# ANALYSIS OF EFFECTS OF RECEIVABLE TURNOVER AND INVENTORY TURNOVER ON PROFITABILITY OF MANUFACTURING COMPANIES IN THE CONSUMER GOODS INDUSTRY SECTOR LISTED IN THE INDONESIA STOCK EXCHANGE (ISE) FOR PERIOD OF 2015-2017

Yanti[1], Fista Apriani Sujaya[2], Achmad Fadjar[3]

***Abstract---****The aim of this research is to determine the receivable turnover rate and inventory turnover have an influence on profitability both partially and simultaneously in a company. The object of this research is a consumer goods industry sector manufacturing company that listed on Indonesia Stock Exchange in the period 2015-2017. The type of data in this research is quantitative data. The source of the data in this research is secondary data, in the form of financial report data (balance sheet and income statement) related to variable in this research. The results of this research indicate that Receivable Turnover has an effect on profitability. While inventory turnover does not affect on profitability. The results of the research simultaneously indicate that Receivable Turnover and inventory turnover influence together on profitability.*

***Keywords---****Receivable Turnover, Inventory Turnover, Profitability (ROA).*

## I. Introduction

A company basically has a goal to be achieved in carrying out its operational activities. The main goal of a company is to achieve maximum profit. With the company achieving maximum profit, it can maintain the survival of the company and can develop the company's growth. The company's ability to achieve profit is the key to the company's success to be said to have good performance, because profit is an element of financial statements that is used as an instrument to assess whether or not the performance of a company.

[1]*Universitas Buana Perjuangan Karawang*
yanti@ubpkarawang.ac.id
[2]*Universitas Buana Perjuangan Karawang*
Fista.apriani@ubpkarawang.ac.id
[3]*Widyatama University*
Achmad.fadjar@widyatama.ac.id

The profitability of a company can be measured by the company's success and expertise in utilizing its assets and working capital efficiently and productively (Tirtajaya, 2015). The measurement tools used to measure the level of profitability, including return on assets (ROA) and return on equity (ROE). In this research profitability will be measured using return on assets (ROA).

Receivables are a valuable component of working capital in a company. Receivables are classified as current assets which affect capital. If the amount of investment stored in receivables is too high, it will certainly cause a low working capital turnover, so the company's capacity in increasing sales volume will also be smaller (Saudi, 2018). Low sales volume will result in reduced profits earned by the company. Besides receivables, inventory is a valuable component of working capital in a company. Inventory is a savings product which will then be sold in the company's business activities and can be used during the manufacturing process or can be used for certain purposes (Warren, 2016).

In this research, the object used is a manufacturing company in consumer goods sector which includes food products, beverages, cigarettes, pharmaceuticals, cosmetics, household goods and household appliances.

Based on the background description of the problem above, the formulation of the problem in this research is as follows:

1. Does the level of Receivable Turnover affect profitability in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period?
2. Does the inventory turnover affect the profitability of manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period?
3. Do the level of Receivable Turnover and inventory turnover simultaneously (simultaneously) affect the profitability of manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period?

Based on the problem formulation above, the objectives of this research are:

1. To find out the level of Receivable Turnover affect profitability in the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period.
2. To find out the inventory turnover affect the profitability of manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period
3. To find out the level of Receivable Turnover and inventory turnover simultaneously (simultaneously) affect the profitability of manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2017 period?

## II. Literature review

**Laporan Keuangan Financial statements**

According to Harahap (2015: 1905) "financial statements are reports that reflect the circumstances and results of a company's business in a certain period of time"

The financial statements that have been prepared and have been analyzed by the company can show the financial condition of a company in the period when the report was prepared. Usually financial reports are made per period, for more comprehensive reports, reports are made once a year at the end of the year.

Financial statements according to Hery (2016: 3) as follows:

"The financial statements are essentially the acquisition of an accounting process that can be used as a media to communicate company activities to parties who have an interest".

**Working Capital**

Kasmir (2016: 250) states that "working capital is capital that is used to finance the company's operational activities. Investments in cash, securities, receivables and inventories can be said as working capital. "

Kasmir (2016: 252) also said "globally the importance of working capital, especially for the company's financial condition is that when investment in current assets changes even tends to be unstable, such instability can affect working capital which requires that financial management pay special attention to capital work".

According to Kasmir (2016: 253) the benefits and objectives of working capital management for companies are as follows:

1. To meet the interests of company liquidity.
2. Adequate working capital can fulfill obligations owned by the company on time.
3. Allows the company to provide credit conditions that can attract customers with the capabilities they have.
4. To optimize the utilization of current assets in increasing sales and profits.
5. Save the company in the event of a crisis in working capital resulting from a decrease in the value of current assets.

**Receivable Turnover**

According to Tirtajaya (2015), receivables are an important component of current assets in the statement of financial position. The number of receivables can affect the company's performance in achieving profitability.

Tiong (2017) argues that "accounts receivable is a form of sale with gradual and non-cash payments. This means that companies use credit management where sales targets are in accordance with predetermined plans ".

While Murhadi (2013: 18) provides an opinion that "trade receivables are a bill to customers who have purchased goods or services at a company". Another definition according to Warren, et al (2015: 448) "receivables includes all funds claimed to a corporate entity, individual, or other organization. Receivables are generally a significant part of overall current assets ".

From some of the above opinions it can be concluded that receivables are all the money claimed by the company against other entities that occur due to a sale of goods or services by installments.

Septariani (2013: 20) stated that in practice receivables are grouped as follows

1. Trade receivables *(Accounts Receivable)*

Trade receivables are the value of purchases made on credit. Receivables can generally be collected within 30-60 days. Receivables are classified as current assets in the balance sheet.

2. Bills (*Notes Receivable*)

Bills are formal debt securities issued as a form of debt recognition. Bills have a time limit of 60-90 days or longer and require the debtor to pay interest. Bill receivables can be used to pay off customer receivables. Receivable notes and accounts receivable due to sales transactions are commonly referred to as trade accounts.

3. *Other Receivable*

Other receivables are usually grouped separately in the balance sheet. Other receivables include non-trade receivables. If the receivables are expected to be collected within one year, they are classified as current assets. If it is estimated that the collection is more than a year, then it is classified as non-current assets and reported under the investment post. Other receivables include interest receivables, employee receivables, employee advances, tax receivables, and income tax refunds.

According to Kasmir (2016: 247) states that "turnover is a ratio used to measure how long the collection of receivables during a period".

Whereas Rahayu and Susilowibowo (2014) stated that "Receivable Turnover is the length of time needed to convert receivables into cash".

According to Kasmir (in Dewi, 2013) Receivable Turnover Ratio is a ratio used to measure how long the collection of receivables during a period or the number of times the funds invested in these receivables revolve in one period. The higher ratio shows that the working capital invested in receivables is lower (compared to the ratio of the previous year) and of course this condition for the company is getting better. Conversely, if the ratio gets lower there is over investment in receivables.

This is also in line with Murhadi's statement (2013: 58) in Tirtajaya (2015), the higher receivable turnover, indicating that investment invested in the form of receivables is low, on the contrary if receivable turnover is low indicating that the company is too much or too loose in giving receivables to customers.

The formula to find out receivable turnovers according to Kasmir (2013) is as follows:

$$\text{Receivables Turnover} = \frac{Credit\ Sales}{Average\ Receivables}$$

Thus, it can be concluded that the Receivable Turnover is a ratio used to assess the number of times the average receivable can be collected over a period. If the level of Receivable Turnover is getting higher, then the receivables will more quickly turn into cash, which can minimize the risk of losses on corporate receivables. This shows the good condition of the company because the collection of receivables is done quickly.

Sufiana and Purnawati (2013) stated that "Receivable Turnover shows the bound period of working capital in accounts receivable where the faster spinning period shows the faster the company will benefit from the sale of credit, so that the company's profitability also increases.

**Inventory Turnover**

According to Warren (2016), inventory is a merchandise that can be stored and then sold in the company's business operations and can be used in the production process or can be used for certain purposes.

Whereas Murhadi (2013: 19) argues that "inventory is a whole good starting from raw materials, semi-finished goods (work in process) and finished goods (finished good) that still exist in the company within the the company's business processes".

Another opinion, according to Agus istono (2013: 2) "Inventory is a technique related to the determination of the amount of inventory that must be held to ensure smooth operations in production operations, as well as establishing procurement schedules and the number of goods ordered that should be done by the company".

According to Harrison Jr et.al. (2013: 260) in Tirtajaya (2015), inventory turnover is a measure of the number of times a company sells the average level of its supply for one year. A fast turnaround indicates ease in selling inventory, while a low turnaround indicates difficulties in selling inventory.

Meanwhile, according to Murhadi (2013: 59) in Tirtajaya (2015), the inventory turnover ratio indicates the company's efficiency in processing and managing its inventory. This ratio shows the number of times the merchandise inventory is replaced / rotated in one period.

The inventory turnover formula according to Harrison Jr et al. (2013) are as follows:

$$\text{Inventory Turnover} = \frac{\text{cost of inventory}}{\text{Average inventory}}$$

**Profitability**

According to Tirtajaya (2015), the profitability of a company can be assessed and measured by linking profits derived from the company's operational activities with the wealth or assets used to produce these profits.

Kasmir (2014: 196) explains that the results of measuring profitability can be used as an evaluation tool for management performance so far, whether they have worked effectively or not. Failure or success can be used as a reference for future profit planning, as well as the possibility to replace new management, especially after old management fails. Therefore, this profitability ratio is often referred to as one measure of management performance.

**Previous Research**

Below are the previous researches that have been done by previous researchers

1. Rahayu and Susilowibowo (2014) with the title "the influence of cash turnover and Receivable Turnover and inventory turnover on the profitability of manufacturing companies" The results show that cash turnover and Receivable Turnover have no significant effect on profitability, while inventory turnover has a positive and significant effect on profitability.
2. Sufiana and Purnawati (2013) with the title "the influence of cash turnover, Receivable Turnover and inventory turnover on profitability" with the results of the research of cash turnover, Receivable Turnover and inventory turnover simultaneously influencing profitability. While the partial analysis shows that only Receivable Turnover and inventory turnover have a positive and significant effect on profitability.
3. Muhamad Tejo Suminar (2014), with the title "inventory turnover, Receivable Turnover and cash turnover on profitability in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in the 2008-2013 period" with the results of inventory turnover having a positive effect on profitability (ROA and ROE), Receivable Turnover has a positive effect on profitability (ROA and ROE), while cash turnover has a negative effect on (ROA and ROE). F test results or simultaneous test shows that together inventory turnover, Receivable Turnover and cash turnover have a positive effect on profitability (ROA and ROE). From the test results the coefficient of determination shows that the relationship between independent and dependent variables is still weak.
4. Bangun Prakoso, Zahroh Z.A, Nila Firdausi Nuzula. (2014), with the title "Working Capital Turnover and Receivable Turnover on Profitability (Research in BEI List Financing Companies 2009-2013" with the results

showing that the variable working capital turnover and Receivable Turnover simultaneously have a significant effect on profitability (ROI) on profitability multifinance companies from 2009-2013 listing on the IDX Variable Receivable Turnover has a dominant influence on profitability (ROI) on multifinance companies from 2009-2013 listing on the IDX.

5. Sari and Budiasih. (2014), with the title "Effect of Debt To Equity Ratio, Firm Size, Inventory Turnover and Assets Turnover on Profitability." profitability because the significance value of the variable is more than 0.05.

**Theoretical Framework**

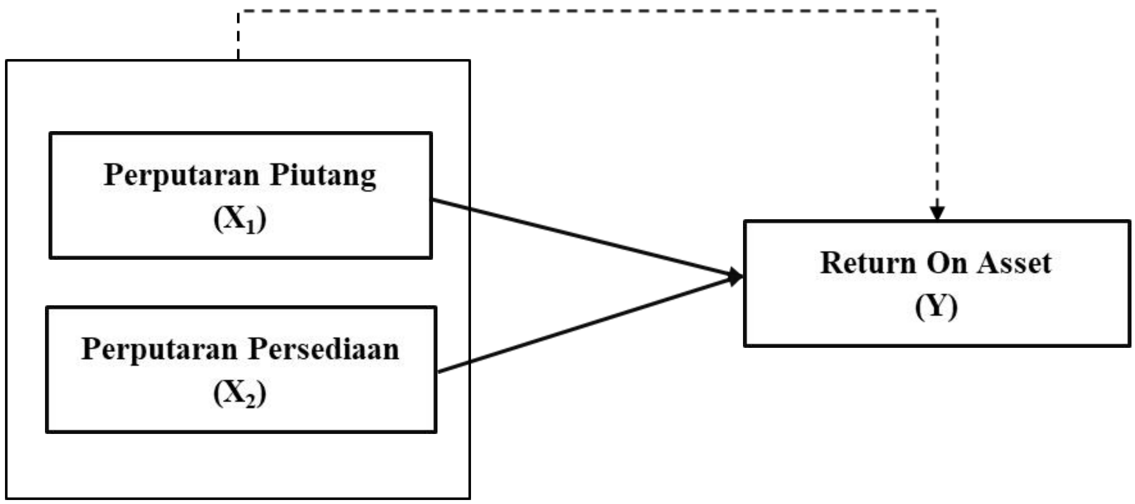


**Figure 1.1 Theoretical Framework**

## III. Research methods

**Research Object**

The object of this research is manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange and publish their annual financial reports on the website www.idx.co.id periodically in the period 2015-2017.

**Data Collection**

Data collection methods in this research are literature research and documentation. Literature research that can be obtained from books, literature, articles, journals, and the results of previous research. The method is used to observe and understand the literature that contains discussions relating to research. The documentation method is the collection of document data in the form of annual financial reports found on the web www.idx.co.id.

**Data Analysis**

The data to be analyzed in this research has a relationship between one variable and another. Research variables that have been determined in this research are Receivable Turnover, inventory turnover and profitability. After getting the results by doing the calculations, then the results are used for statistical testing.

Ratio calculation data obtained is then processed using a computer program that is SPSS using analysis techniques that have been determined by researchers including the classic assumption test in which there is a normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test, descriptive statistical analysis techniques, multiple linear regression techniques , the coefficient of determination, the statistical t test, and the f test with one dependent variable (profitability) and two independent variables (Receivable Turnover and Inventory Turnover).

**Operational Variables**

The dependent variable in this research is profitability (ROA).

1. *Return on Assets* (Y)

Profitability is a measure of the performance of a company in generating profits by using the resources that the company has, such as total assets, capital, or company sales. Return On Assets is a measuring tool used to measure the profitability of a company by using a ratio scale.

The formula used to find return on assets (ROA) according to Kasmir (2014: 136) is as follows:

$$\textit{Return On Assets}\text{ (ROA)} = \frac{\text{Profit after Tax}}{\text{Total Assets}}$$

The independent variables in this research are Receivable Turnover (X1) and inventory turnover (X2).

1. *Receivable Turnover*

Receivables turnover is a ratio that is useful for assessing the time span in the collection of receivables and how many times the level of company receivables turnover in one period. The more the level of Receivable Turnover, the faster the receivables turn into cash that can minimize the risk of loss of corporate receivables. This shows the good condition of the company, it means the collection of accounts receivable to customers is done quickly. To calculate receivable turnovers according to Kasmir (2013) are as follows:

$$\textit{Receivable Turnover} = \frac{\text{Credit Sales}}{\text{Average Receivables}}$$

2. *Inventory* Turnover / $X_2$

Inventory turnover is the ratio used in assessing how many companies sell their inventory during one period. If the inventory turnover is fast, it shows that the company is easy to sell, while if the turnover is low, it indicates that the company has difficulty in selling inventory. To calculate inventory turnover according to Harrison Jr. et.al. (2013) are as follows:

$$\textit{Inventory}\text{ Turnover} = \frac{Cost\ of\ goods\ sold}{\text{Average Inventory}}$$

Operational variables are dividing or separating the variables contained in the research into detailed parts in order to know the size scale classification and indicators of each research variable. The following table presents the operational variables in this research:

**Operational variables**

| Variabel | Indikator | Rumus | Skala |
|---|---|---|---|
| Perputaran Piutang (X1) | Penjualan Kredit Rata-rata Piutang | $RT = \frac{\text{Penjualan Kredit}}{\text{Rata} - \text{rata Piutang}}$ | Rasio |
| Perputaran Persediaan (X2) | Harga Pokok Persediaan Rata-rata Persediaan | $IT = \frac{\text{Harga Pokok Persediaan}}{\text{Rata} - \text{rata Persediaan}}$ | Rasio |
| Profitabilitas / *Return On Asset* (Y) | Laba Setelah Pajak Total Aset | $ROA = \frac{\text{Laba Setelah Pajak}}{\text{Total Aset}}$ | Rasio |

Source: Processed data.

Information:

RT : *Receivable Turnover*

IT : *Inventory Turnover*

ROA : *Return on Asset*

## IV. Results and Discussion

### Descriptive Statistics of Research Variables

This research uses secondary data in the form of financial statements from 27 manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX) in 2015-2017 and meet the specified criteria. In this research, outlier test results are as many as 5 companies (data attached). Thus, the samples used in this research were 66 company samples.

The following is a descriptive statistics table for each research variable:

**Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Receivables Turnover | 66 | 39.54 | 573.81 | 188.7707 | 135.84514 |
| Inventory Turnover | 66 | 17.68 | 288.69 | 66.9439 | 53.97826 |
| Profitability | 66 | 1.59 | 30.02 | 9.5023 | 5.84922 |
| Valid N (listwise) | 66 | | | | |

Source: data processed with SPSS 24 (2019)

Based on table 4.2 above, it can be seen that the objects studied (N) in 2015-2017 were 66 companies. From the table above, we can see the value of the minimum, maximum, mean, and std deviation of each variable. Descriptive statistical analysis shows the following results:

1. Receivable Turnover

   In the Receivable Turnover variable, the statistical results show a minimum value of 39.54, there are PT Darya Varia Laboratoria Tbk in 2016, this value explains that in 2016 PT Darya Varia Laboratoria Tbk receivable turnover was 39.54 times. The maximum value of 573.81 is PT Gudang Garam Tbk in 2016, this value explains that in 2016 the turnover of PT Gudang Garam Tbk receivables was 573.81 times. The average value of Receivable Turnover is

188.7707, which means that the average value of Receivable Turnover of manufacturers in the consumer goods industry sector that is sampled is 188.7707 times. The standard deviation is 135.84514.

2. Inventory Turnover

In the inventory turnover variable, the statistical results show a minimum value of 17.68 namely PT Gudang Garam Tbk in 2015 and a maximum value of 288.69 namely PT Nippon Indosari Corporindo Tbk in 2016. The average value of inventory turnover is 66.9439, this value explains that the average inventory turnover of manufacturing companies in the consumer goods industry sector that is sampled is 66.9439 and the standard deviation value is 53.9972626.

3. Profitability

On the profitability variable, the statistical results show a minimum value of 1.59, namely PT Sekar Bumi Tbk in 2017 and a maximum value of 30.02, namely PT Hanjaya Mandala Sampurna Tbk in 2016. The average value of profitability is 9.5023, the value of This explains that the average profitability of manufacturing companies in the consumer goods industry sector that is sampled is 9.5023 and the standard deviation is 5.84922.

**Multiple Linear Regression Analysis**

Multiple regression analysis is the analysis used when the independent variables in the research numbered more than one. This model is used to determine the effect of independent variables on the dependent variable. The following are the results of multiple linear regression processing in this research:

**Multiple Linear Regression Analysis**

| | **Standardized Coefficients** |
|---|---|
| | **B** |
| (Constant) | 7,399 |
| Perputaran Piutang | 0,356 |
| Perputaran Persediaan | -0,109 |

**Profitability = 7.399 + 0.356 Receivables Turnover - 0.109 Inventory Turnover**

The linear regression equation above shows the value of the constant coefficient is 7.399 which means that if the value of Receivable Turnover and inventory turnover is equal to 0, then the value of profitability is 7.399. Meanwhile, a positive sign on the Receivable Turnover variable shows a direct relationship with profitability. This means that if the Receivable Turnover increases, the value of profitability will also increase by 0.356.

A negative sign on the inventory turnover variable indicates a relationship that is not in the direction of profitability. This shows that if inventory turnover increases, the value of profitability will decrease by 0.109.

**Determination Coefficient Test Results**

Coefficient of determination test is used to explain how much variation in the dependent variable can be explained by variations in the independent variable. The coefficient of determination test is observed through the adjusted R2 value.

**Determination Coefficient Test Results**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .367[a] | .135 | .107 | 5.52646 | 1.853 |

a. Predictors: (Constant), Inventory Turnover, Receivables Turnover

b. Dependent Variable: Profitability

Source: data processed with SPSS 24 (2019)

In the table above it is known that the coefficient of determination seen from the value of *Adj.R*$^2$ is 0.107. This means that 10.7% of the variation in the dependent variable profitability can be predicted from a combination of all independent variables. Meanwhile, the remaining 89.3% (100% -10.7%) is influenced by other variables outside the research.

**Partial Test Results (t-test)**

T test is used to determine the effect of each independent variable on the dependent variable.

**Partial Test Results (t-test)**

**Coefficients[a]**

| Model | | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | T | Sig. | Collinearity Statistics Tolerance | Collinearity Statistics VIF |
|---|---|---|---|---|---|---|---|---|
| 1 | (Constant) | 7.399 | 1.418 | | 5.219 | .000 | | |
| | Receivable Turnover | .015 | .005 | .356 | 3.037 | .003 | .997 | 1.003 |
| | Inventory Turnover | -.012 | .013 | -.109 | -.932 | .355 | .997 | 1.003 |

a. Dependent Variable: Profitability

Source: Data processed with SPSS 24 (2019)

1. Receivable Turnover

   From the results of the t-test above, the Receivable Turnover variable has a significance value of 0.003 less than 0.05, then $H_0$ is rejected and $H_a$ is accepted so that Receivable Turnover has an effect on profitability.

2. Inventory Turnover

   From the results of the t-test above, the inventory turnover variable has a significance value of 0.355 greater than 0.05, then $H_0$ is accepted and $H_a$ is rejected so that inventory turnover has no effect on profitability.

**Simultaneous Test Results (F-Test)**

F-test or regression coefficient simultaneously, which is to determine the effect of independent variables simultaneously on the dependent variable.

Hypothesis Formulation:

$H_0$: $\beta 1 = \beta 2 = .......... = \beta k = 0$, or

$H_0$: Variable Receivable Turnover and inventory turnover simultaneously do not affect profitability.

$H_a$: $\beta\ 1 \neq \beta\ 2 \neq .......... \neq \beta\ k \neq 0$, or

$H_a$: Variable Receivable Turnover and inventory turnover simultaneously affect the profitability.

Basic decision making:

a. If the Significant value is less than 0.05, then $H_0$ is rejected (statistically significant).

b. If the Significant value is greater than 0.05, then $H_0$ is accepted (not statistically significant).

**Simultaneous Test Results (F-Test)**

**ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 299.740 | 2 | 149.870 | 4.907 | .010[b] |
| | Residual | 1924.133 | 63 | 30.542 | | |
| | Total | 2223.873 | 65 | | | |

a. Dependent Variable: Profitability

b. Predictors: (Constant), Inventory Turnover, Receivables Turnover

Source: Data processed with SPSS 24 (2019)

From the simultaneous test above, the Sig. or p-value of 0.010. because of the significant value is much smaller than 0.05, it means that $H_0$ is rejected and $H_a$ is accepted, so the Receivable Turnover and inventory turnover variables simultaneously affect the profitability.

**Effect of Receivable Turnover on Profitability**

The first hypothesis in this research is the accounts receivable turnover affects profitability. The results of this research found that accounts receivable turnover affected profitability. This result explains that the receivables arose because the company made credit sales to increase its business volume. Receivables turnover shows the period of bound working capital in accounts receivable where the faster rotating period shows the faster the company gets profits from the sale of credit, so that the company's profitability also increases.

**Effect of Inventory Turnover on Profitability**

The second hypothesis in this research is inventory turnover affects profitability. The results of this research found that inventory turnover did not affect profitability. The results of this research explain that an increase in inventory is an indicator of a decline in profit. Besides that, when companies face slow sales while inventory continues to increase storage costs, the risk of damage is high and there is also a decrease in prices, thereby reducing sales revenue and lower profits.

**Effects of Accounts Receivable Turnover and Inventory Turnover on Profitability**

The third hypothesis in this research is the accounts receivable turnover and inventory turnover simultaneously affect the profitability. The results of this research found that the accounts receivable turnover and inventory turnover simultaneously affect the profitability. These results explain that the receivable turnover and inventory turnover can affect the company's profitability, receivable turnover and inventory turnover that is well managed shows that the company can manage the company's operational activities well so that it helps the company increase its profitability.

## V. Recommendation

Based on the research that has been done, the results of the research and the conclusions that have been described previously, the authors provide some suggestions as follows:

1. For investors: It is recommended to pay attention to the variables that affect profitability in companies in the consumer goods industry sector, such as receivables turnover so that they are expected to be able to help in making investment decisions.
2. For Companies: It is recommended to pay attention to the level of accounts receivable, because the higher the receivables owned by the company, then it will increase the company's assets.

## VI. Conclusion

Based on the results of data analysis and discussion that has been stated in the previous chapter, the conclusions of this research are as follows:

1. The results of this research found that accounts receivable turnover affected profitability. These results are in line with research conducted by Sufiana and Purnawati (2013) who in their research found that accounts receivable turnover affected profitability. This result explains that the receivables arose because the company made credit sales to increase its business volume. Receivable turnover shows the bound period of working capital in receivable where the faster turning period shows the faster the company gets profits from the sale of credit, so that the company's profitability also increases. Conceptually, receivable turnover states that the turnaround period shows the faster the receivables return to company cash. The company's receivables manager must be able to increase credit sales and keep the average receivables low so that their turnover increases. The increase in credit sales is expected to increase profits, so profitability also increases.
2. The results of this research found that inventory turnover did not affect profitability. The results of this research explain that an increase in inventory is an indicator of a decline in profit. In addition, when companies face slow sales while inventory continues to increase storage costs, the risk of damage is high and there is also a decrease in prices so that the reduction in sales revenue and profits is low.
3. The results of this research found that receivable turnover and inventory turnover simultaneously affect on profitability. These results explain that the receivable turnover and inventory turnover can affect the company's

profitability, receivable turnover and the growth of a well-managed company shows that the company can manage the company's operational activities well so that it helps the company increase the company's profitability.

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