables for the community is to become a motivator and dynamist for improvement for the community, expand employment opportunities for the community, facilitate the flow of goods and the flow of money, increase existing productivity, increase the *utility* of goods, increase public enthusiasm, increase company's working capital, and increase productivity. *income per capita* (IPC) of society (Hasibuan, 2009:88) The purposes of receivables are: obtaining income from credit interest, utilizing and productive existing funds, meeting credit requests from the public, facilitating payment traffic, increasing company working capital, and increasing community income and welfare.

### Classification of Receivables

According to Marlin, et all (2012: 194), basically receivables are grouped into 3 types, namely:

1. Accounts Receivable ( *Trade/ Account Receivable* )  
Represents all bills from the sale of goods or services made on a receivable basis by the company.
2. Notes Receivable / *Notes Receivable*  
If the claim is supported by a written bill by the debtor to the company to pay on a certain date, the receivable is a note receivable. If a note is expected to be collected within one year, it is classified as a current asset in the balance sheet.
3. Other Receivables ( *Non Trade Receivable* )  
Represents receivables that do not originate from the sale of goods or services in the normal activities of the company, such as receivables from employees, sales of shares receivables, insurance claims receivables, tax refund receivables, dividends and interest receivables, as well as advances for purchases. For example: an advance payment for the purchase of an item that was previously ordered in advance

classifications of receivables according to Martani et al (2014: 196-197), namely:

1. Account receivable  
Trade receivables are claims of a company to other parties, both related to sales/revenue transactions.
2. Notes Receivable  
Notes receivable are company claims to third parties that are supported by a written promise to pay within a certain period of time.
3. Income Receivable  
The use of the time basis in accounting results in the recognition of income that will still be received. Such incomes are on a time basis so that at the end of the period the amount that has become income is calculated and the amount is recorded as income receivable.

For accounting purposes, these claims or receivables can be grouped into two groups according to the time period required to convert them into cash (maturity), namely:

1. Current Accounts  
Covers receivables that are expected to be paid in full within one year or within the normal activity cycle of the company.
2. Long-Term Receivable

Includes bills with a repayment period of more than one year. In the balance sheet, it must be presented in the category of non-current assets and is usually included as other assets

### Receivable Investment Turnover

The faster the receivables turnover, the better the company's financial condition. The smoothness of receipt of receivables and the measurement of whether or not the investment in receivables is good can be seen from the turnover rate. Accounts receivable turnover will show how many times the receivables are incurred until the receivables can be collected back into the company's cash. Receivable *turnover* is a measure of the effectiveness of receivable management. The faster the receivables turnover, the more effective the company in managing its receivables (Sutrisno, 2009:220). This research will be conducted at PT. JACO Nusantara Mandiri on Jalan Asia Raya, Sei Rengas II, Kec. Medan Area, Medan City at JACO Building No. 264 M. Descriptive quantitative research method, namely data management analysis techniques in the form of numbers (*numeric*), the object of this research is the company's financial statements for the period 2018, 2019 and 2020.

analysis technique used to measure the effectiveness of the company's accounts receivable is Financial Ratio Analysis, which includes:

1. *Receivable Turn over (RTO)*

$$\text{Perputaran Piutang} = \frac{\text{Penjualan Kredit Bersih}}{\text{Piutang rata - rata}}$$

$$\text{Piutang Rata - rata} = \frac{\text{Saldo Awal} + \text{Saldo Akhir}}{2}$$

2. *Average Collection Period (ACP)*

$$\text{Rata - rata Umur Piutang} = \frac{360}{\text{perputaran piutang}}$$

3. *Average Investment of Receivable*

This analysis was carried out by comparing the investment in designated receivables with the investment that occurs.

$$\text{Average Invesment of Receivable} = \frac{\text{Total cost of credit sale}}{\text{Receivable turnover}}$$

2. *Current Ratio (CR)*

Current assets include cash, receivables, marketable securities and inventories. Of these current assets, inventory is a current asset that is less liquid than the others.

$$\text{Current Rasio} = \frac{\text{Aktiva lancar}}{\text{Utang lancar}} \times 100\%$$

### 3. RESULT AND DISCUSSION

#### Analysis of the Effectiveness of Receivable Investment Policy

The measurement and analysis used to measure the effectiveness of the company's trade receivables used is the analysis of the receivables turnover ratio (Receivable Turn-Over Ratio), the average collection period (Average Collection Period) and investment in receivables (Average Investment of Receivable) and Liquidity.

1. **Receivable Turn Over (RTO)**

Table 1. Accounts receivable PT Jaco Nusantara Mandiri Medan

| Year | Beginning balance | Ending balance | Credit sales   |
|------|-------------------|----------------|----------------|
| 2018 | 1,100,456,000     | 1,203,905,000  | 21,055,076,000 |
| 2019 | 1,203,905,000     | 1,273,550,000  | 22,522,318,000 |
| 2020 | 1,273,550,000     | 1,277,983,000  | 20,055.875,000 |

Source: From the company's financial statements 2018-2020

From the table above, it is known that the company's sales increased in 2019 when compared to the base year 2018. by 7 percent and in 2020 it decreased by 11 percent from 2019. Meanwhile, the receivables turnover is as follows:

Table 2. RTO Calculation Results PT Jaco Nusantara Mandiri Medan

| Year | Credit sales   | Average Accounts Receivable | RTO    | Change RTO |
|------|----------------|-----------------------------|--------|------------|
| 2018 | 21,055,076,000 | 1,152,180,500               | 18,274 | -          |
| 2019 | 22,522,318,000 | 1,238,727,500               | 18,181 | (0.093)    |
| 2020 | 20,055.875,000 | 1,275,776,500               | 15,720 | (2,461)    |

Source: From the company's financial statements 2018-2020

Low average receivables indicate that credit sales are low which causes high receivables turnover, where we know that the higher the RTO the better because the working capital embedded in receivables is lower and the lowest average receivables based on research data are in 2018

### Average Collection Period (ACP)

Calculation Results of Average Collection Period (ACP) of PT Jaco Nusantara Mandiri Medan:

Table 3. **Average Collection Period (ACP)** Calculation Results  
PT Jaco Nusantara Mandiri Medan

| Year | RTO (times) | ACP (days) | Change ACP |
|------|-------------|------------|------------|
| 2018 | 18,274      | 19.7       | -          |
| 2019 | 18,181      | 19.8       | 0.1        |
| 2020 | 15,720      | 22.9       | 3.1        |

Source: From the company's financial statements 2018-2020

From the data above, it is known that the company PT Jaco Nusantara Mandiri Medan has not been effective in managing its receivables because it continues to experience an increase in ACP every year. In 2018 the company had the highest receivable collection effectiveness, which was 19.7 days and the change rate reached three (3) days in 2020 with an RTO value of 15.720 and an ACP value of 22.9 days.

From the results of the analysis of the average collection period, it shows that in general the company is still in an ACP that is not too good, because the company's customers still have a tendency to be in arrears in their credit payments.

### Average Investment of Receivable

The results of the calculation of the Average Investment of Receivable are as follows:

Table 4. AIOR Calculation Results PT Jaco Nusantara Mandiri Medan

| Year | Credit sales   | RTO    | AIOR          | Change AIOR |
|------|----------------|--------|---------------|-------------|
| 2018 | 21,055,076,000 | 18,274 | 1,152,187,600 | -           |
| 2019 | 22,522,318,000 | 18,181 | 1,238,783,200 | 86,595,600  |
| 2020 | 20,055.875,000 | 15,720 | 1,275,819,000 | 37,035,800  |

Source: From the company's financial statements 2018-2020

The table above shows that the company's Average Investment of Receivable has changed and increased from year to year. In 2018 the company's performance was better when compared to 2019 and 2020, where AIOR reached its lowest point, namely 1,152,187.6 (billion). and the highest receivables turnover during the research year amounted to 18,274 (billion). However, in 2019 there was an increase in credit sales of 1,467,242 (billion) from the previous year. In 2020, there was another decline in receivables to 20,055,875. and a decrease in RTO to 15,720 which caused an increase in the value of AIOR from 1,152,187.6 to 1,238,783.2 (billion).

### Liquidity

For this liquidity ratio, there are three ratios used, namely, the current ratio, the quick ratio and the cash ratio. Of the three liquidity ratios, in this study the current ratio is used.

Table 5. Current Assets and Current Debt PT Jaco Nusantara Mandiri Medan

| Year | Amount Current asset | Amount Current Debt |
|------|----------------------|---------------------|
| 2018 | 14,622,000,000       | 27,218,000,000      |
| 2019 | 16,095,000,000       | 26,892,000,000      |
| 2020 | 18,729,000,000       | 20,473,000,000      |

Source: From the company's financial statements

Table 6. Current Ratio PT Jaco Nusantara Mandiri Medan

| Year | Amount Current asset | Amount Current Debt | CR     | Change CR |
|------|----------------------|---------------------|--------|-----------|
| 2018 | 14,622,000,000       | 27,218,000,000      | 53.57% | -         |
| 2019 | 16,095,000,000       | 26,892,000,000      | 59.9%  | 6.33%     |
| 2020 | 18,729,000,000       | 20,473,000,000      | 91.5%  | 31.6%     |

From the table above, it can be seen that the company's current ratio has decreased. This can be seen where in 2019, there was an increase in current assets and a decrease in current debt of 16,095 billion rupiah and 26,892 billion rupiah, respectively, which led to an increase in the value of the current ratio from 53.57% to 59.9%. In 2020, the current ratio increased by 2,634 billion rupiah from 2019 from 16,095 to 18,729 billion rupiah, where the number of current assets and current liabilities caused a change in the current ratio of 31.6% which was also the largest percentage change in the current ratio during the period. three years of research

#### Analysis of Relationships Between Elements

Table 7. Relationship Between Elements PT Jaco Nusantara Mandiri Medan

| Year | Change RTO | Change AIOR | ACP | CR    |
|------|------------|-------------|-----|-------|
| 2018 | -          | -           | -   | -     |
| 2019 | (0.093)    | 86,595,600  | 0.1 | 6.33% |
| 2020 | (2,461)    | 37,035,800  | 3.1 | 31.6% |

Based on the data above, it is known that the performance achieved by the company in controlling the company's receivables is decreasing every year which causes a decrease in company liquidity, as seen from the RTO, AIOR, and ACP whose performance continues to decline every year. This decrease also affects the company's current ratio. Where the ineffective management of receivables will affect the company's liquidity level because receivables are assets that are easily converted into cash. The company has not been efficient in managing its receivables due to various factors, one of which is the consideration that if credit standards are tightened, it is likely that there will be a decrease in the number of customers, in addition to quite a lot of competitors among similar companies.

#### 4. CONCLUSIONS

PT. Jaco Nusantara Mandiri Medan has a loose credit policy and a passive collection policy, Receivables management procedures and control systems have not been efficient to increase the company's liquidity, this can be seen from the continued decline in AIOR and ACP every year.

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