

Evaluation of The Effectiveness of The Use of Financial Statements as A Basis for Assessing Financial Performance at CV Cita Mandiri, Batu City, East Java

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INDEXING

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ABSTRACT

The purpose of this study is to evaluate the effectiveness of the use of financial statements as the basis for assessing financial performance in CV Cita Mandiri Batu City. The research conducted is a research using qualitative methods. The data used is in the form of financial statements for the 2024 period and interviews with 3 informants, namely business owners, owners' husbands, and production employees. The data analysis method is a way of description, by presenting the results of interviews, presenting financial statements and drawing conclusions. The results of the study prove that the use of financial statements is effective as a basis for assessing financial performance in CV Cita Mandiri. The form of financial statements made by CV Cita Mandiri includes a list of expenses and income, balance sheets, income statements and notes on financial statements. Financial statements are one of the important sources of information for SME owners to make business decisions. The benefits of financial statements help SMEs provide relevant and reliable financial information. The factors that are obstacles in financial reporting on CV Cita Mandiri are that there are no employees in the field of accounting, so that the business owner makes financial reports manually in the accounting book and copies them to the computer using the Microsoft Excel program. The impact of employees not being able to make financial reports is that the preparation of financial statements is made manually in the accounting books, so that overall the financial statements made are not accurate.

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INTRODUCTION

Financial reports are the main tool used by companies to record and convey information about the business's financial condition, performance, and position (Olayinka, 2022). In general, financial reports play an important role in ensuring transparency and accountability, facilitating decision-making, and supporting compliance with government regulations.

The Importance of Financial Performance Evaluation for Companies. Financial performance evaluation is a crucial process for assessing how well financial resources are managed. By evaluating operational efficiency, companies can ensure that resources are used optimally to generate profits (Riipa et al, 2025). In addition, through financial health assessments, management can determine the company's ability to meet short-term and long-term obligations. In this process, financial reports play a key role by providing accurate and relevant data, such as income statements, balance sheets, and cash flows, which are the basis for performance evaluation (Kieso, et al, 2020).

Challenges of Financial Management in Small and Medium Enterprises (SMEs) Small and medium enterprises (SMEs) often face challenges in financial management,

such as a lack of understanding in preparing and analyzing financial reports. To maintain the competitiveness and sustainability of the company, SMEs need to implement an effective financial reporting system in order to identify opportunities, manage risks, and improve operational efficiency. With a good recording system, companies can optimize the use of economic reports in making business decisions (Ren, 2022).

From this background, the purpose of this study is to determine the effectiveness of the use of financial reports by CV Cita Mandiri in assessing financial performance and to determine the factors that are obstacles in financial reporting as a basis for assessing economic performance.

LITERATURE REVIEW

Financial reports are the result of recording, classifying, and summarizing financial transactions that occur within a company, presented in monetary units and used for various purposes (Palepu et al., 2020). According to Prihadi (2020:8), financial reports are the outcome of recording all financial transactions within a company. These reports are the final product of an accounting process that serves as a means of communication between the company's financial data and stakeholders interested in this information. Furthermore, a company's performance reflects the achievements made in various operational aspects, such as finance, marketing, fundraising, fund distribution, technology, and human resources. Therefore, companies rely on financial performance reports to evaluate their success in achieving business objectives based on financial activities carried out.

RESEARCH METHOD

This study uses data collection techniques such as interviews, documentation, and observation. The research method employed is a qualitative approach, utilizing both primary and secondary data. Data processing techniques include data collection and data management. For data analysis, techniques such as financial report analysis and common size analysis are used.

RESULT AND DISCUSSION

Results of Financial Report Agreement

Based on the research data, the financial report of UKM CV. Cita Mandiri Kota Batu includes a list of expenses and income, the balance sheet, the profit and loss statement, and notes to the financial statements, as outlined below.

a. List of Income and Expenditure

Table 1. List of expenses and income

CV. Cita Mandiri Kota Batu Daftar Pengeluaran dan Pemasukan Tahun 2024		
Bulan	Pengeluaran	Pemasukan
Jan	Rp 23.040.000	Rp 31.710.000
Feb	Rp 22.521.000	Rp 32.030.200
Mar	Rp 24.215.000	Rp 34.054.000
Apr	Rp 21.324.000	Rp 32.601.000
Mei	Rp 20.302.000	Rp 30.026.000
Jun	Rp 20.950.000	Rp 30.102.000
Jul	Rp 22.110.000	Rp 33.033.000
Agus	Rp 21.480.000	Rp 31.492.000
Sept	Rp 20.023.000	Rp 30.305.000
Okt	Rp 21.014.000	Rp 33.040.000
Nov	Rp 22.092.000	Rp 33.159.000
Des	Rp 23.355.000	Rp 35.494.000
Jumlah	Rp 262.426.000	Rp 387.046.200
Saldo	Rp 124.620.200	

Source: SMEs CV. Cita Mandiri Kota Batu, 2025.

Based on the list of expenses and income at UKM CV. Cita Mandiri Batu City for the 2024 period, total business expenses amounted to Rp262,426,000 while business income was Rp387,046,200, resulting in a gross profit of Rp124,620,200. These figures indicate that business income remains consistently high each month.

b. Balance Sheet

Table 2. Balance Sheet

CV. Cita Mandiri Kota Batu N E R A C A Tahun 2024			
No Akun	Perkiraan / Akun	Debet	Kredit
111	Kas	Rp 39.420.200	
133	Sewa tempat	Rp 24.000.000	
132	Peralatan	Rp 23.000.000	
120	Kendaraan	Rp 77.122.000	
137	Akumulasi penyusutan	Rp (30.000.000)	
200	Hutang Usaha		Rp 55.300.000
301	Modal		Rp 78.242.200
JUMLAH AKTIVA		Rp 133.542.200	Rp 133.542.200

Source: SMEs CV. Cita Mandiri Kota Batu, 2025.

Based on the balance sheet of UKM CV. Cita Mandiri Kota Batu, it is observed that the total assets (debits) amount to Rp. 133,542,200 and total liabilities (credits) are also Rp. 133,542,200. These results indicate that the assets of UKM CV. Cita Mandiri Kota Batu are relatively high, suggesting that the company is managing its finances optimally. Accumulated depreciation, which includes a decrease of Rp. 24,000,000, from the rent of the premises, Rp. 5,000,000 from the selling price of vehicles, and Rp. 1,000,000, from the equipment price, totals Rp. 30,000,000.

c. Income statement

Table 3. Income statement

CV. Cita Mandiri Kota Batu Laporan Laba Rugi Tahun 2024	
Pendapatan usaha	Rp 387.046.200
Beban usaha	
Gaji	Rp 70.800.000
Biaya produksi	Rp 178.186.000
Beban operasional	Rp 6.000.000
Listrik	Rp 4.800.000
Telpon	Rp 2.640.000
Total Beban	Rp 262.426.000
Laba sebelum pajak	Rp 124.620.200
Pajak	Rp 1.200.000
Laba bersih	Rp 123.420.200

Source: SMEs CV. Cita Mandiri Kota Batu, 2025.

Based on the profit and loss report of UKM CV. Cita Mandiri Kota Batu, sales (business income) amounted to Rp. 387,046,200, total expenses were Rp. 262,426,000 and net profit totaled Rp. 123,420,200. demonstrate that UKM CV. Cita Mandiri is managing its finances effectively, as indicated by the high net profit. The tax payments made by UKM CV. Cita Mandiri amounted to Rp. 100,000, per month, which totals Rp1,200,000 for the year(12 months x Rp. 100,000 = Rp. 1,200,000).

d. Notes to the Financial Statements

Based on the financial report, it is evident that UKM CV. Cita Mandiri in Kota Batu achieved a business profit of Rp. 123,420,200 for the 2024 period, indicating strong and optimal financial performance in managing the business.

Results of Financial Report Effectiveness

a. Net Profit Margin (NPM)

The Net Profit Margin (NPM) ratio is a ratio that shows the company's ability to generate net profit after tax. This ratio can also be interpreted as a comparison between net profit after tax and sales. The formula used is:

$$\text{NPM} = \frac{\text{Laba Bersih}}{\text{Penjualan}} \times 100$$
$$\text{NPM} = \frac{\text{Rp } 123.420.200}{\text{Rp } 387.046.200} \times 100 = 31,89\%$$

The calculation results show that the Net Profit Margin (NPM) for UKM CV. Cita Mandiri Kota Batu in 2024 was 31.89%, indicating that the business generates a relatively high profit from product sales. These results demonstrate that financial reports are effective tools for assessing business profitability.

b. Operating Rasio

The operating ratio is the comparison between operating expenses and net sales, used to assess the efficiency of a company's management. The formula used is:

$$\text{NPM} = \frac{\text{Beban Operasional}}{\text{Penjualan}} \times 100$$
$$\text{NPM} = \frac{\text{Rp } 262.426.000}{\text{Rp } 387.046.200} \times 100 = 67,80\%$$

The calculation results show that the operating ratio for UKM CV. Cita Mandiri Kota Batu in 2024 is 67.80%, indicating a strong ability to generate profits from business operations. These results demonstrate that financial reports are effective tools for evaluating business income relative to operational costs.

Results of Factors That Become Constraints in Financial Reporting

Constraints are obstacles that hinder the implementation of financial management aimed at increasing income. According to an interview with the owner, Mrs. Wati, the factors that pose challenges in financial reporting at UKM CV. Cita Mandiri in Kota Batu include: "The obstacles experienced are the manual preparation of financial reports, where records from a new book are copied into a computer using the Microsoft Excel program. Another obstacle is the lack of accounting employees, which results in simplified financial reports" (interview, February 10, 2025).

The interview results revealed that the obstacles in financial reporting at UKM CV. Cita Mandiri in Kota Batu include the manual preparation of financial reports, the process of transferring records from a new book to a computer using Microsoft Excel, and the absence of accounting staff.

Based on an interview with Mr. Basuki, the husband of the owner of UKM CV. Cita Mandiri in Kota Batu, the factors hindering financial reporting include: "Obstacles in accounting implementation, such as the absence of accounting staff, which results in the business owner manually preparing financial reports, recording expenses and income in an accounting book, and transferring the data to a computer using the Microsoft Excel program" (interview, February 11, 2025).

The interview results revealed that the main obstacles in financial reporting are the absence of accounting staff, which leads to the business owner manually preparing financial reports, recording expenses and income in accounting books, and transferring the data to a computer using the Microsoft Excel program.

Based on interviews with production employees at UKM CV. Cita Mandiri in Kota Batu, Mrs. Sumiati highlighted the obstacles in financial reporting: "The main obstacle is the lack of employees skilled in preparing financial reports that comply with

accounting standards, which results in the presentation of simplified financial reports" (interview, February 20, 2025).

The interview results revealed that the main obstacles in financial reporting are the lack of employee skills in preparing financial reports, leading to simplified reports that rely on accounting books and the Microsoft Excel program. This simplification of financial reporting results in less accurate accounting information (Collier, 2015).

Effectiveness of Using Financial Reports by CV Cita Mandiri

The study results show that financial reports are an effective tool for assessing financial performance at CV Cita Mandiri. The financial reports prepared by CV Cita Mandiri include a list of expenses and income, balance sheets, profit and loss statements, and notes to the financial statements. These reports are crucial sources of information for SME owners when making business decisions. The benefits of financial reports lie in their ability to provide relevant and reliable financial information to support decision-making.

The study results show that the Net Profit Margin (NPM) for SME CV. Cita Mandiri in Batu City in 2024 was 31.89%, indicating that the business generates a relatively high profit from product sales. This demonstrates that financial reports are effective tools for assessing business profits. Additionally, the operational ratio for SME CV. Cita Mandiri in Batu City in 2024 was 67.80%, indicating the business's strong ability to generate profits from its operations. These findings further confirm that financial reports are essential for evaluating business income relative to operational costs.

The financial reports recorded by SME CV. Cita Mandiri in Kota Batu include the budget realization report (list of income and expenses), balance sheet, profit and loss statement, and Notes to Financial Statements (CaLK). The main advantage of maintaining financial records is the ability to track business expenses in detail, from raw material costs to other operational expenditures. For SMEs, this detailed recording provides clarity on income and expenses, such as electricity bills, employee salaries, production costs, and operational expenses. Another key benefit is that accurate financial records make it easier for SMEs to apply for loans from financial institutions (banks) for business capital.

Financial report recording can be done through accounting activities, which involve tracking all business expenses and income (Elmanda et al., 2022). A key indicator of success for micro-businesses participating in mentoring activities is their ability to manage business finances, including calculating investment needs for both working capital and fixed assets, as well as identifying their funding sources. Additionally, SMEs should be able to prepare accurate financial reports. These reports are also essential for entities seeking funding from external parties and for attaching tax reporting documents.

The analysis of accounting practices reveals that the income of SME CV. Cita Mandiri in Kota Batu amounts to Rp387,046,200, with a gross profit of Rp124,620,200. This indicates that the business income is relatively high. While the application of accounting is designed to provide valuable insights into management performance and the financial health of the company, it is clear that financial reports still have limitations in presenting the information required by various stakeholders. Therefore, an in-depth analysis or supplementary reports are necessary to provide meaningful information for those interested in the development of the SME's financial performance.

Factors That Become Obstacles in Financial Reporting

The study results reveal that the main obstacles to financial reporting at CV Cita Mandiri are the lack of accounting staff, which forces the business owner to manually prepare financial reports in accounting books and then transfer them into Microsoft Excel. This manual process results in inaccurate financial reports (Wynn, 2021). The reliance on manual reporting means that business owners only create financial records in accounting books, which are later processed into Excel, leading to incomplete financial reports. This is further supported by observations made by the author from February 11 to 13, 2025, where it was noted that the financial report recording system was still done manually. SMEs need to improve their financial reporting to provide a clear picture of the business's financial health, which can then serve as a reference for informed decision-making. By adhering to accounting standards (SAK), businesses can accurately track profit over time, enabling them to make more reliable financial plans based on estimated profits.

CONCLUSION

Based on the results of the research that have been presented, it is concluded that:

1. The use of financial reports is an effective tool for assessing financial performance at CV Cita Mandiri. The financial reports prepared by CV Cita Mandiri include a list of income and expenses, balance sheets, profit and loss statements, and notes to the financial statements. These reports are crucial sources of information for SME owners when making business decisions. The benefits of financial reports lie in their ability to provide relevant and reliable financial information, supporting informed decision-making for SMEs.
2. The main obstacles to financial reporting at CV Cita Mandiri are the lack of accounting staff, which forces the business owner to manually prepare financial reports in accounting books and then transfer them to a computer using the Microsoft Excel program. As a result, the manual preparation of financial reports leads to inaccuracies in the overall financial reporting.

SUGGESTION

Based on the conclusions from the results of the data analysis carried out, several suggestions are proposed, namely:

1. UKM CV. Cita Mandiri in Kota Batu improves its financial performance by increasing production volume, leading to higher sales. To further enhance financial management, CV. Cita Mandiri needs to record all business expenses and income in detail and prepare financial reports in accordance with SAK. These reports should include a list of expenses and income, a balance sheet, a profit and loss statement, a statement of changes in equity, and notes to the financial statements. These financial reports are crucial for making informed business decisions.
2. UKM CV. Cita Mandiri Kota Batu to optimally conduct online sales through the Shopee and Tiktok Shop marketplaces.

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