

# REPORT ANALYSIS OF CASH FLOWS IN THE REGIONAL GOVERNMENT OF BOALEMO DISTRICT

**Iswan Alam<sup>1)</sup>, Titin Dunggio<sup>2)</sup>, and Sukrianto<sup>3)</sup>**

<sup>1,2,3)</sup> Bina Mandiri Gorontalo University

Email: iswanalam12@gmail.com

## ABSTRACT

The aim to be achieved in this research is to know in-depth about the results of the analysis of cash flow reports in the local government of Boalemo Regency.

In this study, researchers used quantitative research types. From the research population above, samples were taken from the 2017-2018 cash flow statement in the Regional Government of Boalemo Regency. The method used in this paper is descriptive quantitative using cash flow ratios.

The results showed that the analysis of aruskas reports in the local government of Boalemo district was seen from: 1) from the results of the analysis of the Operational Cash Flow Ratio data after the analysis there was an increase of 5.5%, this explains that the Regional Government of Boalemo Regency has a good financial performance with an increase in the average increase; 2) from the results of the data analysis of the investment cash flow ratio, after the analysis was carried out there was an increase of 4.9%. Looking at the data shows that the average increase is good from 2017 to 2018. So that the Regional Government of Boalemo Regency is able to manage related cash management aimed at acquiring and disposing of fixed assets and other investments in cash; 3) from the data analysis, the Funding Cash Flow Ratio after the analysis is down to 4.6%. In financing cash flow reflects the demand and cash disbursements related to long-term loans; 4) from the results of the analysis of the Transitoris Cash Flow Ratio data, after the analysis, the value is still fixed or balanced by 2.6%. From these results it can be explained that cash flow from transitor activities reflects cash receipts and disbursements to the Regional Government of Boalemo Regency in government funding.

**Keywords:** reports, cash flow and local government.

## INTRODUCTION

In its development, the budget formulation system within government organizations has become a multifunctional policy instrument used as a tool to achieve organizational goals. Therefore, good financial management is needed in an effort to create good governance (Good Governance). Regional Government financial management is the ability of a region to explore and manage original regional financial sources in fulfilling its needs in

order to support the running of the government system, services to the community and regional development without being completely dependent on the central government and having the flexibility in using funds for the interests of the local community within the boundaries determined by statutory regulations.

Local governments will not be able to carry out their functions effectively and efficiently without sufficient costs to

provide services and development. Since its enactment Government Regulation Number 58 of 2005, concerning Regional Financial Management and Accountability, in its general provisions states that what is meant by regional finance is all the rights and obligations of the region in the context of administering regional governments that can be valued in money including all forms of regional assets, within the framework of Regional Revenue and Expenditure Budget [16].

Since the enactment of Law Number 50 of 1999 concerning the formation of Boalemo Regency, Boalemo Regency has a duty to provide an innovation in the government system towards a better direction to become more independent in managing and using regional government finances/budgets to carry out management functions properly [15].

One of the benchmarks to see the successful use of the budget is by analyzing financial reports for financial managers, namely cash flow statement analysis. Cash flow is used to find out how it will be used and how the required funds will be spent. The statement of cash flows directly or indirectly reflects an entity's cash receipts classified according to primary sources and cash payments classified according to primary users during the period. This report provides useful information about an entity's activities in generating cash regarding its financial activities and regarding its investments or cash disbursements. The main purpose of a cash flow statement is to provide information about cash receipts and payments during a period.

Management comes from the word to manage which means to organize, manage, or manage. From this meaning, substantially, where management contains elements of management activities. Thus, the question arises what is managed, how to manage it, for what it is to be managed, and who acts as manager [1].

Management is the science and art of regulating the process of utilizing human resources and other sources effectively and efficiently to achieve certain goals [7].

"Management is a distinct process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish stated objectives by the use of human being and other resources." organizing, directing, and controlling carried out to determine and achieve predetermined goals through the use of human resources and other sources [7].

Financial management is the process of regulating financial activities or activities in an organization, which includes planning, analysis and control of financial activities, usually carried out by financial managers [11].

explains that financial management is an amalgamation of science that discusses, studies and analyzes how a financial manager uses all company resources to raise funds, manage funds, and share funds with the aim of being able to provide profit or prosperity for shareholders and sustainability (sustainability), business for the company [4].

The science of financial management serves as a guide for company managers in making decisions. This means that a financial manager may make breakthroughs and think creatively, but all of this still does not override the prevailing principles in financial management science [5].

There are three kinds of financial management functions, namely:

1. Investation decision, this investment decision concerns how financial managers allocate funds into investment forms that will bring benefits in the future. The results of the investment policy can simply be seen on the assets side of the company's balance sheet.

2. Business activity spending decisions, in this case a financial manager is required to consider and analyze a combination of sources of economic spending for the company in order to finance its investment needs and business activities. The results of the policy on sources of expenditure can simply be seen from the side of the company's balance sheet liabilities.
3. Dividend decision, dividends are part of the profit paid by the company to shareholders. Therefore, this dividend is part of the income expected by shareholders [8].

The main functions of financial management are as follows:

1. Making decisions about raising funds for investment spending and financing. This decision answers important questions such as the following: a) how to obtain the required funds for efficient investment; b) what is the optimal funding source compensation that must be maintained; c) should you use foreign capital or your own capital; d) is there an effect of spending decisions on firm value. Efficiency in fundraising is reflected in obtaining funds at minimum costs.
2. Making decisions on the allocation of funds, both funds originating from within the organization and funds originating from outside the organization in various forms of investment. Broadly speaking, investment decisions can be grouped into short-term investments and long-term investments. Short-term investments such as investments in cash, inventories, accounts receivable and marketable securities. Meanwhile, long-term investments include buildings, production equipment, land, vehicles and other assets, for example. Effectiveness in obtaining funds is

reflected in the achievement of optimal profits.

3. Decision making in dividend policy, this decision principally concerns the decision whether the profits earned by the company should be distributed to shareholders in the form of cash dividends, share buybacks, or should be retained for future investment spending. Good dividend policy decisions are reflected in the increased prosperity of company owners.

The description above indicates that financial management plays an important role in an agency or organization or company. The financial manager is responsible for determining the optimal consideration for each type of asset of a company or organization. Financial management plays a role in decision making, from collecting funds for investment spending and financing, allocating funds, to dividing distribution [14].

Financial statements are essentially the result of an accounting process prepared according to generally accepted accounting principles that can be used to communicate financial data to interested parties. To provide a clearer picture of financial reports, the following is the definition of financial reports, among others: according to the preparation of regional government financial reports regulated in article 21 of Law Number 17 of 2003 concerning State Finances and Article 102 of Government Regulation Number 58 of 2005 concerning Financial Management The region states that the Head of the Regional Work Units (SKPD) as the budget user organizes accounting for financial transactions that are under their responsibility and prepares financial reports consisting of budget realization reports.

Financial reports include part of the financial reporting process. Complete

financial statements usually include balance sheets, income statements, changes in equity, changes in financial position statements (which can be presented in various ways for example, as cash flow statements), notes and other reports and explanatory material that are an integral part. from financial reports.

The specific objective of financial statements is to present fairly and in accordance with generally accepted accounting principles regarding financial position, results of operations and other changes in financial position. Meanwhile, in the Financial Accounting Standards (SAK) describes the objectives of the financial statements which contain: "The purpose of financial reports is to provide information concerning financial position, performance and changes in financial position, performance, as well as changes in the financial position of a company which are beneficial for a large number of uses in economic decision making [9].

The qualitative characteristics of financial statements are normative measures that need to be embodied in accounting information so that it can fulfill its objectives. which is a normative prerequisite for government financial reports to meet the desired quality. The characteristics required are:

1. Relevant, Financial reports can be said to be relevant if the information contained in them can influence users' decisions by helping them evaluate past or present events, and predict the future, as well as confirm or correct the results of their past evaluations. Relevant financial statement information, namely: a) has the benefit of feedback (feedback value); b) has predictive value; c) on time and complete. Reliable, The information in

the financial statements is free from misleading understanding and material errors, presents every fact honestly, and can be verified. Information may be relevant, but if its nature or presentation is unreliable then users of the information can potentially be misleading. Reliable information is information that meets the characteristics: honest, verifiable, and neutrality presentation.

2. Comparable, the financial statements will be more useful if they can be compared with the financial statements of the previous period or the financial reports of other reporting entities before. Comparisons can be made internally and externally. Internal comparisons are made when an entity applies the same accounting policies from year to year. Meanwhile, externally comparisons are made when the entities being compared can apply the same accounting policies.
3. Can be understood, the information presented in the financial statements can be understood by users and expressed in forms and terms that are adjusted to the limits of understanding of the users. Users are assumed to have adequate knowledge of the activities and operating environment of the reporting entity [2]. The characteristics of financial statements in this study are to ensure transparency through full disclosure and provide a fair presentation of useful information for decision-making purposes. Fast cash flow is essential to management's liquidity objectives. If the cash flow exceeds the needs of the company's operations and expansion, the company certainly does not need to borrow additional funds. Excess cash flow will be available to reduce debt to equity. Every year the company prepares three main financial statements, the income statement or balance sheet, but in fact

the cash flow statement is as important as any other financial report. Cash flow is the inflow and outflow of cash and cash equivalents. The statements of cash flows report cash during a specified period and classified according to operating, investing and financing activities. A statement of cash flow is a financial statement that reports the amount of cash received and paid by a company during a certain period. The cash flow statement is a part of a company's financial statements produced in an accounting period that shows the inflows and outflows of company money [12].

Based on the Statement of Government Accounting Standards No. 03, Government Regulation No. 71/2010, cash flow reporting aims to provide information on the sources, uses, changes in cash and cash equivalents during an accounting period as well as cash and cash equivalents at the reporting date.

This information is presented for accountability and decision making. The cash flow statement is presented by the reporting entity which consists of: a) central government; b) regional government; c) respective state ministries or institutions within the central government; and d) if the organizational unit within the central/regional government or other organizations demands legislation, the said organizational unit is obliged to present a financial report.

#### Cash Flow Statement Presentation

The cash flow statement is presented by classification according to activities, namely operating, investing, financing, and transitory activities in order to provide information that enables report users to assess the effect of these activities on the government's cash and cash equivalents position. explanation of the four activities in the cash flow statement:

1. Operating activities are cash receipts and disbursements aimed at government operations during one accounting period. The inflow of operating activities is obtained from: a) tax revenue; b) non-tax state revenue (PNBP); c) grant receipt; d) revenue share of state/regional company profits and other investments; e) other revenue/revenue from extraordinary income; and f) transfer acceptance.

The outflow from operating activities is used to: a) employee payments; b) payment of goods; c) interest payment; d) payment of subsidies; e) grant payment; f) social assistance payments; g) other payments/extraordinary Events; and h) transfer payment.

Net cash flow from operating activities is an indicator that shows the ability of government operations to generate sufficient cash to finance its operational activities in the future without relying on external sources of funding.

2. Investing activities are cash receipts and disbursements shown for the acquisition and disposal of fixed assets and other investments that are not included in cash equivalents. Cash inflows from investing activities consist of: a) sale of fixed assets; b) sales of other assets; c) disbursement of the Reserve Fund; d) receipts from divestment; e) sale of investments in the form of securities. Cash outflows from investing activities consist of: a) acquisition of fixed assets; b) acquisition of other assets; c) establishment of a reserve fund; d) government equity participation; e) Purchase of Investments in the form of Securities. Cash flows from investing activities reflect gross cash receipts and disbursements in the context of obtaining and disposing of economic resources aimed at improving and

supporting government services to the community in the future.

3. Funding activity is the activity of receiving and disbursing cash related to the provision of long-term receivables and/or long-term debt repayment which results in changes in the amount and composition of long-term receivables and long-term debt. Cash inflows from financing activities include: a) receipt of foreign debt; b) proceeds from bonds payable; c) receipt of loans back to local governments; d) receipt of loans back to state companies. Cash outflows from financing activities include: a) payment of principal foreign debt; b) payment of principal debt bonds; c) cash disbursements to be lent to local governments; d) cash disbursements to be lent to state companies. Cash flows from financing activities reflect cash receipts and payments related to obtaining or providing long-term loans.
4. Transitory activities are cash receipts and disbursements that are not included in operating, investing and financing activities. Cash flows from transitory activities represent gross cash receipts and payments that do not affect government revenues, expenses, and financing. Transactions that are included in transitory activities include:
  - a. Third Party Calculation (PFK), PFK describes cash originating from the amount of funds deducted from the Payment Order or received in cash for third parties such as Taspen and Askes deductions,
  - b. Transitoris reception, Money incoming and receipt of back money supply from the treasurer of expenditure,
  - c. Transitoris discharge; and
  - d. Money out transfers and provision of money from the expenditure treasurer.
5. Money transfers, Money transfers describe cash transfers between

state/regional general cash accounts [17].

## RESEARCH METHOD

In this study, researchers used a descriptive type of research with a quantitative approach. This method intends to get a picture of how the level of financial performance is. The quantitative research approach is a research method based on the philosophy of positivism, used to examine specific populations and samples, data collection using research instruments, quantitative / statistical data analysis, with the aim of testing the established hypothesis [13].

In this study, the approach used to analyze financial performance or in the form of quantitative data on the Regional Government of Boalemo Regency. Descriptive research in this study aims to describe, analyze, interpret and describe how good or bad the cash flow report is in the local government of Boalemo Regency.

To solve the research problem, the researcher used a quantitative descriptive method that emphasized testing theories through measuring the research variables with numbers and analyzing data with statistical procedures. The method used in this writing is quantitative descriptive using the akas flow ratio. Some of the ratios used in calculating cash flow growth in the Local Government of Boalemo Regency are as follows:

Cash Flow Growth Analysis =

$$\frac{\text{Year Net Cash Flow} - \text{Year Net Cash Flow } n - 1}{\text{Net Cash Flow Year} - 1} \times 100\%$$

## RESEARCH RESULT

To describe the results of research on Flow Statement Analysis in the Regional Government of Boalemo Regency, several ratios are used to analyze the cash flow reports of the Regional Government of Boalemo Regency for the 2017 to 2018 fiscal year, as follows:

**Operating Cash Flow Ratio (AKO)  
2017**

$$= \frac{247,966,243,363.39 - 247,966,243,362.39 - 1}{247,966,243,362.39} \times 100\%$$

= 4.0%

**2018**

$$= \frac{178,741,532,902.16 - 178,741,532,901.16 - 1}{178,741,532,901.16} \times 100\%$$

= 5.5%

From the results of the analysis of the Operating Cash Flow Ratio data in 2017, the cash flow for operating activities decreased by 4.0% and in 2018 the cash flow for operating activities after the analysis was carried out there was an increase of 5.5%. This explains that the Regional Government of Boalemo Regency has a good financial performance with an increase in the average increase.

**Investment Cash Flow Ratio (AKI)  
2017**

$$= \frac{215,104,772,620.00 - 215,104,772,619.00 - 1}{215,104,772,619.00} \times 100\%$$

= 4.6%

**2018**

$$= \frac{201,592,479,859.40 - 201,592,479,858.40 - 1}{201,592,479,858.40} \times 100\%$$

= 4.9%

From the results of the data analysis of the investment cash flow ratio in 2017, the cash flow of investing activities decreased by 4.6% and in 2018 the cash flow of investment activities after the analysis was carried out there was an increase of 4.9%. Looking at the data shows that the average increase is good from 2017 to 2018. So that the Regional Government of Boalemo Regency is able to manage related cash management aimed at acquiring and disposing of fixed assets and other investments in cash.

**Funding Cash Flow Ratio  
2017**

$$= \frac{17,956,044,452.00 - 17,956,044,451.00 - 1}{17,956,044,451.00} \times 100\%$$

= 5.5%

**2018**

$$= \frac{21,708,562,983.00 - 21,708,562,982.00 - 1}{21,708,562,982.00} \times 100\%$$

= 4.6%

From the results of the analysis of the Funding Cash Flow Ratio data in 2017, the cash flow of financing activities increased by 5.5%, while in 2018 the cash flow of financing activities after analysis fell to 4.6%. In financing cash flow reflects the demand and cash disbursements related to the acquisition of long-term loans.

**Transitory Cash Flow Ratio  
2017**

$$= \frac{379,823,142.00 - 379,823,141.00 - 1}{379,823,141.00} \times 100\%$$

= 2.6%

**2018**

$$= \frac{379,823,142.00 - 379,823,141.00 - 1}{379,823,141.00} \times 100\%$$

= 2.6%

From the results of the analysis of the Transitoris Cash Flow Ratio data in 2017, the cash flow from transitory activities was 2.6% and in 2018 the cash flow from transitory activities after analyzing the value was still fixed or balanced by 2.6%. From these results it can be explained that cash flow from transitor activities reflects cash receipts and disbursements to the Regional Government of Boalemo Regency in government funding.

**DISCUSSION**

The results of data processing Analysis of Cash Flow Statements in the District Government for the 2017-2018

fiscal year can be described in the following table form:

Table 1. Data Analysis of Cash Flow Statements in the Government of Boalemo Regency 2017-2018

No.	Description	2017 year		2018 year	
		Result	Interpretation	Result	Interpretation
1	Operating Cash Flow Ratio (AKO)	4.0 %	Not good	5.5 %	Good
2	Investment Cash Flow Ratio (AKI)	4.6 %	Not good	4.9 %	Good
3	Funding Cash Flow Ratio	5.5 %	Good	4.6 %	Not good
4	Transitory Cash Flow Ratio	2.6 %	Balanced	2.6 %	Balanced

Source: Boalemo District Government

The data shows that the operating cash flow ratio, the investment cash flow ratio, the funding cash flow ratio and the transitory cash flow ratio show that any cash flow management in the Boalemo District Government shows management and others. In principle, cash flow in fund management is in accordance with the regional government in managing finances and its financial performance is in accordance with the operation of existing funds, which means that the local government is able to manage properly in implementing its financial performance.

Then the investment cash flow activities that are in the management of investment finance can maximize the existing finances in the Regional

Government of Boalemo Regency. Investment is a good solution in cash management. This indicates that cash flow disbursements can be controlled according to growth.

Regarding financing cash flow activities, it is explained that the occurrence of financial management can be in line with cash equalization so that investments can be managed properly. Meanwhile, transitory cash flow activities based on data can be said that non-budgetary or transitory management is safe and can be managed properly.

### CONCLUSION

Based on the results of previous research and discussion, the authors can draw the following conclusions:

1. Cash flow from operations is in accordance with the consistency in experiencing an increase from 2017 to 2018 so that it does not experience difficulties in managing financial performance and explains that there are no financial difficulties in the Boalemo Regional Government,
2. Cash flow from investing activities has experienced an increase from 2017 to 2018, investment has increased. The activity of the Boalemo District Government has increased,
3. Cash flow from funding activities has not yet been carried out, evidenced by a decrease in accordance with the capacity, as this indicates the transaction is in accordance with the transaction capacity in accordance with the capacity in funding according to the needs of the Regional Government of Boalemo Regency,
4. Cash flow in transitory activities in cash flow in activities reflects income and expenditure that is balanced. Income, expenses and funding reflect that the local government of Boalemo Regency is able to manage regional finances well.



## SUGGESTION

1. To optimize the analysis of cash flow reports in the Regional Government of Boalemo Regency, it is recommended that parties involved in preparing cash flow reports pay more attention to the data that will be included in the cash flow statement,
2. The limitation of this research is that it only examines the analysis of cash flow statements, so it is suggested to the next researchers to be able to examine the problem of cash flow statement analysis which is not a concern in this study which is related to the preparation of cash flow statements.

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