INFOKUM
Volume 13, Number 02, 2025, DOI 10.58471/infokum.v13i02
ESSN 2722-4635 (Online)
https://infor.seaninstitute.org/index.php/infokum

The Impact Of Changes In Company Financial Performance On Company Financial Reports

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Article Info	ABSTRACT
Keywords: Financial Performance, Financial Reports, Corporate Finance.	This study examines the impact of changes in company financial perfor-mance on company financial reports, Financial performance plays a crucial role in deter-mining a company's financial health, stability, and investment potential. Key financial indicators such as liquidity, profitability, solvency, and efficiency are essential for evaluat-ing corporate success and sustainability. The research employs a quantitative approach, analysing financial ratios derived from company financial reports. Indicators such as Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), and Cur-rent Ratio (CR) are used to measure the relationship between financial performance and changes in financial reports. Multiple regression analysis is applied to assess the signifi-cance of these factors. The findings indicate that fluctuations in profitability and solvency have the most significant impact on company financial reports, influencing investor con-fidence and corporate decision-making. Companies with higher profitability ratios tend to report improved financial stability, while excessive debt levels negatively affect finan-cial statements. Liquidity, although essential for short-term obligations, shows a varied effect depending on asset utilization and operational efficiency. This study provides val-uable insights for corporate management, investors, and policymakers in understanding how financial performance changes reflect in financial reports. Effective financial man-agement and strategic decision-making are crucial in ensuring business sustainability and long-term value creation.
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INTRODUCTION

Financial performance is a formal effort to evaluate the efficiency and effectiveness of a company in generating certain profits and cash positions. By measuring financial perfor-mance, the prospects for growth and financial development of the company can be seen. A company is said to be successful if the company has achieved a certain performance that has been set. According to Agus Wibowo & Sri Wartini (2013) elements of a company's financial performance are elements that are directly related to the measurement of the com-pany's performance presented in the income statement, net income is often used as a measure of performance or part of the basis for other measures.

SEAN INSTITUTE
SCIENCE ANALYTIC
INFOKUM
Volume 13, Number 02, 2025, DOI 10.58471/infokum.v13i02
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Financial reports are one of the important tools in decision-making efforts for every company. Financial reports are tools used for the continuous financial accounting information process that will be informed to investors and the public to provide an overview of the company's financial condition. So that financial reports must be published because they are considered to have an important meaning for assessing the performance of a company, and can make it easier for parties who need financial report information so that it can help in the decision-making process (Hidayat, SE, Rafiki, et al 2021). in a company, because it includes decision-making regarding the amount and composition of current assets and how to finance these assets. Companies that cannot calculate a satisfactory level of working capital are likely to experience insolvency (unable to meet maturing obligations) and may even be forced to be liquidated. Current assets must be large enough to cover current liabilities in such a way that it illustrates a satisfactory level of safety margin.

Meanwhile, if the company sets excessive working capital, it will cause the company to be over-liquid, resulting in idle funds that will result in company inefficiency and waste the opportunity to make a profit. According to Khajar Ibnu. (2010), working capital is capital used to carry out the company's operational activities. Working capital can also be interpreted as an investment invested in current assets or short-term assets such as cash, securities, receivables, inventory and other current assets.

Nasution, MDTP, et al (2021) stated that the indicator of good capital management is the existence of working capital efficiency. Working capital efficiency can be seen from working capital turnover, receivable turnover, and inventory turnover. Working capital turnover starts from the time cash is invested in working capital components until it returns to cash. The shorter the working capital turnover period, the faster the turnover so that the working capital turnover is higher and the company is more efficient which ultimately increases profitability.

Robbi Riza & Wahyu Ainur. (2012). in her research stated that partially the variable of working capital efficiency has a significant effect on profitability, while liquidity and leverage do not have an effect on profitability. While simultaneously working capital efficiency, liquidity and leverage have a significant effect on profitability.

In determining an efficient working capital policy, the company is faced with the problem of a trade-off between liquidity and profitability factors. If the company decides to set a large amount of working capital, the liquidity level will likely be maintained but the opportunity to obtain large profits will decrease, which will ultimately have an impact on decreasing profitability, possibly affecting the company's liquidity level.

The higher the liquidity, the better the company's position in the eyes of creditors. According to Khajar ibnu (2016), if a company's liquidity increases, the company will not have difficulty in fulfilling its obligations. Therefore, there is a greater possibility that the company can pay its obligations on time. The level of liquidity reflects the company's ability to pay all short-term obligations (current liabilities) when due using available current assets. The higher the level of liquidity, the more liquid the company's financial condition and the better the company's position when viewed from the perspective of third parties. Fulfillment of funding sources through debt (loans) will affect the company's leverage level, because leverage is a ratio used to measure how far a company uses debt. According to Panggabean, F. Y, dkk. (2023). Debt to Equity Ratio is a ratio used to assess debt with equity. This ratio is useful to know the amount of funds provided by loans (creditors) with the company owner or to know the amount of rupiah of own capital used as collateral.

The ultimate goal that a company wants to achieve is to obtain maximum profit or gain. By obtaining maximum profit as targeted, the company can do much for the welfare of the owner, employees, and improve product quality and make new investments. The amount of profit must be achieved according to expectations and not just for profit.

Profitability is closely related to the management of assets owned by the company, so this will be related to the company's liquidity. According to Rossanty, Y., et al (2019). the profitability ratio is a ratio that assesses the company's ability to seek profit. This ratio can also provide a measure of the level of effectiveness of a company's management. Rossanty, Y., et al (2019). ROA is used to show the company's ability to generate profit by using the total assets owned. ROA is the most important ratio among the existing profitability ratios. The following are financial performance indicators for companies in the Retail Sub-Sector Listed on the Indonesia Stock Exchange (IDX).

The decline in financial performance can be seen from the profitability ratio indicator which tends to decline which can be caused by the company's suboptimal working capital so that the use of working capital is not effective in generating maximum profits. The decline in the company's financial performance above was caused by poor management of short-term debt so that short-term debt caused a debt burden that could reduce the company's financial performance level. In the ACES issuer in 2017, the Current Ratio value was 7.02, decreasing in 2018 to 6.49, decreasing in 2019 to 5.58. The decrease in the current ratio of ACES issuers from 2017-2019 was -25%. The decrease in liquidity in ACES issuers was caused by the increase in the company's short-term debt during the period 2017-2019 by 63%. The increase in short-term debt caused the company's liquidity level to decrease and could become a burden on the company that has the potential to lead to the company's bankruptcy. The decrease in liquidity levels can be a cause of the decline in the company's financial performance due to the heavy burden of short-term debt that must be borne by the company. Judging from the DER ratio, several companies have different capital structure policies which tend to change every year. In the ACES issuer in 2017, an activity value of 21.68 was obtained, increasing in 2018 to 22.6, decreasing in 2019 to 19.01 and decreasing in 2020 to 12.74. The decrease in the activity ratio was caused by a decrease in the company's net sales in 2018 to 2020 by -23% while its total assets increased significantly by 63%. For the ECII issuer, the company's profitability value was negative in 2017 at -0.22 and in 2020 at -1.18, which was caused by the company's negative net profit in 2017 at -3,801,947,790 and in 2020 at -20,502,166,781, which was caused by the company experiencing losses.

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Literature Review

Financial statements

Every company, whether bank or non-bank, at some point (certain period) will report all its financial activities, in the form of financial statements. So financial statements report the historical performance of a company and provide a common basis for business and economic analysis, to make projections and forecasts for the future. The annual report is a document that provides information to shareholders and is audited in accordance with generally accepted accounting principles. According to Panggabean, F. Y., & Dewi, R. (2021) it is a report that shows the company's financial condition at the present time or in a certain period. According to Rossanty, Y.,et al (2018) financial reports are the final result of the accounting process which includes 2 main reports, namely the balance sheet and the profit and loss statement. The financial report is prepared with the intention of providing financial information of a company to various interested parties to be used as a consideration in making decisions.

One of the indicators for measuring a company's financial performan namely by looking at the company's financial performance. According to Panggabean, F. Y., & Dewi, R. (2021). elements of a company's financial performance are elements that are directly related to measuring the company's performance presented in the profit and loss report, net income is often used as a measure of performance or as a basis for other measures. Financial performance is a formal effort to evaluate the efficiency and effectiveness of a company in generating certain profits and cash positions. By measuring financial performance, the company's financial growth and development prospects can be seen. A company is said to be successful if the company has achieved a certain performance that has been set Rossanty, Y,et al (2018).

Types of Financial Performance Analysis

Financial performance can be assessed using several analysis tools. Based on the technique, financial analysis can be divided into 5 (five) types, according to Nurgraeni Siwi. (2007), namely:

a. Time Series
   Time series analysis done by comparing financial ratios between one period and another in one company.
b. *Common Size*
   Common size analysis is usually used in income statements and balance sheets. In the income statement, each line item is divided by sales, while in the balance sheet, each line item is divided by total assets. In common size analysis, the data in the financial statements is presented as a percentage (%). This type of analysis can facilitates analysis between companies or across time within the same company. This percentage format is also easier to analyze and understand compared to data in the form of absolute numbers.
c. Ratio Analysis

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Financial Ratio Analysis is an analysis tool used by companies to assess financial performance based on comparative data for each item in the financial report, such as the Balance Sheet, Profit/Loss, and Cash Flow Reports in a certain period.

d. Du Pont Model Analysis
The Du Pont model of financial report analysis is ROI which is generated through the multiplication of profits from sales components and the efficiency of using total assets in generating these profits.

e. Value Added Analysis
Value added analysis is a financial management system for measuring economic profit in a company which states that prosperity can only be achieved if the company is able to cover all operating costs and capital costs.

Liquidity

According to Panggabean, F. Y. (2023, November) they are of the opinion that "liquidity ratio is showing the ability of a company to meet its financial obligations that must be met immediately or the company's ability to meet its financial obligations when billed". From the definitions of liquidity above, it can be concluded that liquidity is a company that meets its short-term obligations before using the profits obtained for other purposes.

According to Agus Wibowo & Sri Wartini (2013) stated that "the liquidity ratio functions to show or measure the company's ability to meet its obligations that have matured, both obligations to parties outside the company (business entity liquidity) and within the company (company liquidity)". Sutrisno (2010) stated that "liquidity is the company's ability to pay its obligations that must be met immediately, obligations that must be met immediately are short-term debts, therefore this ratio is widely used by short-term creditors, and measures whether the company's operations will not be disrupted if these short-term obligations are collected immediately".

According to Agus Wibowo & Sri Wartini (2013) there are several types- types of liquidity ratios, namely:

a. *Current Ratio*(Current Ratio)
This ratio compares current assets with current liabilities. This ratio provides information about the ability of current assets to cover current liabilities. Included in current liabilities are cash, accounts receivable, securities, inventory and other assets. While included in current liabilities include accounts payable, promissory notes payable, bank debts, salary debts, and other debts that require immediate payment.

b. *Quick Ratio*(Quick Ratio)
It is a consideration between the amount of current assets minus inventory, with the amount of current liabilities. Here inventory is not included in the calculation of the quick ratio, because inventory is one of the components of current assets with the smallest level of liquidity. In terms of quick ratio, it focuses more on the components of current assets that are more liquid such as cash, securities, receivables.

c. Cash Ratio

Volume 13, Number 02, 2025, DOI 10.58471/infokum.v13i02
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https://infor.seaninstitute.org/index.php/infokum

This ratio is useful for comparing cash with current assets that can immediately become cash with current liabilities. In this case, the cash in question is the company's money that is stored in the office and in the bank in the form of a checking account. While assets equivalent to cash are current assets that can be easily and quickly converted back into cash, this can be influenced by the economic conditions of the country where the company in question is domiciled.

METHOD

The research method used is a descriptive research method. and associative with quantitative approach. Descriptive research approach according to Agus Wibowo & Sri Wartini (2013) is that Descriptive research is a research conducted to determine the value of independent variables, either one or more variables (independent) without making comparisons, or connecting with other variables. analysing working capital efficiency (working capital turnover), liquidity (current ratio), leverage (debt to equity ratio), profitability (ROA) and market ratio (PER) in retail companies listed on the Indonesia Stock Exchange (BEI). which are used as research samples. According to the definition of population is as follows: "Population is a generalization area consisting of; objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn". The population in this study includes 25 Retail Sub-Sector companies listed on the Indonesia Stock Exchange (IDX). According to Agus Wibowo & Sri Wartini (2013), "Sampling in this study uses the purposive sampling method, namely determining the number of samples using several criteria.

There are several criteria that researchers have set in determining samples, namely:

1. Companies listed on the IDX during 2017-2020 and presenting financial reports required by researchers.
2. Companies with medium and large market capitalization, namely above 1 T.
3. Companies with positive net margins.

Table 1. Criteria for Determining the Number of Samples

No	Population	Sampling Determination Criteria			Sample
		IDX Listing 2017-2020	Share Capitalization > 1 T	Net Margin Positive	
1	ACES	1	1	Positive	1
2	AMRT	-	2	Negative	X
3	FOOD	2	3	Positive	2
4	OPEN	-	4	Negative	X
5	CARS	3	-	Negative	X
6	ECII	4	5	Positive	3
7	GLOB	5	-	Negative	X
8	HERO	6	6	Negative	X
9	STALL	7	-	Negative	X
10	KONI	8	-	Negative	X

INFOKUM
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https://infor.seaninstitute.org/index.php/infokum

No	Population	Sampling Determination Criteria: IDX Listing 2017-2020	Share Capitalization > 1 T	Net Margin Positive	Sample
11	LPPF	9	7	Positive	4
12	MAP	10	8	Positive	5
13	MAPI	11	9	Positive	6
14	MIDI	-	10	Negative	X
15	MLPL	12	11	Negative	X
16	MPMX	13	12	Positive	7
17	MPPA	14	13	Negative	X
18	PMJS	-	14	Negative	X
19	RALS	15	15	Negative	X
20	RANC	16	16	Positive	8
21	SONA	17	17	Negative	X
22	TSPC	18	18	Positive	9
23	TURI	19	19	Positive	10
24	UFO	-	20	Negative	X
25	ZONE	20	-	Negative	X

Based on table 1 above, it can be seen the number of Retail Company Populations Listed on the Indonesia Stock Exchange (IDX). So it can be concluded that the sample in this study was 10 samples. The data used is quantitative data which is stated in numbers, showing the value of the quantity or variable it represents, cross-sectional data is data that is used using a ratio scale. The author uses secondary data sources, namely data collected by researchers from the Financial Reports of Retail Companies Listed on the Indonesia Stock Exchange (IDX) via the website.*www.idx.co.id* with the period 2017-2020.

RESEARCH RESULTS AND DISCUSSION

Result Financial

This research was conducted using the company's financial reports. which has been published, then analyzed using financial ratios and can show information about liquidity, solvency, activity, and profitability. The following are the results of calculating financial ratios using the financial statements of the balance sheet and profit and loss of a property company. Analysis of the Company's Liquidity Ratio (Current Ratio). It is a ratio that shows the company's ability to meet obligations or pay short-term debts. This study uses the current ratio indicator to measure the company's liquidity level. The current ratio represents the value of all company assets that can be converted into money within one year.

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https://infor.seaninstitute.org/index.php/infokum

Table 2. Company Liquidity Ratio

No	Issuer	Ratio Finance	Year 2017	2018	2019	2020
1	ACES	AL	3,358,272	4,096,280	4,369,550	5,034,737
		HL	478,208	631,055	783,375	844,928
		CR	7.02	6.49	5.58	5.96
2	FOOD	AL	180,511	171,308	149,252	160,220
		HL	94,440	129,218	120,597	133,446
		CR	1.91	1.33	1.24	1.20
3	ECII	AL	786,009	752,676	831,937	953,327
		HL	4,913,178	4,096,381	3,373,096	4,336,698
		CR	159.98	183.74	246.64	219.83

Based on the data in Table 2 that has been processed which is reviewed from the current ratio, it is obtained that the liquidity ratio of retail companies from 2017 to 2020 experienced a fluctuating percentage. In the ACES issuer in 2017, the Current Ratio value was 7.02, decreasing in 2018 to 6.49, decreasing in 2019 to 5.58. The decrease in the current ratio of the ACES issuer from 2017-2019 was -25%. The decrease in liquidity in the ACES issuer was caused by the increase in the company's short-term debt during the 2017-2019 period by 63%. The increase in short-term debt causes the company's liquidity level to decrease and can become a burden on the company which has the potential to lead to the company's bankruptcy.

A decrease in liquidity also occurred in the BOGA issuer in 2017, which was 1.91, which decreased to 1.2, which was -36%, which was caused by due to the increase in the company's short-term debt by 41% and the decrease in the company's current assets by -11%. In contrast to the ECII issuer where the company's liquidity level increased from 2017 by 159.98 which increased in 2018 to 183.74 and increased in 2019 to 246.64 and decreased in 2020 to 219.83. There was an increase in the company's liquidity by 37% due to the company's current assets increasing by 21% with a decrease in short-term debt by -11%.

Significant changes occurred in the MPMX issuer with a decreasing liquidity level from 2017-2020 by -75% due to an increase in the amount of short-term debt from 2017-2020 by 276%. The increase in short-term debt causes the company's liquidity level to decrease so that it can be a risk of default which causes bankruptcy in the company.

Companies with high liquidity levels are indicators of healthy financial performance because they are able to pay their short-term debts, but a decrease in liquidity is an indicator of weakening financial performance that can cause the company to go bankrupt. With a high level of liquidity, the company has the ability to pay its short-term debts so that it can reduce the risk of liquidity due to debt default. The conditions of several issuers in this study have a high level of liquidity, but several companies have low levels of liquidity, meaning that the company has a high level of liquidity risk. The results of this study strengthens the signaling theory which explains that changes in stock prices are based on investor reactions to the company's liquidity risk signal. Issuers with low liquidity risk levels have positive and high stock returns, this is a reaction from investors who are interested in companies that have low liquidity risk. In some issuers, low stock returns are the result of negative reactions from investors to the issuer's liquidity risk level signal.

The following is a diagram depicting the current ratio of property companies in 2017-2020. strengthens the signaling theory which explains that changes in stock prices are based on investor reactions to the company's liquidity risk signal. Issuers with low liquidity risk levels have positive and high stock returns, this is a reaction from investors who are interested in companies that have low liquidity risk. In some issuers, low stock returns are the result of negative reactions from investors to the issuer's liquidity risk level signal. The following is a diagram depicting the current ratio of property companies in 2017-2020.

Based on the diagram above, it can be seen that the largest current ratio in retail companies in Indonesia is in the ECII issuer of 246.64 in 2019. This explains that the company has a high level of liquidity where the company is able to pay its short-term debts well. The smallest liquidity ratio is in the LPPF issuer of 0.56 in 2020, which explains that the company has a low level of liquidity in order to pay its short-term debts.

Companies with high liquidity levels are indicators of fairly healthy financial performance where companies can avoid financial distress. The market will look at the liquidity ratio to ensure the company's prospects in the future. So that the company's value in the future becomes more stable and increases.

Sutrisno (2010) stated that "liquidity is the company's ability to pay its obligations that must be met immediately, obligations that must be met immediately are short-term debts, therefore this ratio is widely used by short-term creditors, and measures whether the company's operations will not be disrupted if these short-term obligations are collected immediately."

Company Activity Ratio Analysis (TATO)

Activity ratios are used to measure how effective a company is in utilizing all the resources available to it. This activity ratio involves a comparison between the level of sales and investment in various types of assets. The ratio used to show the effectiveness of the company's management in using its assets to generate income or profit is shown through TATO. The greater the results of this ratio calculation will be better, because the results of the calculation show that the assets owned by the company can rotate faster so that they will be faster in obtaining profit. The greater the results of the TATO calculation will also show the company's level of efficiency in using assets to generate sales.

Table 3. Company Activity Ratio (TATO)

No	Issuer	Ratio	Year			
			2017	2018	2019	2020
		Finance PB	959,980	1,202,709	1,262,709	923,335
1	ACES	TA	4,428,840	5,321,180	6,641,808	7,247,063
		TATTOO	21.68	22.60	19.01	12.74
		PB	11,774	18,985	17,651	15,784
2	FOOD	TA	520,241	571,901	579,936	595,139
		TATTOO	2.26	3.32	3.04	2.65
		PB	-5,806,442	7,082,402	31,921,633	-16,619,896
3	ECII	TA	1,717,972	1,751,622	1.84532	1,730,596
		TATTOO	-0.34	0.40	1.73	-0.96
		PB	2,396,300	1,575,321	1,763,009	-934,404
4	LPPF	TA	5,427	5,036	4,832	6,319
		TATTOO	44.15	31.28	36.48	-14.79
		PB	443,779	585,772	951,265	-9,074
5	MAP	TA	2,795	3,645	4,108	5,382
		TATTOO	15.88	16.07	23.15	-0.17
		PB	597,451	1,173,417	1,625,502	-723,806
6	MAPI	TA	11,425	12,632	13,937	17,650
		TATTOO	5.23	9.29	11.66	-4.10
		PB	231,277	225,502	733,673	283,464
7	MPMX	TA	9,740,576	11,943	9,563	9,209
		TATTOO	2.37436	1.888087	7.671449	3.077839
		PB	47,109	59,877	64,038	94,284
8	RANC	TA	804,020	904,003	952,496	1,319,134
		TATTOO	5.86	6.62	6.72	7.15
		PB	744,090	727,700	796,220	1,064,448
9	TSPC	TA	7,434,900	7,869,975	8,372,769	9,104,657
		TATTOO	10.01	9.25	9.51	11.69
		PB	593,261	686,846	735,960	119,765
10	Türkiye	TA	5,464,898	6,035,844	6,292,705	5,764,700
		TATTOO	10.86	11.38	11.70	2.08

INFOKUM
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https://infor.seaninstitute.org/index.php/infokum

Based on the data in Table 3 that has been processed which is reviewed from the asset turnover, the activity ratio of retail companies in 2017 to 2020 has experienced a fluctuating percentage. In the ACES issuer in 2017, the activity value was 21.68, increasing in 2018 to 22.6, decreasing in 2019 to 19.01 and decreasing in 2020 to 12.74. The decrease in the activity ratio was due to the decrease in the company's net sales in 2018 to 2020 by -23% while its total assets increased significantly by 63%.

Low activity value occurred in the ECII issuer in 2018 of -0.34 increasing to positive in 2018 by 0.4 and increasing in 2019 to 1.73 and decreasing to -0.96. The decline in company activity was due to losses in the company in 2017 and in 2020 so that it can be said that the company's activities were inefficient. A significant decline in activity also occurred in the MAPI issuer in 2020 of -4.1 which was caused by the company's net sales of -723,806. A significant decline in the activity ratio occurred in the TURI issuer in 2017-2020 of -80% which was caused by a decrease in net sales over a period of 4 years of 79%. The decline in the company's net sales can cause the company's profits to decrease and indicate that the company's operational activities are less efficient.

Based on the signal theory, it is explained that investors see the company's activity ratio as an indicator of the company's business progress in running its business, so investors are very interested in the company. which has high activity because the company will gain profit and investors will receive dividends from the company.

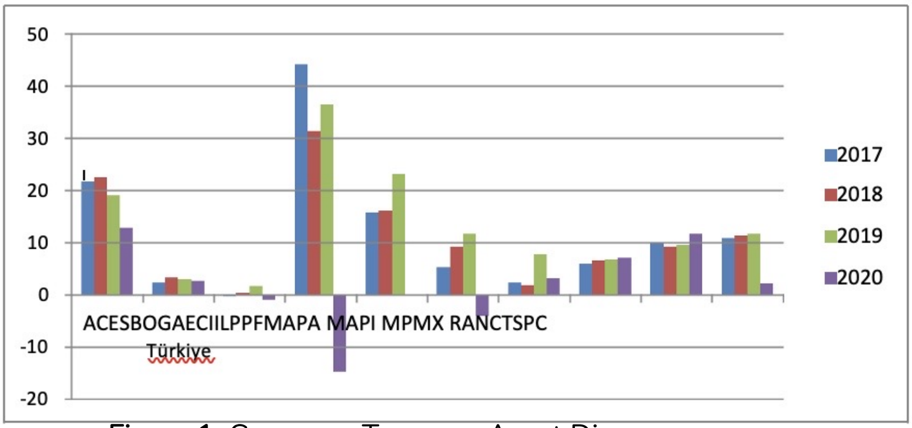

Figure 1. Company Turnover Asset Diagram

The role of activity ratios or turnover ratios in evaluating business efficiency with careful analysis of inventory, fixed assets and receivables. These ratios are also useful for comparing how a company is performing based on trends over time in horizontal statement analysis or how a company is performing against competitors in comparable company analysis.

Based on the diagram above, it can be seen that the largest asset turnover in retail companies in Indonesia is in the LPPF issuer of 44.15 in 2017. This explains that the company has a high level of activity where the company carries out high operational activities to meet market needs. The smallest ratio is in the LPPF issuer of -0.17 in 2020,

INFOKUM
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https://infor.seaninstitute.org/index.php/infokum

which explains that the company has a low level of operational activity and is less efficient due to loss-making net sales.

CONCLUSION

This study examines the impact of changes in company financial performance on financial reports, focusing on key financial indicators such as liquidity, profitability, and solvency. The findings highlight that fluctuations in financial performance significantly influence the accuracy, reliability, and transparency of financial reports.The results indicate that: Profitability (ROA & ROE) has the most significant positive impact on financial reports, as higher earnings improve investor confidence and enhance financial stability. Solvency (DER) negatively affects financial reports, as excessive debt increases financial risk and may distort financial transparency. Liquidity (CR) has a varied impact, depending on how effectively a company manages its short-term obligations while ensuring operational efficiency. These findings emphasize the importance of effective financial management in maintaining accurate and reliable financial reporting. A well-balanced financial structure helps companies maintain transparency, meet regulatory requirements, and enhance investor trust.

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INFOKUM
Volume 13, Number 02, 2025, DOI 10.58471/infokum.v13i02
ESSN 2722-4635 (Online)
https://infor.seaninstitute.org/index.php/infokum

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