

Analysis of the Impact of Cash Budget on Operating Profit at PT. ACE Hardware Indonesia Tbk for the Years 2021-2023

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ABSTRACT

This study aims to analyze the operating profit, cash budget, and financial ratios of PT. ACE Hardware Indonesia Tbk from 2021 to 2023. This research adopts a descriptive approach with a qualitative method. The data used in this study is secondary data. The data collection techniques include documentation and literature review. The documents utilized are secondary data obtained from financial reports listed on the Indonesia Stock Exchange. The findings reveal that PT. ACE Hardware Indonesia Tbk's operating profit fluctuated between 2021 and 2023, indicating changes in the company's financial performance. This study highlights the significance of effective cash budget management in enhancing operating profit, controlling costs, and maintaining the company's liquidity.

Keywords: Cash Budget, Operating Profit, Financial Ratios, Analysis, Costs, Profitability, Liquidity, PT. ACE Hardware Indonesia Tbk.

INTRODUCTION

The increasingly competitive nature of the business world has made effective financial management one of the key factors for a company's success (1). One of the most crucial instruments in financial management is the cash budget, which serves as a tool for planning and controlling the company's cash flow (2). Through a cash budget, a company can anticipate its funding needs, plan the sources and uses of cash accurately, and reduce liquidity risks that could disrupt operational activities (3). In the context of a dynamic retail industry, such as PT. ACE Hardware Indonesia Tbk, the cash budget plays a central role in maintaining operational stability, particularly in managing inventory, settling short-term liabilities, and supporting other operational activities (4).

PT. ACE Hardware Indonesia Tbk, as one of the leading players in the household retail industry, faces various challenges in

managing its finances (5). Its dependence on consumer demand cycles and fierce competition forces the company to manage its cash flow with great care (6). The company's success in managing its cash budget efficiently directly impacts its ability to meet operational needs and generate profits from daily business activities (7).

Operating profit, which reflects the earnings from the company's core operational activities, is a critical performance indicator in assessing the effectiveness of financial management (8). The connection between the cash budget and operating profit is vital to understand, as effective cash management not only helps maintain operational continuity but also enhances profitability (9). With a well-planned cash budget, a company can reduce the risk of cash flow imbalances that could disrupt both financial and operational performance (10). The company's budgeting

process (planning and controlling profit) includes setting corporate objectives, preparing short-term profit plans, creating periodic performance reports, and implementing follow-up procedures (11). These aspects of corporate planning and operational development are documented within the budget (12).

Properly managing the cash budget enables the company to prioritize the most urgent uses of funds and allocate resources efficiently (13). For instance, effective cash control can ensure that the company has sufficient funds for inventory purchases, managing receivables, and covering other operational costs, without sacrificing liquidity or profit (14).

This research aims to explore the relationship between cash budgets and operating profits at PT. ACE Hardware Indonesia Tbk. By understanding this relationship, it is hoped that this study can provide valuable insights for the company’s management in making strategic decisions related to financial management.

METHODS

This research employs a descriptive qualitative approach to deeply investigate the impact of cash budgeting on operating profit at PT. ACE Hardware Indonesia Tbk during

the period of 2021-2023. This approach was chosen because it provides a deeper understanding of the company's cash management practices and their effects on operating performance (15). The study utilizes secondary data obtained from the company's annual financial reports, which are published on the official PT. ACE Hardware Indonesia Tbk website and the Indonesia Stock Exchange (IDX), as well as relevant academic journals related to cash budgeting, cash management, and the profitability of retail companies (16). The sample consists of the annual financial reports for the three-year period, specifically focusing on cash budgeting and operating profit (17). Data collection techniques involve documentation and literature review to obtain valid and reliable information (18). Data analysis is conducted by comparing cash management trends with changes in operating profit, identifying patterns and relationships between the two, and linking them to theories and findings from existing scientific literature (19).

RESULTS AND DISCUSSION

The sales budget target data for bottled drinking water brands (AMDK) reveals a notable discrepancy in the achievement levels between the Aqua and Le Mineral brands.

Table 1: Operating Profit of PT. ACE Hardware Indonesia Tbk for the Year 2021-2023

Year	2023	2022	2021
Revenue	Rp 7.611.866.067.268	Rp 6.762.803.342.146	Rp 6.543.362.698.900
Revenue Expenses	Rp 4.382.606.586.948	Rp 3.494.850.563.778	Rp 3.330.713.867.112
Gross Profit	Rp 3.229.259.480.320	Rp 3.267.952.778.368	Rp 3.212.648.831.788

Year		2023		2022		2021
Operating Expenses	Rp	2.342.732.280.518	Rp	2.521.883.550.958	Rp	2.425.186.494.321
Administrative Expenses	Rp	342.891.845.226	Rp	283.896.969.804	Rp	271.125.482.194
Interest Expenses	Rp	67.298.744.729	Rp	58.644.337.408	Rp	74.294.485.195
Operating Profit	Rp	886.527.199.800	Rp	876.090.843.159	Rp	925.489.728.649

Source: Processed data, 2024

During the period from 2021 to 2023, PT. ACE Hardware Indonesia Tbk's operating income fluctuated, reflecting the dynamics of the company's financial performance in the face of operational challenges. In 2021, the company's operating income was recorded at IDR 925,489,728,649.00, with revenue reaching IDR 6,543,362,698,900.00. Despite relatively high revenue and operating expenses, the company managed to maintain strong operating profit. Significant operating expenses included administrative costs amounting to IDR 271,125,482,194.00 and interest expenses of IDR 74,294,485,195.00, both impacting the company's profitability from its core activities (20).

In 2022, operating income declined to IDR 876,090,843,159.00. Although revenue increased to IDR 6,762,803,342,146.00, higher operational costs became the main factor contributing to the drop in profit. Operating expenses rose to IDR 2,521,883,550,958.00, largely driven by an increase in administrative costs to IDR 283,896,969,804.00. Additionally, while interest expenses decreased to IDR 58,644,337,408.00, the impact of higher

operational costs remained significant. The decline in operating income illustrates how rising operational costs can put pressure on a company's profitability, even when revenues tend to increase (21).

In 2023, operating income rebounded to IDR 886,527,199,800.00, although it did not fully reach the level achieved in 2021. PT. ACE Hardware Indonesia Tbk's revenue surged to IDR 7,611,866,067,268.00, marking the highest figure in this three-year period. A key factor contributing to the increase in operating income was the reduction in operating expenses to IDR 2,342,732,280,518.00. This decline highlights the company's efforts to improve efficiency in managing costs, especially administrative expenses, which remained relatively stable at IDR 342,891,845,226.00. Interest expenses were also kept under control at IDR 67,298,744,729.00.

Despite a decline in operating profit for PT. ACE Hardware Indonesia Tbk in 2022, the company successfully regained its profitability in 2023 by improving the management of operational expenses.

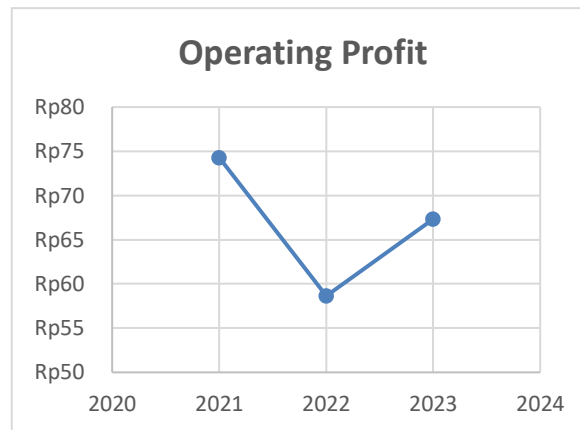


Figure 1: Operating Profit

The increase in operating profit in 2023 was driven by enhanced cost efficiency and the optimization of cash flow management from operational activities (22). This suggests that

the company has been able to adapt effectively to the operational challenges it faced, particularly in maintaining financial stability amidst growing revenues

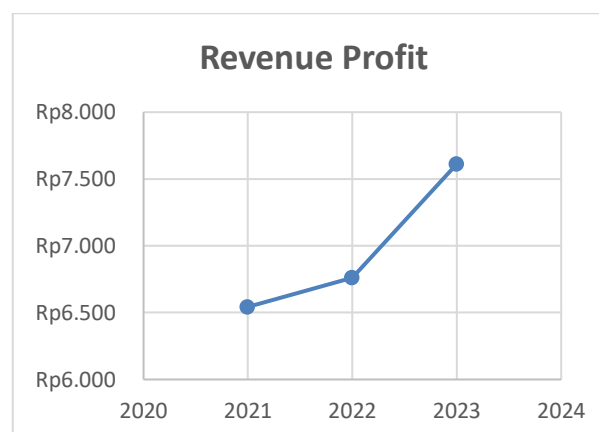


Figure 2: Revenue Profit

The discussion of this study reveals the dynamics of cash management at PT. ACE Hardware Indonesia Tbk during the period from 2021 to 2023. The company has demonstrated solid performance by maintaining positive cash flow from its operational activities, despite experiencing a decline in 2022, which is likely attributed to the increase in operational costs. However, in

2023, the company successfully restored its operational cash flow to a higher position. On the other hand, investment activities displayed a negative trend, reflecting the company's commitment to expansion and capital expenditure. Although there were no significant investments in 2023, this may have been a response to economic uncertainties (23). Financing activities also showed a

negative increase, indicating debt repayments and dividend distributions, which suggests that the company was able to meet its financial obligations without relying on additional external financing (24). Overall, despite the challenges in investment and financing, PT. ACE Hardware Indonesia Tbk successfully maintained a positive free cash flow, reflecting a strong financial stability and the company's readiness to seize long-term business opportunities.

Table 1: Cash Budget of Ace Hardware Indonesia Tbk for the Year 2021-2023

Year	2023	2022	2021
Return on Assets	9,9%	9,3%	9,8%
Return on Equity	12,4%	11,4%	12,6%
Gross Profit Margin	48,6%	48,3%	49,1%
Operating Profit Margin	13,1%	11,0%	11,8%
Net Profit Margin	10,0%	10,0%	10,8%
Current Ratio	7,4%	8,0%	7,2%
Liabilities to Equity	0,3%	0,2%	0,3%
Liabilities to Assets	0,2%	0,2%	0,2%
Net Profit per Share	44,6%	38,9%	40,4%
Cash Dividend per Share	31,1%	20,6%	32,1%

Source: Processed data, 2024

Based on the financial ratio analysis of PT. ACE Hardware Indonesia Tbk for the period of 2021-2023, the company has demonstrated a significant improvement in its financial performance, despite facing challenges within the retail industry. The Return on Assets (ROA) and Return on Equity (ROE) have both shown an upward trend, indicating better efficiency in utilizing assets and equity to generate profits. While the Gross Profit Margin has experienced slight fluctuations, the company has managed to sustain its profitability, with a marked improvement in the Operating Profit Margin (23). The Net Profit Margin remains stable, reflecting the resilience of net income amidst cost pressures (25). The company’s liquidity remains strong, with a Current Ratio well above adequate levels, while its stable debt ratio signals a healthy capital structure (26). Furthermore, the increase in Net Profit per Share and Cash Dividend per Share highlights the company’s solid performance and effective cash management (27). Overall, PT. ACE Hardware Indonesia Tbk has demonstrated a strong capability in managing its resources, maintaining profitability, and delivering positive outcomes for its shareholders (28).

The cash budget plays a crucial role in the financial management of PT. ACE Hardware Indonesia Tbk., particularly in maintaining the smooth flow of cash and ensuring the company's liquidity (23). By projecting cash inflows and outflows, the cash budget enables the company to monitor expenses, reduce financial costs, and prioritize the allocation of funds toward investments that support growth (29). The positive increase in free cash flow,

reflected in the growth of cash from operating activities in 2023, directly contributed to the improvement in operating profit (30). However, fluctuations in operating profit remain a challenge that requires careful cash management, especially in navigating the dynamics of consumer demand and market conditions. Therefore, effective cash budget management not only enhances profitability but also ensures the continuity of the company's operations (31).

CONCLUSION

Between 2021 and 2023, PT. ACE Hardware Indonesia Tbk experienced fluctuations in its operating income, reflecting the dynamic nature of the company's financial performance. Although operating income declined in 2022, the company managed to recover and achieve a notable increase in profit in 2023. This improvement was largely due to the implementation of cost management efficiencies and an increase in revenue. Effective cash flow management played a pivotal role in maintaining liquidity and reducing financial expenses, which, in turn, had a positive impact on the operating income. Overall, PT. ACE Hardware Indonesia Tbk demonstrated its capacity to adapt to operational challenges, maintain profitability, and preserve a robust financial health.

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