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### Application of the Cash Flow Statement in Management Decision Making at Pentol Gapek GGS Food, Kec. Kamal, Kab. Bangkalan

Intan Baiduri<sup>1</sup>, Robiatul Awaliyah<sup>2</sup>, Javier Rizqi Baiturrahman<sup>3</sup>, Mochamad Reza Adiyanto<sup>4</sup>

<sup>1,2,3,4</sup>Management Department, Trunojoyo University Madura

#### ARTICLE INFO

#### Abstract

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Statement

The statement of cash flows reports cash flows during a certain period and is classified by operating, investing and financing activities. classified by operating, investing and financing activities. The application of the cash flow statement allows every business to predict its progress so that the business does not experience losses. This study determines whether cash flow can be used as a basis for management decision making. This research is a qualitative research. The results of the study show that the application of the cash flow statement as a basis for determining company policy, helps GGS Food in making management decisions to be more efficient.

✉ Authors

(\*) Corresponding Author

E-mail:

reza.adiyanto@gmail.com

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#### INTRODUCTION

The increasingly complex development of the world is primarily in the field of business and enterprise. Once again, proving knowledge of accounting and financial reporting are two important factors that must be possessed and mastered.



Both by each individual and at the Micro, Small and Medium Unit (MSME) level up to the Limited Liability Company (PT) scale. Based on data from the Financial Services Authority or OJK through the results of the National Financial Literacy and Inclusion survey in 2022, the financial literacy index of Indonesian society is 49.68%, an increase compared to 2019 which was only 38.03%. Meanwhile, this year's financial inclusion index reached 85.10%, an increase compared to the previous SNLIK period in 2019, namely 76.19%. From the survey data above, it shows that awareness of financial literacy in Indonesia has increased, but on the other hand, these figures also show that there are still many Indonesians who do not understand how to manage finances. This governance is sometimes carried over to the businesses they own, without taking into account important information contained in financial reports such as cash flow statements. Cash flow reports require effort in decision making.

Cash flow reports in the form of budgets and realizations are useful, among other things, for predicting business cash needs so that they are neither insufficient nor excessive (Maruta: 2017). If a business has unstable cash circulation, it is important for the business to apply cash flow reports in business operations, a reduced or even negative cash position causes the business to become unsafe and unstable. Likewise, if you store excess cash, this indicates less efficient cash management. A cash flow report is a financial report which contains information about the flow of cash in and out of a business during a certain period. Cash flow report information is presented based on the type of activity that results in cash inflows and cash outflows. Business activities are generally grouped into three types of activities, namely, financial activities, operational activities and investment or funding activities.

Thus, the cash flow report becomes a vital point for businesses that need cash turnover information in every business policy. However, it is worth understanding how the role of the cash flow report does not necessarily replace the position of the balance sheet or profit and loss report because of the differences in the content of the information that can be utilized. The balance sheet reflects the wealth stored and owned by the business, as well as how these assets are financed. Meanwhile, the profit and loss report contains information on business performance which can be measured through the profits earned by the business in a period. These reports are used as a tool to help businesses make decisions. The more accurate and better the financial report information obtained, the better management decisions can be made.

UMKM Pentol Gapek GGS Food has not implemented cash flow reporting procedures so it experiences financial fluctuations and chaotic business governance. Therefore, it is necessary to implement cash flow reports in GGS Food MSMEs so that the company's cash planning becomes more stable and operational activities, investment and funding are not disrupted due to the value of the cash used being too small. Likewise, cash investments that are too large result in funds becoming less productive and inefficient, which causes losses.

## **LITERATURE REVIEW**

### **Management Accounting**

According to Simamora's theory (2012:1) in (Jusuf, 2013), the definition of management accounting is the process of identifying, measuring, collecting, analyzing, synthesizing, interpreting and reporting financial information used by management to plan, evaluate and control business activities in a business organization, as well as ensuring appropriate use and accountability of resources.

### **Cash flow statement**

A document that presents the cash inflows and outflows of cash and cash equivalents of an entity over a certain period of time. Through this report users can find out how the business produces and uses cash and cash equivalents(Henry, 2012).

### **Operational Activities**

Inside view(Simangunsong et al., 2018a)Prastowo (2011:34) states that operating activities are the main income of the business (main income generates activities) and other activities are not investment and funding activities. Cash flow from operating activities includes all cash impacts from each transaction or event that is relevant to determining net profit, such as proceeds from sales of goods, payments for purchases of raw materials (suppliers and salaries of business employees).

### **Funding Activities**

Financing refers to how cash is obtained to fund business activities, including operational costs, resulting in changes in the size and composition of equity capital and business debt. These activities cause changes in the amount and composition of business capital and long-term loans. In this case, cash inflow is an activity aimed at obtaining capital to benefit/fund the business. On the other hand, cash outflow is a return to owners and creditors for previously provided money. Examples of cash inflows from financing activities include the issuance of shares or other equity instruments, bond sales, and other loans. Meanwhile, this results in dividend payments, principal repayment, and purchase of business shares(Kartikahadi, 2020).

### **Investment Activities**

Prastowo (2011:34) is the acquisition or disposal of long-term assets (non-current assets) and investments that are not included in the definition of cash equivalents. Cash flow includes cash inflow from sales of fixed assets and expenditure to pay off production machinery, including sales of fixed assets, securities, recovery of long-term loans (excluding loan interest), while cash outflow includes purchases of fixed assets and granting loans. to other parties.

### **Purpose and Benefits of Cash Flow**

In(Normalina, 2013)Harahap Income (2011:257), cash flow reports are also useful for:

1. Seeing the business's ability to generate, plan, control cash inflow and cash outflow in the past.
2. Assess the state of cash inflows and outflows, the business's net cash flow including the ability to pay dividends in the future.
3. Provide notifications for users and project returns from business sources of wealth.
4. Measuring a business's ability to put cash into the business in the future.
5. Understand the reasons for differences between net income compared to cash receipts and disbursements.
6. Digest the influence of investments both cash and non-cash and other transactions on the financial position of the business during a certain period.

### **Decision-making**

Based on Harold and O'Donnell (2013:15) in(Simangunsong et al., 2018b)which states that decision making is a choice between alternatives regarding a way of acting, which is the essence of planning, a plan cannot be said to not exist if there is no decision, a reliable source, guidance or reputation that has been made.

### **The Role of Cash Flow Statement Analysis for Management in Decision Making**

According to Noerirawan (2012: 13), funding decisions are very important decisions for businesses, because they involve obtaining sources of funds for the operational activities of an entity. According to (Ginting, 2013:48) cash flow report analysis is a tool for management in making decisions and preparing business budgets, especially cash budgets. For example, when a business needs additional funds, management usually has two alternatives, namely:

1. Borrowing from the Bank

Before making a decision, management must consider business capabilities. If the first alternative is chosen, it must be taken into account the business's ability to pay loan installments and interest in the future. After conducting the analysis, it turns out that the business is able to pay the loan installments and interest, so management will of course decide to borrow from the bank.

2. Selling Fixed Assets

Selling Fixed Assets If the opposite happens, management will choose the second alternative, namely selling fixed assets owned by the business. There are several factors that are the basis for management consideration in deciding dividend payments, such as available cash, business opportunities and objectives in terms of expanding capital, business policies regarding external business financing and the business's ability to obtain funds from outside.

### **Previous Research**

The previous research that the author used as material for consideration in conducting research at Pentol Gapek GGS Food was research conducted by T Fryska D Sinar in 2011. Research regarding Cash Flow Report Analysis to Help Make Investment Decisions at PT. Angkasa Pura II (Persero) stated that in general it has presented cash flow reports in accordance with PSAK No. 2, namely presenting cash flow reports using the indirect method and presenting them in 3 activities, namely operating, investment and financing activities, but in the research it was found that little discrepancy, where this discrepancy is found in the classification of several accounts in the cash flow statement such as interest income, assets under construction. PT Angkasa Pura II (Persero) uses information from cash flow reports as a basis for making investment decisions by business parties.

## **RESEARCH METHODS**

### **Types of research**

The type of research used is qualitative research. Qualitative research focuses more on studying a phenomenon and problem as a whole using words rather than describing the phenomenon with numbers. Qualitative research assumes that everything involving humans will be complex and multidimensional,

especially if it involves groups of people and their interactions. This complexity would be difficult to measure with statistics (Sarosa, 2012). The goal is to understand social phenomena or symptoms by focusing on the complete picture of the situation being studied rather than breaking it down into interrelated variables.

### Time and place

Research In research, researchers need a variety of information that is appropriate to the problem in the research. The research place is a place for researchers to search for this information, including what is included in it which is the object of the research. This research also took place at the Pentol Gapek GGS Food Outlet, Telang Village, Kec. Kamal, Kab. Bangkalan, with research time of approximately 3 weeks.

### Research procedure

Identifying problems, determining research objects, preparing research proposals, collecting data, analyzing data, presenting research results and discussing them, as well as making conclusions and providing suggestions

### Analysis Method

The data analysis method used in this research is a descriptive qualitative analysis method, namely the researcher describes the results of his findings originating from data collected through the observation process at the object. The researcher then analyzed the suitability of the cash flow reports which were compared step by step in their application with comparative descriptive analysis which was interpreted on the basis of existing data.

## RESULT

### Analysis Results

Cash Flow Report on Pentol Gapek GGS Food To help users understand the relationship between profit and cash flow, to predict future operating cash flows and provide feedback on decisions taken, such as the effect of previous investments on cash flow, how capital is financed, as well as the amount of debt withdrawn, a cash flow report is required. Pentol Gapek GGS Food's cash flow report groups these estimates into 3 activities, namely operating activities, investment activities and financing. Pentol Gapek GGS Food cash flow report.

<b>UMKM PENTOL GAPEK GGS FOOD</b>		
<b>CASH FLOW STATEMENT</b>		
<b>Period 1 January to 31 December 2021 and 2022</b>		
	<b>2021</b>	<b>2022</b>
<b>Operational Activities:</b>		
Food and Beverage Sales	98,635,000	123,078,000
Concession Sales	5,840,000	15,400,000
Decrease in Food Supplies	(8,255,000)	(12,800,000)
Decrease in Beverage Supplies	(5,960,000)	(8,150,000)
Salaries and Operational Expenses	(72,000,000)	(90,000,000)
<b>Cash Operational activities:</b>	<b>18,260,000</b>	<b>27,528,000</b>

### Investment Activities:

Asset Purchase	5,000,000	18,000,000
Asset Sales	0	4,500,000
<b>Cash for Investment Activities</b>	<b>5,000,000</b>	<b>13,500,000</b>
<b>Funding Activities:</b>		
Capital Increase	30,000,000	50,000,000
Loan Decrease	0	0
<b>Cash for Funding Activities:</b>	<b>30,000,000</b>	<b>50,000,000</b>
<b>Cash Increase</b>	<b>23,260,000</b>	<b>71,028,000</b>
<b>Initial Cash Position</b>	<b>30,000,000</b>	<b>20,000,000</b>
<b>Final Cash Position</b>	<b>53,260,000</b>	<b>91,028,000</b>

The Pentol Gapek GGS Food Cash Flow Report was prepared with the aim of providing an overview of the use of cash and receipts in operating, investment and financing activities carried out by Pentol Gapek GGS Food. Cash flow statements are used to provide an overview when developing forecasts, financial planning, and budgeting. Financial forecasting to interpret the amount of cash coming in and out, items that may contain cash, various types of assets that the company needs to invest in to achieve the expected increase in profits, and cash flow reporting can answer this. The cash flow report can also be used as a means of feedback on every decision regarding investment matters taken by the management of Pentol Gapek GGS Food.

### **Cash Flow Statement as a Tool in Decision Making**

Business operations always face many problems that determine decision making. Likewise with Pentol Gapek GGS Food which operates in the culinary sector. In making decisions, Pentol Gapek GGS Food sets policies that apply globally. When establishing a policy to address a problem, there are several steps or steps involved in making the decision. Every problem in each section is discussed first by the head of the department concerned with the members to find solutions and actions that need to be taken.

Pentol Gapek GGS Food in decision making is adjusted to data and information that is relevant to the problem occurring. To make the best decisions for your business, of course you need a lot of information regarding the problems you are facing. Financial reports are information that can help decision making because every decision has a financial impact. Company management can take decisions about what is happening in the company from the balance sheet, profit and loss statement and with the help of the cash flow statement. From the cash flow report presented in relative terms, it can be seen how company management can manage cash, what activities can bring in the largest cash flow for the company, the allocation and use of cash, as well as the availability of cash resources. Liquidity in the company to pay all its obligations, to avoid liquidity efforts.

Cash flow information can also be the basis for preparing a budget for the coming period. The success of a company in obtaining good liquidity must come from its business operations. So, from the cash flow report we can see business failures and successes. Cash flow reports are used by company management to help manage various incoming and outgoing operating activities of the company. To streamline business operations, the management of Pentol Gapek GGS Food has taken various decisions.

## **DISCUSSION**

The cash flow report provides financial information and activities that are useful for decision makers, especially those related to cash flow. The presentation of these financial reports depends on the company's own needs. Cash flow statement analysis examines and examines relationships and trends to determine financial position arising from operating, investing, and financing activities. Pentol Gapek GGS Food introduced cash flow reports as one of the key elements of financial reports presented to provide a clear picture of cash inflows and outflows.

The cash flow statement presents the main sources of cash inflow and uses of cash during a period, and provides useful information about business activities to generate cash from operating activities, meet obligations and maintain and increase operational capacity. If cash flow is good then the decisions taken by management can be maintained or even improved. If cash flow decreases, management will take a decision to improve this situation by establishing several improvement plans in the next period.

Pentol Gapek GGS Food makes cash flow reports which are classified into three groups, namely operating activities, investment activities and financing activities. Pentol Gapek GGS Food's cash flow report shows information about where the company's main sources of cash come from. Where can the company finance its operations? Does it come from business activities, investment activities, or is the business run with loans from creditors? In the cash flow report prepared by the company, the increase or decrease in cash is shown in detailed items. So, if the company's cash flow decreases, you can find out the direct cause of the decrease in cash flow. If cash flow increases, then the company can also see exactly where the increase comes from. Be it operating activities, investment activities or financial activities. This report also shows the beginning and ending cash balance.

### **Analysis of the Role of Cash Flow Statements as a Tool in Decision Making at Pentol Gapek GGS Food**

In carrying out its business activities, the management of Pentol Gapek GGS Food takes many decision-making actions. Every decision taken is made by management, especially decisions relating to activities during that period and unplanned decisions. The decisions taken can then be classified into three types of decisions, namely operational, investment and company financial decisions. During the decision-making process, business leaders analyze all the information provided by each department. Each section provides information about all the goals achieved in the past year, as well as the obstacles and problems that exist in each section. And all this information, including cash flow reporting information, is provided by the accounting department.

Cash flow report information is the basis for making decisions relating to issues relating to operating activities, investment activities and financial activities of the company. Operational Activities For decisions relating to operational activities, business managers often make decisions regarding the cash budget for the coming year. This cash flow budget includes next year's revenue targets issued by the company. Meanwhile, for cash expenditures used by businesses, business leaders usually use cash flow reports as the basis for determining the expenditure budget for the coming year. This is done to see which cash outflows are prioritized and which cash outflows can be suppressed, the aim of which is to increase efficiency.

Investment activities: Investment decisions in this case are decisions relating to decisions to purchase fixed assets needed by the business to support future operational activities. In the decision to purchase fixed assets, the



information used is information from the business cash flow report. However, this decision was also based on a collective report from the management of Pentol Gapek GGS Food which expressed the need to purchase these assets. Although ultimately the final authorization is in the hands of the leader after conducting an analysis of the effectiveness and efficiency of purchasing fixed assets which is adjusted to the financial conditions of the business. Purchasing other assets and office inventory is a structured or programmed decision. The decision regarding this matter is under the authority of the head of finance at Pentol Gapek GGS Food. Meanwhile, the decision to invest existing cash in businesses in the form of securities and other securities was never made by Pentol Gapek GGS Food.

Financing activities: Funding decisions often involve raising long-term debt or short-term debt. This decision is within the authority of the manager. The decision to provide additional financing in the form of long-term loans was made to maximize the operational capacity of Pentol Gapek GGS Food.

## **CONCLUSION**

UMKM Pentol Gapek GGS Food is a company operating in the culinary sector. These MSMEs do not use cash flow reports to determine the situation and conditions periodically, understand overall cash flow conditions to predict future cash flow conditions, quickly detect possible problems that arise and evaluate the performance of each operating unit. The cash flow reports prepared in collaboration with researchers are then analyzed for cash flow reports in decision making, such as decisions related to operating activities, investment activities and financial management activities, but are not optimal and still need to be improved.

Suggestions that the author can put forward in this research are as follows:

1. Pentol Gapek GGS Food MSMEs need to pay attention and make cash flow reports so that changes in cash that occur each year can be known.
2. Pentol Gapek GGS Food MSMEs need to use cash flow reports in making management decisions.

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