COSTING: Journal of Economic, Business and Accounting
Volume 8 Nomor 4, Tahun 2025
e-ISSN : 2597-5234

FINANCIAL RESTRUCTURING, COST OPTIMIZATION, AND HUMAN RESOURCE TRANSFORMATION IN A DISTRIBUTION COMPANY (PT ASAR ABADI INDONESIA)

RESTRUKTURISASI KEUANGAN, OPTIMALISASI BIAYA, DAN TRANSFORMASI SUMBER DAYA MANUSIA DI PERUSAHAAN DISTRIBUSI (PT ASAR ABADI INDONESIA)

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ABSTRACT

This research focuses on evaluating the financial health and operational expenditures of PT Asar Abadi Indonesia (AAI) and aims to develop an effective restructuring strategy to enhance financial stability and optimize costs. The financial ratio assessment reveals a marked downturn in company performance, as evidenced by a weakened Return on Equity (ROE), an elevated Debt-to-Equity Ratio (DER) reaching 11.99, and a decline in the Altman Z-score to 3.33 in 2023. Projections across pessimistic, moderate, and optimistic scenarios uniformly indicate negative trends in both net income and equity. To address these challenges, the study proposes a key strategy in the form of a Debt-to-Equity Swap (DES), primarily targeting related-party liabilities, which would lower the DER to 5.91. Additionally, a common size analysis of general and administrative (G&A) expenses was conducted, benchmarked against four publicly listed distribution firms on the Indonesia Stock Exchange (IDX). The results highlight that AAI's cost allocation particularly in human resources, office operations, and professional services is less than optimal. As part of the operational recommendations, the research introduces a revised organizational structure for the entire group, accompanied by a staged implementation roadmap. It also underscores the necessity of maintaining well-defined distribution zones to prevent unnecessary cost escalation. Together, these strategic initiatives aim to streamline AAI's G&A expenditure and support the recovery of long-term profitability.

Keywords : *Debt-To-Equity Swap, Organizational Structure, G&A Expenses, Debt-To-Equity Ratio, Return On Equity*

ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi kondisi keuangan serta beban operasional PT Asar Abadi Indonesia (AAI), sekaligus menyusun strategi restrukturisasi yang tepat guna meningkatkan kestabilan finansial dan efisiensi biaya operasional. Hasil analisis rasio keuangan menunjukkan adanya penurunan signifikan dalam performa perusahaan, yang ditandai dengan melemahnya Return on Equity (ROE), meningkatnya Debt to Equity Ratio (DER) hingga mencapai 11,99, serta turunnya skor Altman Z menjadi 3,33 pada tahun 2023. Proyeksi keuangan dalam berbagai scenario baik pesimistis, moderat, maupun optimistis secara konsisten memperlihatkan tren negatif terhadap laba bersih dan ekuitas perusahaan. Sebagai langkah penanganan, penelitian ini merekomendasikan strategi utama berupa Debt-to-Equity Swap (DES), dengan fokus pada pengurangan utang kepada pihak berelasi guna menurunkan DER menjadi 5,91. Di samping itu, dilakukan analisis terhadap beban umum dan administrasi (G&A) menggunakan metode common size, dengan pembanding empat perusahaan distribusi yang tercatat di Bursa Efek Indonesia (BEI). Hasil analisis benchmarking menunjukkan bahwa alokasi biaya AAI dinilai kurang efisien, khususnya dalam aspek sumber daya manusia, operasional kantor, dan layanan profesional. Untuk mendukung efisiensi operasional, studi ini juga mengusulkan struktur organisasi baru untuk seluruh entitas dalam grup perusahaan, lengkap dengan rencana implementasi bertahap. Selain itu, penelitian ini menyoroti pentingnya kepatuhan terhadap batas wilayah distribusi sebagai upaya untuk menghindari lonjakan biaya yang tidak perlu. Serangkaian strategi ini diharapkan mampu memperbaiki struktur biaya G&A perusahaan serta memulihkan profitabilitas jangka panjang.

Kata Kunci : Debt-To-Equity Swap, Struktur Organisasi, Beban G&A, Debt-To-Equity Ratio, Return On Equity

INTRODUCTION

PT Asar Abadi Indonesia (AAI), a distribution company, faces serious financial health issues due to an imbalanced capital structure with a Debt-to-Equity Ratio (DER) nearing 12 in 2023. This heavy reliance on debt has increased financial risks and reduced flexibility. Despite revenue growth, the company struggles with high operational costs particularly in general and administrative expenses which outpace income and lead to ongoing losses. AAI has relied on supplier incentives as alternative income, but these are insufficient to sustain profitability. Net profit dropped significantly in 2023, highlighting poor cost management and dependence on non-operational income.

AAI's financial condition has become critically unstable due to rising debt, increasing costs, and declining profitability. To address this, the company must rebalance its capital structure especially by reducing debt and a Debt-to-Equity Swap (DES) is proposed as a strategic solution. DES can help lower AAI's Debt-to-Equity Ratio, strengthen its capital base, and enhance financial sustainability without excessive reliance on debt or drastic cost-cutting. Financial health reflects a company's stability, liquidity, and ability to generate long-term value. AAI's ongoing losses and rising liabilities indicate financial distress that demands urgent corrective action. Without improved financial management, the company risks liquidity crises, insolvency, and even bankruptcy.

AAI faces financial instability due to an imbalanced capital structure, high debt dependence, and excessive costs. With a

DER of 11.99 and shrinking profit margins, the company's financial outlook is unsustainable. Without corrective action, AAI risks deeper equity losses and long-term distress. This research aims to evaluate the use of a Debt-to-Equity Swap to reduce liabilities and restore balance, along with cost management strategies to improve profitability and sustainability.

Here's a concise summary of the company profile:

Company Profile (Summary):

PT Asar Abadi Indonesia (AAI) is a key player in Indonesia's FMCG distribution sector, focusing mainly on ice cream products from Unilever's Wall's brand. As a subsidiary of Asar Group, AAI manages the ice cream distribution cycle, supporting retailers who deliver products to end consumers. Asar Group supports a wide range of businesses by ensuring retailers have access to quality goods, helping them maintain market presence. AAI's strong partnership with Unilever enhances its distribution network, enabling efficient delivery and service. The company aims to be Indonesia's leading distribution firm, committed to supporting business growth and consumer welfare through reliable and high-quality distribution services.

PT Asar Abadi Indonesia's mission is to deliver high quality, cost effective, and timely distribution services that connect businesses and consumers. The company focuses on resource development, system efficiency, innovation, and aims to become a leading, competitive distributor in Indonesia. AAI operates a strategic network of warehouses across the country, with the largest in Cirebon serving over 3,000 outlets, and other warehouses covering key regions to ensure efficient service and reliable delivery nationwide.

Business Issue (Summary):

PT Asar Abadi Indonesia faces financial instability caused by an unbalanced capital structure and excessive debt, with a high Debt-to-Equity Ratio of 12 in 2023. Despite revenue growth, rising operational expenses led to a 2% loss and shrinking profits. The company's reliance on supplier incentives has not offset these costs. To avoid worsening financial distress, a Debt to Equity Swap (DES) is proposed to reduce liabilities, rebalance capital, and restore stability. Without prompt action, AAI risks liquidity problems and possible bankruptcy.

Stakeholder Mapping

In light of AAI's current financial challenges, several key stakeholders play important roles and are directly affected by the situation. These stakeholders can be classified as follows:

Shareholders

As the company's owners, shareholders are significantly impacted by the reduced equity value resulting from AAI's high debt burden, elevated Debt-to-Equity Ratio (DER), and rising operational costs. Failure to resolve these financial issues could erode shareholder trust, potentially lowering the company's valuation and limiting its ability to raise capital through equity in the future. A detailed breakdown of shareholder ownership is provided in the following table.

able 1. Shareholders Ownership

No.	Shareholder Name	Ownership Percentage (%)	Number of Shares
1	GS	63%	1,200
2	PT AKI	37%	700
Total		**100%**	**1,900**

Several key stakeholders are directly impacted by PT Asar Abadi Indonesia's financial instability. Creditors and financial institutions are particularly concerned about the company's high Debt-to-Equity Ratio (DER) and lack of a clear repayment strategy, which increase the risk of default and could reduce future lending opportunities. Customers, who depend on AAI for timely and reliable distribution, may experience service disruptions if financial issues affect operations potentially causing them to shift to competitors. Suppliers and principals also face risks, as delayed payments due to cash flow problems could damage relationships and jeopardize supply continuity. Lastly, employees, though not directly involved in financial decision-making, could suffer from budget cuts, layoffs, or reduced benefits if the company's situation worsens, negatively affecting morale and productivity. Addressing these financial concerns is essential to maintain trust and stability across all stakeholder groups.

Research Questions and Objectives

This study explores three main research questions related to PT Asar Abadi Indonesia's financial condition: the impact of its capital structure and high Debt-to-Equity Ratio (DER), the appropriateness of its General & Administrative (G&A) expenses compared to industry peers, and the effectiveness of its current organizational structure in supporting operations and cost management. Accordingly, the objectives are to assess AAI's capital structure, benchmark its G&A expenses using common size analysis, and recommend improvements to its organizational structure to optimize costs and performance.

Research Purpose

The main aim of this research is to analyze AAI's financial challenges particularly high debt levels and rising operational costs and to provide actionable strategies to improve financial health, rebuild stakeholder confidence, and support future growth and credit access in the distribution industry.

Research Significance

This research is significant both practically and academically. For AAI, it offers feasible financial restructuring and cost-efficiency strategies to stabilize liquidity and attract future investment. Academically, it contributes to the literature on corporate debt management and financial restructuring in Indonesian distribution firms, serving as a valuable reference for similar future studies. More broadly, the findings provide insights for other distribution companies facing financial instability, offering guidance on sustainable financial improvement and competitiveness in a demanding market environment.

Research Scope and Limitations

This research focuses on analyzing PT Asar Abadi Indonesia's internal financial condition, with particular emphasis on its debt structure—especially related-party loans that contribute to its high Debt-to-Equity Ratio (DER). The study aims to identify key issues in the company's debt management and evaluate their impact on long-term financial stability.

However, the research excludes external factors such as market conditions, economic policies, and broader operational issues. It also does not cover areas like marketing, product development, or non-financial activities. The scope is limited to debt-related challenges and cost allocation methods directly affecting the company's financial sustainability.

Literatur Review

This chapter provides a critical review of theories and previous studies related to AAI's financial issues, focusing on key concepts such as Financial Statement Analysis, Financial Ratios, Scenario Analysis, Debt-to-Equity Swap (DES), Common Size Theory, and Financial Health. These frameworks help analyze AAI's challenges especially its high DER, rising operational costs, and lack of a clear debt repayment strategy while offering insight into practical solutions.

The literature also connects theoretical financial concepts to real-world practices in the distribution sector, emphasizing the importance of debt management and cost control for sustainability and growth. This review lays the groundwork for developing a conceptual framework to guide the study's analysis and recommendations.

Theoretical Foundation

The research is built on theories of corporate debt management and financial restructuring. These theories explain how to balance debt and equity to minimize risk and ensure long-term stability. Debt restructuring is also explored as a strategic tool to align debt commitments with financial capacity, improve liquidity, and support business recovery.

Financial Statement Analysis

Financial statement analysis is essential for understanding a company's financial condition, efficiency, and stability. It helps stakeholders make informed decisions by evaluating relationships in financial reports like the balance sheet, income statement, and cash flow. According to multiple studies

(Hasanaj & Kuqi, 2019; Osadchy et al., 2018; Panchenko et al., 2024), this analysis enables companies to assess past performance, identify financial risks, and plan for future sustainability.

In AAI's case, financial statement analysis will help assess leverage, debt capacity, and cash flow, supporting the creation of a realistic debt repayment plan and ensuring sufficient liquidity for long-term financial health.

Financial ratio analysis is a tool used to assess a company's performance and financial condition by comparing figures from its financial statements. It helps identify trends, measure profitability, liquidity, and leverage, and predict potential financial distress. Key ratios include the Current Ratio (CR), Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Return on Equity (ROE), which provide insights into the company's efficiency and risk exposure.

In this study, financial ratio analysis is used to evaluate AAI's financial health and develop a debt repayment strategy. DER assesses the company's leverage, while ROE reflects the efficiency of equity use in generating profit, guiding the allocation of net income for debt repayment. This analysis supports decisions such as restructuring debt or seeking new investment.

Altman Z-Score – Summary

The Altman Z-Score is a bankruptcy prediction model that uses multiple financial ratios to assess a company's risk of insolvency. It includes metrics such as working capital, retained earnings, earnings before interest and tax, and equity to liabilities ratios. Widely adopted across industries, the Z-Score acts as an early warning system for financial distress.

Studies show that retained earnings and EBIT (as a percentage of total assets) significantly influence the score's accuracy. In this research, the Z-Score will be used to evaluate AAI's financial vulnerability and help recommend preventive measures to avoid insolvency.

Financial Forecasting

Financial forecasting plays a crucial role in assessing a company's current financial status and predicting future performance to support better decision-making. This research includes three financial scenarios: worst, base, and best case, based on projected revenue growth. Each scenario will be analyzed to identify trends and assess financial risks.

Scenario analysis, as explained by Brzaković et al., involves evaluating different outcomes (e.g., NPV) under various conditions. It helps assess risks and variability in project performance, enabling better strategic planning. For AAI, this analysis will guide the company in understanding the potential impact of different financial conditions on its debt repayment strategy and ensure financial resilience under both favorable and adverse situations.

Debt to Equity Swap

A Debt-to-Equity Swap (DES) is a financial restructuring method where a company converts part of its debt into equity. This reduces the company's leverage and improves its financial position. Research by Zhang & Tong (2023) highlights its effectiveness, especially for companies under financial stress or with high debt levels.

This approach helps stabilize the business, maintain creditor relationships, and restore investor confidence. According to Permana & Adrianto (2020), DES can be a strategic option when companies face bad balance sheets, enabling them to reorganize liabilities and gain more time for recovery. Prasetiyono (2024) adds that transparent financial reporting is essential for DES to succeed and for maintaining good corporate governance.

For AAI, implementing a DES could improve liquidity, reduce financial risk, and attract new investments supporting long term financial growth and sustainability.

Common Size Analysis

Common Size Analysis is a vertical analysis method that converts absolute values in financial statements into relative percentages, making it easier to compare financial trends across periods or against industry standards. In this study, this method is used to evaluate the composition of the company's General and Administrative (G&A) expenses by grouping costs into several categories such as employee expenses, office operations, asset rentals, utilities, consulting fees, and miscellaneous costs.

The analysis compares the proportion of AAI's costs to those of four similar publicly listed companies. This aims to identify cost deviations that may indicate inefficiencies or unstrategic allocations.

Human Resource Management

Human Resource Management (HRM) plays a crucial role in enhancing cost efficiency and overall company performance. HR should not be viewed merely as a financial burden but as a strategic asset. Optimized HRM strengthens internal controls and reduces unnecessary expenditures.

To achieve long-term efficiency, AAI needs to ensure that the number and competencies of its employees align with the company's strategic needs. Efficiency means using resources economically, while effectiveness means using resources in the right way. Combining both helps AAI reduce cost leakage and increase the contribution of each function toward business objectives. Without this balance, the company risks wasting time and resources without significant results.

Conceptual Framework

This study's conceptual framework combines debt management and financial restructuring to address AAI's financial challenges. Debt management focuses on optimizing the company's capital structure by lowering its high Debt-to-Equity Ratio and ensuring financial stability. Financial restructuring provides practical strategies for debt realignment, cash flow improvement, and performance enhancement. The framework also includes financial forecasting based on audited statements from 2020 and 2021 to predict future financial conditions. Overall, it offers a structured approach to analyze AAI's finances and deliver actionable, theory driven recommendations.

Research Methodology

Chapter three presents the research methodology used to address the business challenges encountered by AAI. This methodology provides a structured framework to analyse the company's financial restructuring issues. The study adopts a quantitative approach, aimed at thoroughly assessing AAI's financial position and forecasting future scenarios using historical financial data from 2020 and 2021. This method is intended to produce accurate, data-based strategies for improving debt restructuring and financial management.

The chapter also explains the analytical tools, data sources, and data collection techniques applied in the study. Financial forecasting and quantitative analysis are used to interpret past performance, identify current problems, and propose actionable recommendations.

By implementing these methods systematically, the research seeks to generate reliable, evidence-backed answers to the research questions, ensuring the solutions are practical and rooted in strong financial analysis. This approach ensures the methodology remains aligned with AAI's objectives, especially in tackling its debt and financial structure issues.

Research Design

This study adopts a quantitative research approach to generate solutions based on empirical data, aimed at formulating an actionable plan to address the business challenges encountered by AAI. The method involves a structured analysis of numerical information to identify trends and correlations that support well-informed decision-making. One of the main advantages of this approach is its ability to deliver unbiased, objective insights that form the foundation for precise and well calculated financial strategies.

Data Collection Method

This study gathers data using secondary sources, specifically from AAI's financial statements for the years 2022 and 2023. The most recent financial reports were excluded due to access limitations and pending internal approval, as they have not yet been audited. The data extracted includes key financial indicators such as total debt, equity, net income, and cash flow. The main sources consist of audited financial reports, internal company documents, and additional materials like credit agreements, all of which will be analysed to support the research.

Data Analysis Methodology

The study initiates its analysis through a combination of methods, including financial statement analysis, financial ratio assessment, DuPont analysis, financial forecasting, Altman Z-score evaluation, common size analysis, and a review of human resource management transformation. Together, these analytical tools provide a holistic overview of AAI's financial health, encompassing aspects such as performance, profitability, and leverage.

Financial Statement Analysis

This study applies structured financial statement analysis to evaluate AAI's performance over 2022 and 2023, focusing on the income statement and balance sheet. The goal is to identify financial trends, risks, and deviations that may affect the company's outlook. Key aspects reviewed include revenue growth, expenses, and profitability from the income statement, as well as assets, liabilities, equity, and capital structure from the balance sheet. Financial ratios are also analyzed to assess risk and solvency.

Financial Ratio and DuPont Analysis

To further evaluate AAI's financial condition, this study incorporates financial ratio analysis as a supporting tool. A central focus is the Debt-to-Equity Ratio (DER), which acts as a crucial metric for assessing the company's capital structure. It is determined by dividing the company's total liabilities by its total equity:

$$DER = \frac{Total\ Liabilities}{Total\ Equity}$$

The research evaluates AAI's capital structure by analyzing its Debt-to-Equity Ratio (DER) over time, where a high DER signals greater financial risk and liquidity concerns, while a low DER indicates better solvency. AAI's DER is also compared to industry peers to assess its leverage health. Additionally, DuPont Analysis is used to break down Return on Equity (ROE) into Profit Margin, Asset Turnover, and Equity Multiplier for deeper insight into financial performance.

$$ROE = Profit\ Margin\ \times Asset\ Turnover \times Equity\ Multiplier$$

This breakdown provides a deeper understanding of the factors that enhance or diminish ROE by examining operational performance, efficiency, and financial structure.

1. Profit Margin
   Profit margin, defined as net income divided by revenue, indicates the company's effectiveness in converting sales into net profit and also reflects its cost management and strategic decisions.
   $$Profit\ Margin = \frac{Net\ Income}{Sales}$$
2. Asset Turnover
   Asset turnover is determined by dividing sales by total assets, showing how effectively the company uses its assets to produce sales. A decreasing asset turnover trend may suggest that resources are being underused or that asset growth is outpacing sales.
   $$Asset\ Turnover = \frac{Sales}{Total\ Asset}$$
3. Equity Multiplier
   The equity multiplier is derived by dividing total assets by total equity and indicates the level of financial leverage employed by AAI. A higher equity multiplier signifies greater reliance on debt to finance the company's assets.

This research includes a five-year financial forecast for AAI, modeled under three different sales growth scenarios to explore potential future outcomes. The worst-case scenario assumes a conservative annual sales growth of 5.31%, reflecting Indonesia's 2022 economic growth and a challenging business environment with limited expansion. The base-case scenario projects a moderate growth rate of 11.15%, balancing national economic growth and logistics sector trends, indicating moderate improvements for AAI. The best-case scenario forecasts a strong growth of 16.99%, aligned with historical logistics sector expansion, assuming AAI fully capitalizes on market opportunities. These scenarios are developed using a bottom-up approach, starting with sales projections and then estimating gross income, expenses, and net income based on past financial data. This method helps assess how varying sales growth rates might impact AAI's overall financial performance.

Altman Z-Score Analysis

The Altman Z-Score, developed by Edward I. Altman in 1968, is a well-established model used for predicting corporate bankruptcy risk. It has been widely applied for over fifty years as an effective tool to evaluate the probability of a company facing insolvency. The model combines multiple financial ratios, such as net working capital to total assets (X1), retained earnings to total assets (X2), earnings before interest and tax to total assets (X3), book value of equity to total liabilities (X4), and net sales to total assets (X5). The following outlines the detailed process of calculating the Z-Score step-by-step:

- $X1 = \frac{Working\ Capital}{Total\ Assets}$
- $X2 = \frac{Retained\ Earnings}{Total\ Assets}$
- $X3 = \frac{Earnings\ Before\ Tax\ (EBIT)}{Total\ Assets}$
- $X4 = \frac{Market\ Value\ of\ Equity}{Total\ Liabilities}$
- $X5 = \frac{Net\ Sales}{Total\ Assets}$

After calculating each component, the first ratio (X1) is multiplied by 1.2, the second ratio (X2) by 1.4, the third ratio (X3) by 3.3, the fourth ratio (X4) by 0.6, and the fifth ratio (X5) by 1.0. These weighted values are then added together to determine the Z-Score for the years 2022 and 2023.

Results and Discussion

Chapter four presents the research findings based on AAI's financial analysis and discusses initiatives to tackle financial restructuring and cost control issues. It includes sections on analysis, business initiatives, and an implementation plan with justifications. The analysis reviews 2022 and 2023 financial data, ratios, and forecasts to understand the company's condition. The business initiatives suggest strategies for financial improvement, while the implementation plan details actionable steps and their rationale. This chapter is the core of the study, linking quantitative analysis to practical recommendations.

Analysis

The comprehensive financial analysis of AAI offers a thorough assessment of the company's financial health, emphasizing profitability, leverage, and operational efficiency, which reveals major strengths as well as opportunities for strategic enhancement.

Financial Statement Analysis

Presented below is the detailed Income Statement of AAI for the years 2022 and 2023, accompanied by a detailed analysis and interpretation of the company's financial performance over these periods.

Table 2. AAI's Income Statement

Table 2. AAI's Profit or Loss Statement	2022 (IDR)	2023 (IDR)
Revenue	172,047,542,203	220,736,021,859
Cost of Goods Sold (COGS)	(157,079,008,768)	(201,253,472,152)
Gross Profit	**14,968,533,435**	**19,482,549,707**
General & Administrative Expenses	(17,831,963,931)	(23,199,000,949)
Operating Income	**(2,863,430,496)**	**(3,716,451,242)**
Other Income	6,685,266,949	6,350,805,385
Other Expenses	(60,059,847)	(947,569,292)
Earnings Before Tax (EBIT)	**3,761,776,579**	**1,686,784,851**
Income Tax Expense	(970,169,122)	(588,354,674)
Net Income	**2,791,607,457**	**1,098,430,177**

AAI's financial statements for 2022 and 2023 show a significant revenue increase of 28.3%, rising from Rp 172 billion to Rp 220 billion. However, net profit did not grow proportionally due to a similar increase in the cost of goods sold, which remained around 91% of revenue. Gross profit increased by about 30%, but this was offset by a 30.1% rise in General and Administrative Expenses. Operating losses worsened from Rp 2.86 billion in 2022 to Rp 3.72 billion in 2023. Other income slightly declined but helped reduce core business losses, partly from compensations managed by the principal. Income before tax dropped by over 50%, and net profit fell from Rp 2.79 billion to Rp 1.1 billion, reducing net profit margin from 1.6% to 0.5%.

The balance sheet for both years will be analyzed further in the following section.

Figure 3. AAI's Balance Sheet

Balance Sheet	**31-Dec-22**	**31-Dec-23**
Cash and Cash Equivalents	826.003.750	5.549.603.118
Accounts Receivables	4.689.098.431	3.958.310.758
Related Party Receivables	0	4.201.811.000
Third Party Receivables	1.385.031.468	1.766.785.622
Inventory	16.885.732.706	22.665.137.423
Prepaid Taxes	717.603.596	0
Advances and Prepaid	3.388.981.510	2.607.052.832
Total Current Assets	**27.892.451.461**	**40.748.700.753**
Net Fixed Assets	9.648.184.538	34.520.900.213
Other Assets	6.000.000.000	0
Total Non-Current Assets	**15.648.184.538**	**34.520.900.213**
TOTAL ASSETS	**43.540.635.999**	**75.269.600.966**
Account Payables	16.566.670.688	15.186.357.502
Tax Payables	0	1.168.400.202
Bank Loans	4.146.791	1.553.464.045
Lease Liabilities	274.359.135	887.460.000
Total Current Liabilities	**16.845.176.614**	**18.795.681.749**
Bank Loans	0	10.059.803.749
Lease Liabilities	1.653.851.928	1.121.253.835
Other Related Party Loans	21.250.000.000	39.502.824.000
Total Non-Current Liabilities	**22.903.851.928**	**50.683.881.584**
TOTAL LIABILITIES	**39.749.028.542**	**69.479.563.333**
Share Capital	1.000.000.000	1.900.000.000
Retained Earnings	2.791.607.457	3.890.037.633
TOTAL EQUITY	**3.791.607.457**	**5.790.037.633**
TOTAL LIABILITIES AND EQUITY	**43.540.635.999**	**75.269.600.966**

AAI's balance sheet analysis shows total assets grew 72.9% from Rp 43.5 billion in 2022 to Rp 75.3 billion in 2023, mainly funded by debt. Liabilities rose

74.8% to Rp 69.5 billion, outpacing equity growth of 52.7% to Rp 5.8 billion. This indicates heavy reliance on debt rather than internal capital. The increase in liabilities was largely due to related-party loans, which rose sharply and limit financial flexibility. surged to 11.99 in 2023, indicating very high leverage beyond typical safe limits.

Figure 4. Related-Party Debt

Related-Party	Debt 2023	Debt 2022
YP	Rp 32.702.824.000,00	Rp 14.000.000.000,00
AF	Rp 4.200.000.000,00	Rp 4.200.000.000,00
GS	Rp 2.600.000.000,00	Rp -
AS	Rp -	Rp 2.500.000.000,00
PT AKI	Rp -	Rp 550.000.000,00
Total Related-Party Debt	**Rp 39.502.824.000,00**	**Rp 21.250.000.000,00**

AAI's liabilities include strategic account payables tied to a supplier agreement allowing inventory purchase without upfront payment, which helps maintain cash flow despite increasing reported liabilities. Although this boosts asset growth, the company heavily relies on debt especially related-party loans resulting in a high Debt-to-Equity Ratio (DER) of 11.99, indicating financial risk. AAI must strengthen its equity and reduce debt dependency to ensure long-term financial stability.

Financial Ratio & DuPont Analysis

The DuPont Analysis breaks down Return on Equity (ROE) into three main components: Profit Margin, Asset Turnover, and Equity Multiplier. This breakdown provides a detailed and thorough understanding of the factors influencing the company's overall financial results. Each element focuses on a distinct part of the company's performance: Profit Margin shows profitability, Asset Turnover measures how efficiently assets generate revenue, and the Equity Multiplier reflects the level of financial leverage. By analyzing these ratios closely, the DuPont Analysis offers a clearer insight into how effectively the company uses its equity to generate shareholder value. The following sections present the detailed calculations for each key ratio:

Altman Z-Score Analysis

To evaluate the company's financial health, the Altman Z-Score was computed for the years 2022 and 2023 based on five crucial financial ratios. The calculation employed the classic Z-Score formula designed for manufacturing and private firms, which is:

$$Z = 1.2X1 + 1.4X2 + 3.3X3 + 0.6X4 + 1.0X5$$

According to the definitions of the formula described in the previous chapter, here is the Z-Score calculation for 2022:

- $X1 = \frac{11,047,274,847}{43,540,635,999} = 0.2536$
- $X2 = \frac{2,791.607,457}{43,540,635,999} = 0.0641$
- $X3 = \frac{3,761,776,579}{43,540,635,999} = 0.0864$

- $X4 = \frac{1{,}000{,}000{,}000}{39{,}749{,}028{,}542} = 0.0252$
- $X5 = \frac{172{,}047{,}542{,}203}{43{,}540{,}635{,}999} = 3.9501$

$Z = (1.2)(0.2536) + (1.4)(0.0641) + (3.3)(0.0864) + (0.6)(0.0252) + (1.0)(3.9501) = 4.38$

On the other hand, here is the Z-Score calculation for 2023:

- $X1 = \frac{21{,}953{,}019{,}004}{75{,}269{,}600{,}966} = 0.2917$
- $X2 = \frac{3{,}890{,}037{,}633}{75{,}269{,}600{,}966} = 0.0517$
- $X3 = \frac{1{,}686{,}784{,}851}{75{,}269{,}600{,}966} = 0.0224$
- $X4 = \frac{1{,}900{,}000{,}000}{69{,}479{,}563{,}333} = 0.0273$
- $X5 = \frac{220{,}736{,}021{,}859}{75{,}269{,}600{,}966} = 2.9335$

$Z = (1.2)(0.2917) + (1.4)(0.0517) + (3.3)(0.0224) + (0.6)(0.0273) + (1.0)(2.9335) = 3.33$

The Altman Z-Score for AAI was 4.38 in 2022, indicating strong financial stability with effective asset use and solid earnings. However, by 2023, the score dropped to 3.33, still in the safe zone but reflecting a decline in profitability and asset efficiency, mainly due to a sharp fall in operating earnings relative to assets. Despite slight improvement in equity-to-liabilities ratio, reduced revenue generation from assets contributed to the decrease. While not signaling immediate risk, this decline warns of potential financial weaknesses, suggesting AAI should focus on improving profitability and asset utilization.

This section of the research focuses on projecting AAI's future financial performance based on historical data and its current financial status. By examining past patterns and key financial metrics, the forecasting model estimates future revenue, costs, and profitability across different scenarios. This method is crucial for anticipating possible financial results and guiding strategic planning to promote sustainable growth and efficient debt management.

CONCLUSION

This research evaluated PT Asar Abadi Indonesia's (AAI) financial and operational condition and proposed initiatives to improve its capital structure, cost efficiency, and organizational effectiveness. Analysis of 2022-2023 financial statements, industry benchmarking, and organizational review revealed several key findings: First, AAI's financial structure is highly imbalanced, with a very high Debt-to-Equity Ratio (11.99 in 2023), declining profitability (ROE), and a falling Altman Z-score, indicating increasing financial risk and urgent need for capital restructuring. Second, AAI's General & Administrative expenses are disproportionately allocated, with excessive spending on office and operational costs but insufficient investment in employees and professional services, reducing operational effectiveness and cost efficiency. Third, the organizational structure lacks clear role definitions, reporting lines, and adequate staffing especially in HR and accounting leading to ineffective internal controls and higher risk of errors. These findings provide the basis for comprehensive recommendations aimed at transforming AAI's financial health, operations, and organizational framework.

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