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### Cash Flow Analysis on Increasing the Effectiveness of Fund Management in King Corn Business

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#### ABSTRACT

This study aims to analyze cash flow in the King Corn business, focusing on the effectiveness of fund management and its impact on business sustainability. The cash flow statement used in this study provides an overview of cash inflows and outflows from operating activities, which will be analyzed horizontally and using the operating cash flow ratio. The analysis results show fluctuations in cash flow, which are influenced by operational costs such as raw material purchases and payment of operating expenses. This analysis provides insight into how well King Corn manages cash to meet financial obligations and improve business liquidity.

In this study, data obtained from King Corn's financial statements for the period September to December 2023 indicated a strong recovery trend. In August, the company experienced a significant decrease in cash, but in the following months, cash flow increased sharply, particularly in November, with growth of 212%. Analysis of the cash flow to net sales ratio also showed a positive relationship, despite fluctuations. The average cash flow to sales ratio reached 71%, reflecting effective management in converting sales into cash that can support future operations and business development.

#### INTRODUCTION

Financial reports are essential for measuring business results and company development. PSAK No. 1 concerning Financial Reports is an integral part of the financial reporting process. Complete financial reports typically include a balance sheet, income statement, statement of changes in financial position (which can be presented in various ways, for example, as a cash flow statement or fund flow statement), notes, other reports, and explanatory material that are an integral part of the financial reports. This also includes schedules and additional information related to the report, such as financial information on industry and geographic segments and disclosure of the effects of price changes (Candradewi et al., 2023). Financial reports are a tool for communicating financial data or company activities to interested parties. Prihadi emphasized that financial reports are the

result of recording all financial transactions in a company, where financial transactions include activities that affect financial conditions, such as sales and purchases (Veronica, 2023).

A cash flow statement is one of the basic financial statements that must be prepared to support economic decision-making because its function is to explain the receipt and use of cash in a business. A cash flow statement provides information on cash management, which determines the success of a business. Proper use of cash can maximize the achievement of company goals. Good cash flow management is essential for smooth financial reporting, and a cash flow statement is a crucial source of information for financial performance (Putri et al., 2022). Analysis of a cash flow statement can involve changes in figures in relevant financial statements (Muzilin & Martanto, 2024; Putri et al., 2022). This analysis allows for the extraction of information regarding cash inflows and outflows, which is crucial for managerial decision-making (Fanani, 2023).

Cash can be in the form of coins or banknotes held within a company and held in banks, and includes various types of savings (Supriyono & Muslimah, 2018). However, holding excessive amounts of cash can result in losses for the company because unused cash becomes idle cash, which does not generate any revenue. On the other hand, holding too little cash can disrupt the company's liquidity, posing a risk in meeting maturing obligations (Kristina et al., 2020). This demonstrates the importance of balanced and efficient cash management in supporting company operations (Dharmawan, 2023).

An analytical tool for assessing company performance can be a cash flow statement analysis, which involves various ratios between cash flow components and other financial statement components (Rieke Sri Rizki Asti Karini & Muchtar, 2023). As Darsono stated in Utina, these ratios include the Operating Cash Flow Ratio, the Fund Flow Coverage Ratio, and other ratios that provide important insights into a company's financial health (Dai & Suryanto, 2019). With good cash management, a company can ensure the availability of funds to carry out operations (Wulandari & Utami, 2020).

Cash management is also a crucial focus in the context of Micro, Small, and Medium Enterprises (MSMEs). One study reported that cash flow analysis is a strategic step to ensure a business has sufficient cash for daily operations (Agriqisthi et al., 2022). Well-monitored cash flow can guide better strategic decision-making and help identify financial trends and manage risks (Adrianus et al., 2023).

Thus, cash flow statements and their management are crucial aspects that all business actors need to understand, particularly in the context of MSMEs, which often face significant challenges in their financial planning and management (Anggraini et al., 2020). Therefore, research related to cash flow management, such as in the King Corn business, is crucial for increasing the effectiveness of fund use and enabling further growth (Josua, 2023).

## **RESEARCH METHODS**

This research is quantitative descriptive. According to Sugiyono (2022) "A research method is a scientific way to obtain data for specific purposes and uses". Therefore, a research requires a method that can facilitate researchers in conducting research. The data collection method in this study is documentation, by collecting information on King Corn's financial reports during its entrepreneurial activities. Secondary data in this study are financial reports from September to December 2023. Researchers took data from financial reports prepared during King Corn's entrepreneurial activities. The analytical methods used are horizontal analysis and operating cash flow ratio analysis.

Horizontal analysis is an analysis that compares financial statements from several different periods to observe changes in a company's assets, net working capital, and cash. This analysis reveals the origin or source of the company's funds, as well as the company's development from one period to the next (Prajanto, 2020). The Operating Cash Flow Ratio measures a company's ability to pay current liabilities (liquidity). Cash flow from operating activities (Cash Flow From

Operations) is divided by the company's total current liabilities. The higher the Operating Cash Flow Ratio, the better the company's liquidity (Wuisang et al., 2023).

The application of this ratio analysis aligns with previous research showing that a company's ability to generate cash flow is also positively correlated with overall financial performance (Maesah et al., 2023). The use of secondary data, such as financial statements, is a common practice in quantitative research, thus providing reliability in the research results (Nurhayani et al., 2021). Furthermore, the analytical method used here aims to provide a clearer picture of King Korn's financial performance and identify factors influencing its business development (Adella et al., 2021).

Thus, the use of appropriate research methods in collecting and analyzing financial data is crucial for identifying and evaluating operational effectiveness and managerial decision-making in the context of cash flow management (Firaz et al., 2022). Financial reports prepared in accordance with relevant accounting standards, such as PSAK, significantly improve business transparency and accountability, which in turn can increase investor and other stakeholder confidence (Sibarani et al., 2021).

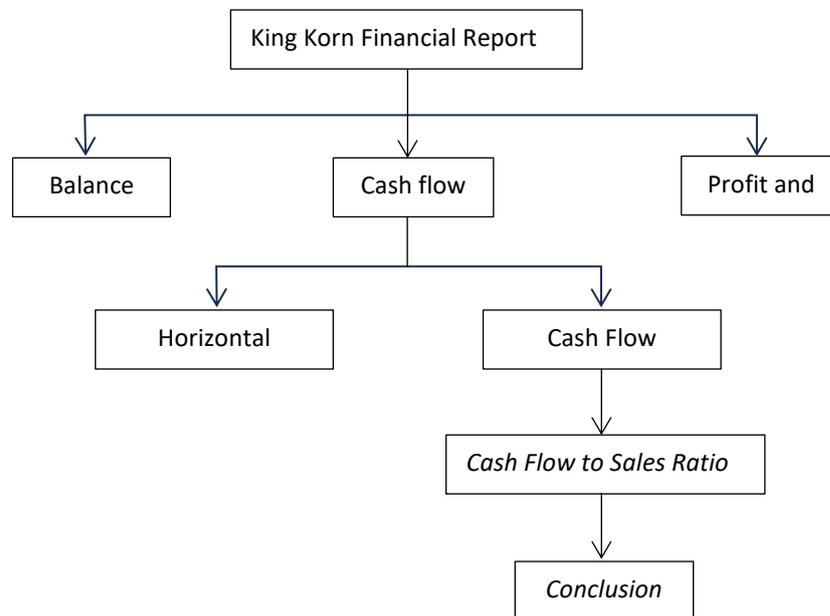


Figure 1. Conceptual Framework

## RESULTS

The growth of cash flow from operating activities has shown significant dynamics over the past five months, based on a horizontal analysis. Table 1 shows sharp fluctuations, starting with a 45% decline in September following the initial observation period of August. However, the trend began to recover in October with 55% growth, then surged sharply to 212% in November. By the end of the year, December showed stability with a moderate increase of 1%. The average growth during this period reached 56%, reflecting a dynamic pattern and indicating a strong recovery heading into the end of the year.

A horizontal analysis of operating cash flow reveals a fairly volatile growth pattern from August to December. In August, initial cash flow was recorded at Rp1,000,000, a baseline. In September, there was a significant decline of 45%, with cash flow reaching only Rp550,000. This indicates potential challenges in managing operating activities or a decline in revenue during the period. However, in October, the trend began to improve with a 55% increase, bringing cash flow to Rp850,000. The largest spike occurred in November with a 212% increase, with cash flow reaching

Rp2,650,000, likely driven by significant revenue increases or operational efficiencies. Stability was seen in December with a marginal increase of 1%, resulting in cash flow of Rp2,670,000. With an average growth of 56% over the five months, this data reflects a strong recovery despite sharp fluctuations at the beginning of the period. This highlights the importance of adaptive strategies in financial management to anticipate cash flow dynamics.

**Table 1. Cash Flow Growth From Horizontal Analysis**

Month	Operating Activities	Growth (%)
August	Rp. 1,000,000	-
September	Rp. 550,000	-45%
October	Rp. 850,000	55%
November	Rp. 2,650,000	212%
December	Rp. 2,670,000	1%
	Avrg.	56%

Source: Data processed, 2024

Analysis of the cash flow to net sales ratio is an important indicator in evaluating the efficiency of cash management in relation to a company's revenue. Table 2 presents data on cash inflows, outflows, and net sales for the period from August to December, with the ratio percentages illustrating the relationship between net cash flow and net sales. During this period, variations are visible, reflecting the company's ability to manage cash to support its operations, with an average ratio of 71%. This approach provides a comprehensive overview of the company's liquidity and financial stability.

The data in Table 2 shows the dynamics of the cash flow to net sales ratio over five months. In August, complete data on cash outflows and net sales were not available. In September, the ratio reached 84%, reflecting that the majority of sales revenue was used to finance cash expenditures, with net cash flow of Rp550,000 from sales of Rp655,000. Subsequently, in October, the ratio dropped dramatically to 26%, despite recorded cash inflows of Rp3,276,000. This decline indicates that the majority of cash was used for expenditure activities.

**Table 2. Analysis of Cash Flow Ratio from Net Sales**

Month	Cash in	Cash Out	Net Cash	Net sales	Percentage Ratio
August	Rp. 1,000,000	-	-		
September	Rp. 655,000	Rp. 1,105,000	Rp. 550,000	Rp. 655,000	84%
October	Rp. 3,276,000	Rp. 2,976,000	Rp. 850,000	Rp. 3,276,000	26%
November	Rp. 5,001,000	Rp. 3,201,000	Rp. 2,650,000	Rp. 5,001,000	53%
December	Rp. 2,198,000	Rp. 2,178,000	Rp. 2,670,000	Rp. 2,198,000	121%
			Avrg.		71%

Source: Data processed, 2024

Cash Flow to Sales Ratio (CFR). This ratio measures the extent to which a company generates net cash flow from each of its net sales.

$$\text{Rasio Arus Kas Penjualan} = \frac{\text{Arus Kas Bersih Dari Aktivitas Operasional}}{\text{Penjualan Bersih}} \times 100\%$$

In November, the ratio rose again to 53%, driven by a significant increase in net cash flow, reaching Rp2,650,000 from Rp5,001,000 in sales. The peak occurred in December, with the ratio reaching 121%, indicating a net cash flow surplus of Rp2,670,000 from Rp2,198,000 in sales. This demonstrates remarkable efficiency in cash management, with net cash flow exceeding net sales. The average ratio of 71% indicates that overall, the company is able to maintain a fairly healthy relationship between net cash flow and sales revenue, despite significant fluctuations in certain months. This analysis underscores the importance of maintaining a balance between income and expenses to ensure financial sustainability.

The cash flow report that has been processed from King Corn for September to December based on horizontal analysis, shows a significant fluctuation in the first month where there is a decrease in value due to the purchase of raw materials, rental of business premises, electricity payments, and the purchase of business equipment. Then in the following months, namely October, November and December, seen from the condition of cash flow, there has been an increase and can even be said to be good so that the King Corn business is considered capable of paying the financial burden from operating cash flow.

The ratio-to-sales analysis shows a fluctuating but consistently positive ratio, indicating that King Corn's cash management is generating sufficient cash flow to cover all its liabilities and operational costs. This can increase liquidity and avoid default, and help King Corn navigate potential opportunities such as investment and new business development without relying on external financing.

## **DISCUSSION**

King Corn's cash flow growth from operating activities between August and December demonstrated dynamics reflecting the business's resilience and adaptability to changing operating conditions. A sharp decline in September indicated financial stress, likely caused by raw material purchases and fixed costs such as rent and electricity (Dzingirai & Ndava, 2022). However, a significant recovery occurred between October and November, with the increase likely driven by efficiency in managing operational costs (Athia et al., 2023). The stability in December, with 1% growth, suggests the company is beginning to reach a point of equilibrium in its cash flow.

These cash flow fluctuations demonstrate the importance of responsive financial planning to short-term needs. Early in the period, cash flow pressures exposed the business's vulnerability to routine expenses; however, with the right strategy, King Corn was able to quickly turn the situation around. The five-month average growth rate is a positive indicator that, despite the turmoil, the business not only survived but also experienced significant improvement (Athia et al., 2023). These findings underscore the importance of flexibility in the financial management of MSMEs, which are prone to market uncertainty (Dzingirai & Ndava, 2022).

In terms of the cash flow to net sales ratio, the data shows varying cash efficiency. The highest ratio occurred in December, when net cash flow exceeded net sales, indicating high liquidity (Assaf et al., 2022). Conversely, the lowest ratio occurred in October, despite relatively high cash inflows, indicating that most cash was used for strategic expenditures (Courteau et al., 2015). The average ratio of 71% during the observation period suggests that the company is quite efficient in managing the relationship between revenue and cash flow.

Despite month-to-month fluctuations, King Corn generally generates sufficient cash flow to finance its operations. This indicates that cash management has been quite effective in matching outflows with revenue capacity (Assaf et al., 2022). Efficient cash management is crucial for maintaining operational continuity and serves as a basis for long-term decision-making, such as business expansion or diversification (Sibindi & Aren, 2015). Overall, the results of this study indicate that King Corn has positive financial potential with a mature cash management strategy. These fluctuations are indicative of a healthy adaptive dynamic, enabling the company to recover from cash flow pressures and demonstrate progressive recovery. Maintaining a positive net cash

flow, even exceeding year-end sales revenue, signals that the business is ready to expand further without over-reliance on external financing. Therefore, strengthening cash strategy and regularly monitoring liquidity ratios are crucial for maintaining business resilience and future growth (Hornuf & Neuenkirch, 2016).

## **CONCLUSION**

From the analysis of King Corn's cash flow statement, it can be concluded that the company has a good ability to generate net cash from each sale during the study period. Although there are fluctuations in cash flow from month to month, overall, King Corn is able to manage and maintain sufficient liquidity to meet existing financial obligations. In November, the company experienced a significant increase in cash flow, indicating success in managing operating funds and improving operational efficiency.

Overall, effective cash flow management contributes to King Corn's ability to continue operating and growing without relying on external financing. A positive cash flow-to-sales ratio and manageable fluctuations provide a positive indication of the company's ability to maintain operational sustainability and readiness to face future business development opportunities. Therefore, implementing cash flow analysis in this business has proven crucial for improving the effectiveness of fund use and supporting more strategic decision-making.

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