**PRACTICAL WORK REPORT**

**ANALYSIS OF FINANCIAL RATIOS ON THE FINANCIAL PERFORMANCE IN FPT CORPORATION**

**PERIODS 2015 - 2019**

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**By:**

**Inggrid Linggawati Ganajaya**

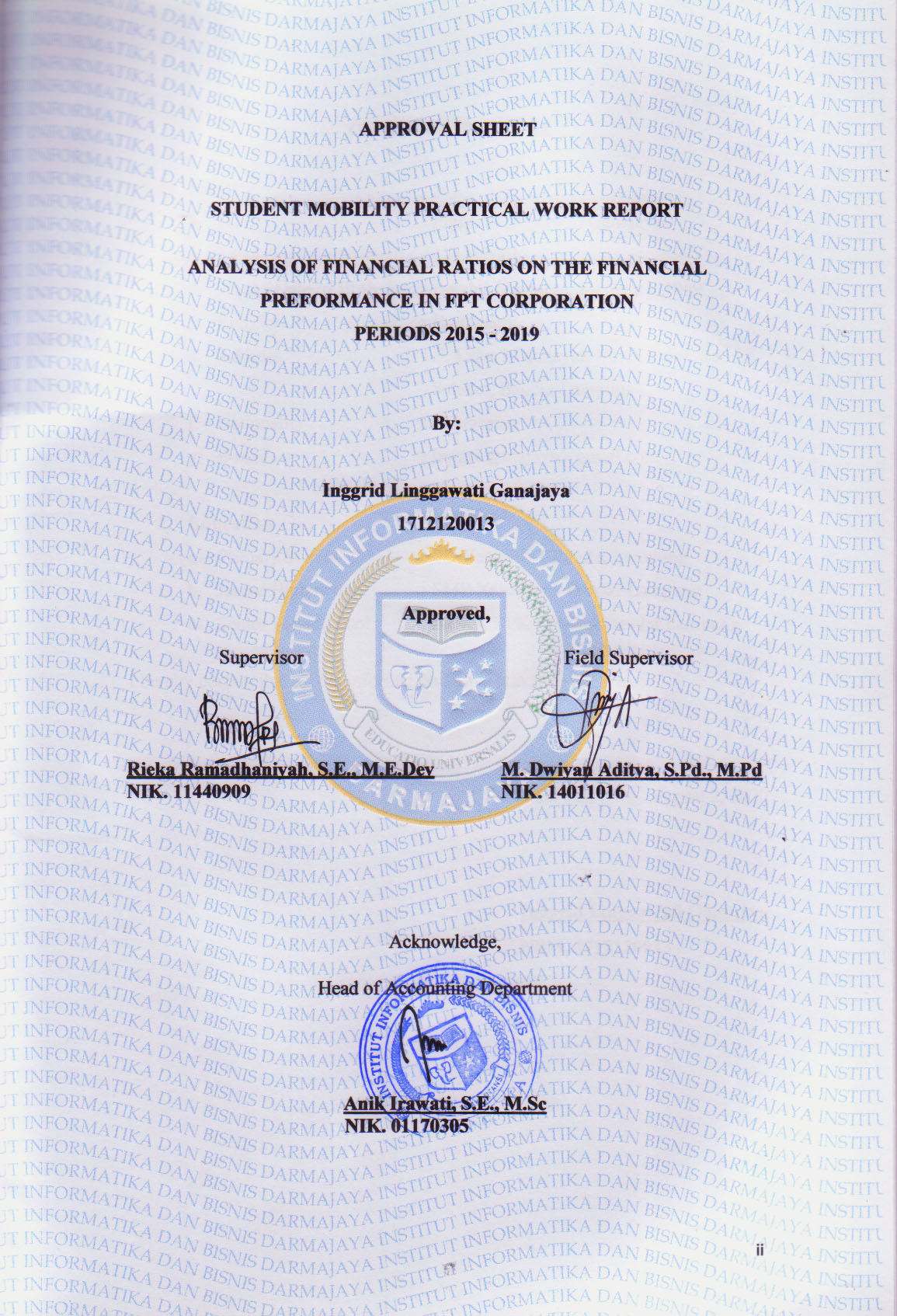
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**INSTITUT INFORMATIKA DAN BISNIS DARMAJAYA**

**2020**

**APPROVAL SHEET**

**STUDENT MOBILITY PRACTICAL WORK REPORT**

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Bandar Lampung, August 2, 2020

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**SUMMARY**

The development of technology and increasing interest have made information technology companies develop and compete competitively. Vietnam is one of the countries with advanced development of information technology, also has the resources and steps taken is to provide a variety of tax incentives which that attract foreign investors.

FPT Corporation is the largest information technology service company in Vietnam, whose core business depends on providing information technology communication services, but there was decrease in profit. In making this report author will analyze the financial ratios to see the financial performance of FPT Corporate.

**ACKNOWLEDGEMENTS**

Praise and thank author pray to The God Almighty because of his blessings that have given health so that author could finish Student Mobility program at the University of Economics and Law, which was held on August 23, 2019 to December 26, 2019, and could finish reports of practical work with the title **“ANALYSIS OF FINANCIAL RATIOS ON THE FINANCIAL PERFORMACE IN FPT CORPORATION PERIODS 2015-2019”** on time.

This report could finish well because of support from various parties, and not forgetting to thank:

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Recognizing that there are still many deficiency and mistake in the preparation and language used. Criticism and suggestions from readers really hope for the improvement of this report. I hope this report will give advantage for all of us.

Bandar Lampung, August 7, 2020

**Inggrid Linggawati Ganajaya**

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**CONTENTS**

COVER PAGE i

ENDORSEMENT PAGE ii

CURRICULUM VITAE iii

SUMMARY iv

ACKNOWLEDGEMENTS v

CONTENTS vii

**CHAPTER 1 INTRODUCTION 1**

* 1. Background 1
  2. Scope of The Research 2
  3. Use of The Purpose of Report 2
     1. Purpose 3
  4. Place and Time of Implementation 3
  5. Systematic of Writing 3

**CHAPTER II GENERAL DESCRIPTION OF THE COMPANY 5**

1. Company History 5
2. Vision and Mission of The Company 6
   * 1. Vision 6
     2. Mission 6
3. Main Line of Business/ Activities of The Company 6
4. Company Location 7
5. Organizational Structure 8

**CHAPTER III COMPANY PROBLEM 9**

1. Analysis of Company Problem 9

3.1.1. Problem Finding 9

3.1.2. Formulation of The Problem 9

3.1.3. Problem Framework 10

1. Theoretical Basis 10
   * 1. Financial Ratio Analysis 10
     2. Types of Financial Ratio Analysis 10
     3. Understanding of Financial Performance 12
2. The Method Used 13

3.3.1. Liquidity Ratio 13

3.3.2. Profitability Ratio 13

**CHAPTER IV RESULT AND DISCUSSION……………………………... 15**

1. Result 15
2. Discussion 15

4.2.1. Liquidity Ratio 15

4.2.2. Profitability Ratio 16

**CHAPTER V CONCLUSION DAN SUGGESTION 19**

1. Conclusion 19
2. Suggestion 19

**REFERENCES 21**

**ATTACHMENT 23**

**CHAPTER I**

**INTRODUCTION**

* 1. **Background**

Information Technology (IT) is the use of computers to other activities like to store, transmit, manipulate data or information. IT is considered be a subset of information and communications technology (ICT). Information technology has many types such as Artificial Intelligence, Content Management, Customer Relationship Management, Ecommerce and others. The high demand for technology has made technology companies continue to improve their ability to create better and more modern technology, therefore making the competition of information technology companies very fierce.

Vietnam is one of countries that has great development potential, especially in the field of information technology. Vietnam has successfully transformed itself into a net exporter of mobile device commodities since 2010 and has also encouraged foreign investment in telecommunications infrastructure installations to keep pace with the development and progress of ICT (Information Communication and Technology) that Vietnam has not yet had. One of the steps taken is to provide a variety of tax incentives which ate the main reason investors prefer Vietnam over other countries in Asia.

One of the advanced information technology company in Vietnam is FPT Corporation. FPT Corporation is the largest information technology company in Vietnam, also a leader in several business areas in Vietnam such as software exports, system integration, software development and IT services, and FPT

position have been recognized worldwide. FPT Software is a global IT (Information Technology) services company, it is subsidiary of FPT Corporation and has oversea branches such as Japan, South Korea, Indonesia, Taiwan, Singapore, Thailand, United States, France, Germany and others. The company also cooperates with many leading companies.

* 1. **Scope of The Research**

Practical work is an action of what has been learned while at the university and do it into practice in the workplace, this course is required for undergraduate students who have met certain requirements. Practical work is required because it will be very helpful after graduation, so that students become accustomed in the workplace and not surprised.

Practical work is a mandatory task when exchanging program to the University of Economics and Law Vietnam. This report discusses about the financial performance of FPT Corporation by analyzing their financial ratios.

* 1. **Use of The Purpose of Research**
     1. **Purpose**

Measure the performance of the FPT Corporation periods 2015-2019 from its financial ratios.

* 1. **Place and Time of Implementation**

Student mobility program was held on August 26, 2019 to December 26, 2019 at the Faculty of Economics, University of Economics and Law, Vietnam.

* 1. **Systematic of Writing**

Systematics of writing is made in order to get an overview and facilitate understanding of this report. Systematics of writing in this report can be divided into five chapters with the following systematics:

**CHAPTER I INTRODUCTION**

This chapter is described about background, scope of the research, benefits and purpose of practical work program, place and time of implementation of practical work program, and systematics of writing.

**CHAPTER II GENERAL DESCRIPTION OF THE COMPANY**

This chapter is about description of the company, company history, company vision and mission, main line of the business/ activities of the company, company location, and organizational structure.

**CHAPTER III COMPANY PROBLEM**

This chapter discusses the problems faced by the company and how to solve the problems.

**CHAPTER IV RESULTS AND DISCUSSION**

This chapter discusses the results of author’s analysis regarding the analysis of financial rations of the company performance of FPT Corporation.

**CHAPTER V CONCLUSION AND SUGGESTION**

This chapter contains conclusion provided by author from the results of the report conducted and suggestion from the analysis of financial ratios on the performance of FPT Corporation.

**CHAPTER II**

**GENERAL DESCIPTION OF THE COMPANY**

1. **Company History**

FPT Corporation is the largest ICT (Information Communication Technology) in Vietnam was founded in 1988, with technology and telecommunications as its core business sectors, company headquartered in Hanoi, Vietnam. FPT’s infrastructure has cover 59/63 provinces and cities in Vietnam and has constantly expanded globally with 46 officers in 22 countries and territories abroad, including United States, Japan, South Korea, China, Germany, Netherlands, France, Britain, Slovakia, Singapore, Australia, Philippine, Bangladesh, Cambodia, Indonesia, Malaysia, etc.

FPT Corporation cooperating and collaborate with large companies such as Microsoft, Amazon Web Services, SAP, Apple, Asus, Unilever and other. FPT subsidiary company has three sectors are telecommunications sector such FPT Telecom and FPT Online Service, Technology sector consist of FPT Information System and FPT Software, and Education and others sector consist of FPT Education and FPT Investment. FPT has also received several national and international achievements such as Top 10 Largest Private Enterprise in Vietnam, No.1 in The Field of System Integration; IT services, online advertising in Vietnam, Top 100 Global Service Providers by IAOP, Top 130 Best Companies To Work For in Asia, and others.

* 1. **Vision and Mission of The Company**
     1. **Vision**

FPT vision is “The 4th Industrial revolution is an opportunity for lifetime to fulfil the desire of prospering the nation”. As the no.1 IT Company in Vietnam, FPT, once again, takes responsibility for being a pioneer, for realizing the dreams of Digital Nation.

* + 1. **Mission**

FPT mission is to be a company guided by technological innovations, committed to the highest level of customer satisfaction, contributing to national prosperity and providing its employees with the most favorable working environment possible, thus enabling them to reach their full potential in their professional careers as well as their morale.

* 1. **Main Line of Business/ Activities of The Company**

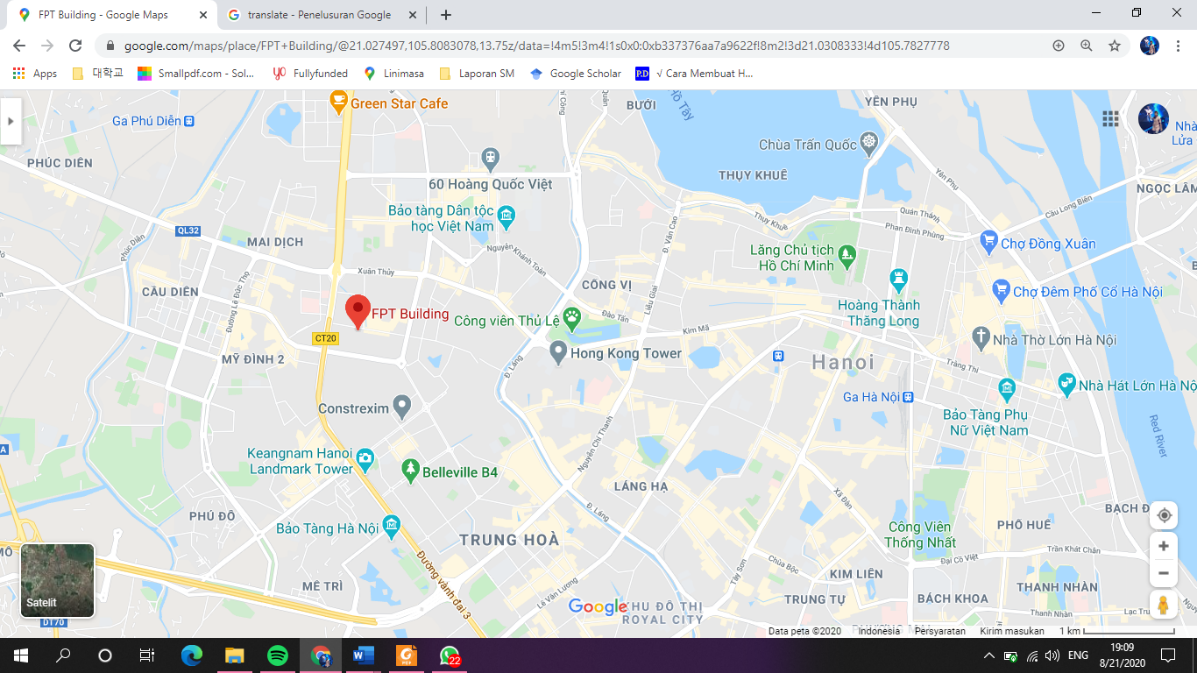
FPT Corporation is organized Information Technology and Telecommunications (IT&T) segment, comprise manufacture, which distributes and retails of IT products, including hardware, software, mobile phones, digital cameras and others. Telecommunications, including individual and household internet services, corporate internet leased line services, domestic and international telecommunication services. Digital content, including online information services for corporate and individual clients. Software development and system integration, including the provision of software application solutions and IT related services. FPT also has Investment and Education segment, comprises

education, including computer training and business administration education at college, university and post-graduate levels, as well as investment, holding group companies and developing real estate.

* 1. **Company Location**

The company is headquartered in FPT Building, No.17 Duy Tan Street, Cau Giay District, Hanoi, with six subsidiaries and four associates.

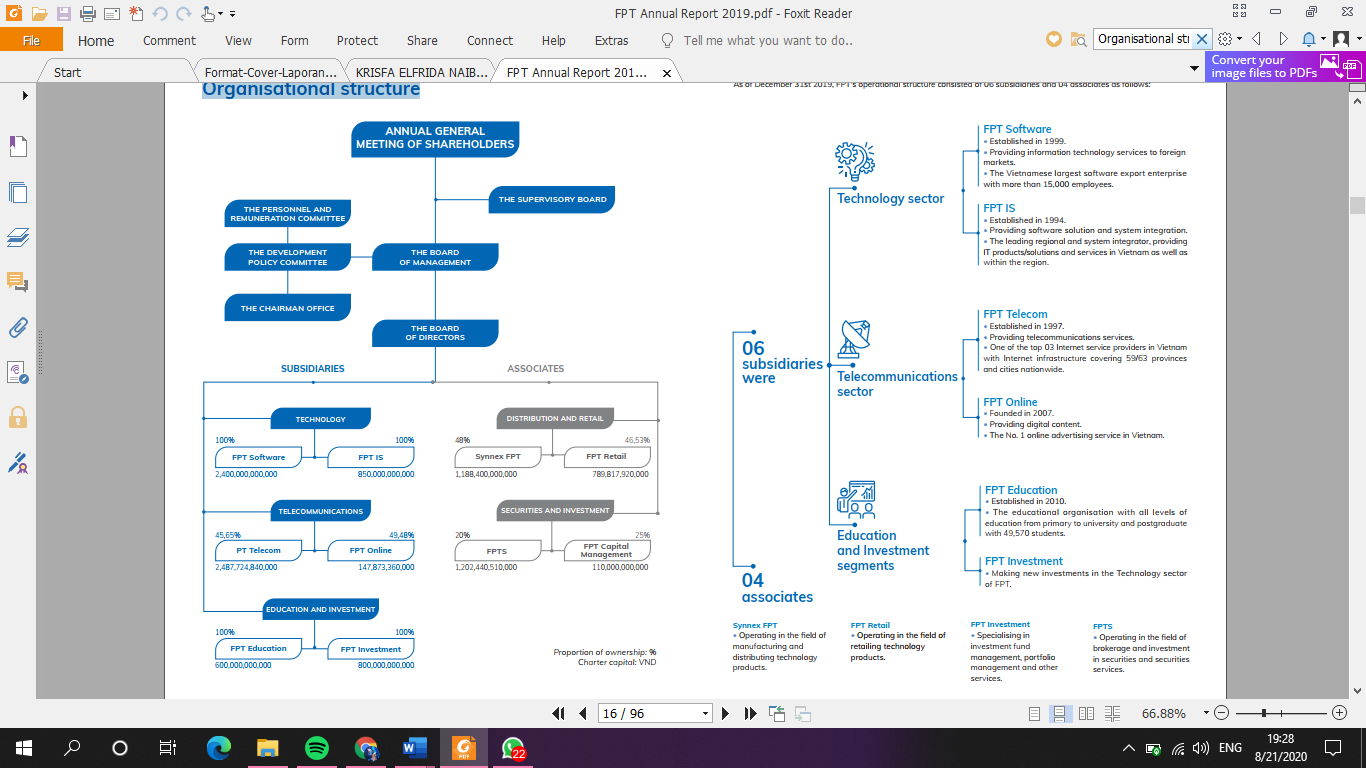
**Picture 2.1 Imagine of The Building Location**

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Source: [https://www.google.com/maps/place/FPT+Building/](https://www.google.com/maps/place/FPT+Building/@21.027497,105.8083078,13.75z/data=!4m5!3m4!1s0x0:0xb337376aa7a9622f!8m2!3d21.0308333!4d105.7827778)

* 1. **Organizational Structure**

**Picture 2.2 Chart of the FPT’s organizational structure.**



Source: <https://fpt.com.vn/en>

**CHAPTER III**

**COMPANY PROBLEM**

**3.1. Analysis of Company Problem**

1. **Problem Finding**

The problem that was found in the financial statements of the FPT Corporation for the period 2015-2019, author found decrease and increase in the balance sheet and income statement. Therefore, author is interested in conducting a ratio analysis to measure the company’s financial performance for the 2015-2019 period.

**Chart 3.1 Profit Fluctuation Periods 2015-2019**

Source: Processed Data

1. **Formulation of The Problem**

Based on the problem described, the formulation of the problem in this report is: Analysis of Financial Ratios to Measure Financial Performance In FPT Corporation Periods 2015-2019.

1. **Problem Framework**

To see the financial performance of the company, the first step is to analysis the company’s profitability and liquidity ratios.

**3.2. Theoretical Basis**

1. **Financial Ratio Analysis**

John (2015, pp. 11-12) stated, ratios are tools utilized by analysts as part of the analytical process to understand different aspect of a business. Ratios are based on logical known relationships between financial statement line items such as assets and liabilities or revenue and expense. Financial ratios show the relationship between different data points in order to make decisions.

As part of their analysis and financial reporting functions, financial executives need to provide critical decision, making information, both internally to general managers, division heads and department heads, and externally to investors and financial institutions. A variety of ratios exists to assist financial managers to summaries and analysis the financial statements including balance sheet, income statement and statement of cash flows. A. J. Singh & Raymond S. (2002).

1. **Types of Financial Ratio Analysis**

According to John’s (2015, pp. 28-38), there are several types of financial ratios:

1. Liquidity Ratios

Liquidity ratios measure company’s ability to meet its short-term obligations (liquidity).

1. Current Ratio

The current ratio is the broadest measure of short-term liquidity because it takes into consideration all available liquid assets, including inventory and accounts receivable.

× 100%

Current Assets

Current Liabilities

Current Ratio =

1. Quick Ratio

The quick ratio is a more conservative liquidity indicator because it excludes inventory from the numerator.

× 100%

Current Assets - Inventory

Current Liabilities

Quick Ratio =

1. Profitability Ratios

Profitability ratios are used to identify the level and quality of earnings. Profitability is a measure of net earnings, relative to components used to generate earnings. Profitability is also a measure of efficiency, providing evidence for how well a company utilizes things like assets or equity in order generate both revenue and profit.

* 1. Profit Margin

The profit margin ratio is an important measure and point of consideration for any user. It measures the total profit of a company relative to total sales.

× 100%

Net Income

Net Sales

Profit Margin =

1. Return on Assets

The return on assets (ROA) ratio measures relationship between net earnings and assets.

× 100%

Net Income

Net Assets

Return on Assets =

1. Return on Equity

Return on equity (ROE) measures profitability relative to shareholder investment, or equity. This ratio is generally considered the best measure of profitability and is strongly favored by investors.

× 100%

Net Income

Equity

Return on Equity =

1. **Understanding of Financial Performance**

Based on a journal (Didin, Jusni & Mochamad, 2018), financial performance is the company’s financial condition over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio, liquidity, leverage, solvency, and profitability. Financial performance is the company’s ability to manage and control its resources. (IAI, 2016).

Farah & Farrukh (2016) stated, financial performance principally reflects business sector outcomes and results that show overall financial health of the sector over a specific period of time. It indicates that how well an entity is utilizing its resources to maximize the shareholders wealth and profitability. Although a complete evaluation of a firm’s financial performance takes into account many other different kind of measurement used in the field of finance and statistical inference is financial ratios.

* 1. **The Method Used**

The method to be used is to calculate the liquidity ratio and the profitability ratio.

1. **Liquidity Ratio**
2. Current ratio

× 100%

Current Assets

Current Liabilities

Current Ratio =

1. Quick ratio

× 100%

Current Assets - Inventory

Current Liabilities

Quick Ratio =

1. **Profitability Ratio**
2. Profit Margin

× 100%

Net Income

Net Sales

Profit Margin =

1. Return on Asset

× 100%

Net Income

Net Assets

Return on Asset =

1. Return on Equity

× 100%

Net Income

Equity

Return on Equity =

**CHAPTER IV**

**RESULT AND DISCUSSION**

1. **Result**

**Table 4.1 Research Result and Discussion**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Ratio** | **2015** | **2016** | **2017** | **2018** | **2019** | **Ratio Average** |
| **Liquidity**  Current Ratio  Quick Ratio | 126.67%  91.04% | 125.70%  99.21% | 144.68%  135.45% | 122.85%  117.67% | 117.87%  109.48% | 127.76%  110.57% |
| **Profitability**  Profit Margin  ROA  ROE | 6.42%  9.36%  23.94% | 6.52%  8.63%  22.50% | 8.27%  14.11%  26.65% | 13.83%  10.87%  21.89% | 14.11%  11.71%  23.28% | 9.83%  10.94%  23.65% |

Source: Processed Data

1. **Discussion**
2. **Liquidity Ratio**
3. Current Ratio

Current ratio is a way to find out and measure the ability of a company to pay off the debts. From the above ratios, that can be seen that the amount of current ratio in 2015 is 126.67%, the current ratio in 2016 is 125.70% decreased by 0.97%, the current ratio in 2017 is 144.68% increased by 18.98%, the current ratio in 2018 is 127.37% decreased by 17.31%, and in 2019 is 114.37% decreased by 13%. The decline in 2016, 2018, and 2019 was due to the increase in the value of current liability, while the increase in 2017 because the increase in current asset, which was greater than the increase in current liability.

1. Quick Ratio

Quick ratio is to measure a company is able to meet its short-term obligations with its most liquid assets. Quick ratio in 2015 is 91.04%, in 2016 is 99.21% increased by 8.17%, quick ratio in 2017 is 135.45% increased by 36.24%, in 2018 is 117.67% decreased by 17.78%, and quick ratio in 2019 is 109.48% decreased by 8.19%. The increase in 2016 and 2017 was due to decrease in value of current liability, while in 2018 and 2019 decrease because increase in the value of current liability.

1. **Profitability Ratio**
2. Profit Margin

Profit margin is to measure of a company earnings. In 2015 is 6.42%, then in 2016 is 6.52% increased by 0.1%, in 2017 is 8.27% increased by 1.75%, in 2018 is 13.83 increased by 5.56%, and in 2019 is 14.11 also increased by 0.28%. The increase that continues to occur due to increasing profits every year.

1. Return on Assets

Return on assets is provides how much profit a company is able to generate from assets. In 2015 is 9.36%, in 2016 is 8.63% decreased by 0.73%, then in 2017 is 14.11% increased by 5.48%, in 2018 is 10.87% decreased by 3.24%, and in 2019 is 11.71 increased by 0.84%. the decline

that occurred in 2016 and 2018 was due to net income that was smaller than increase in total asset value, and for the increase in 2017 and 2019 because increase in the value of net income is less than increase in the value of total asset.

1. Return on Equity

Return on equity is the amount of net income returned as a percentage of equity. In 2015 is 23.94%, then in 2016 is 22.50% decreased by 1.44%, in 2017 is 26.65% increased by 4.15%, in 2018 is 21.89% decreased by 4.76%, and in 2019 is 23.28% increased by 1.39%. Increase in 2017 and 2019 occurred because increase in net profit was smaller than increase in equity. While the decrease in 2016 and 2018 was due to the opposite, decrease in net income.

**CHAPTER V**

**CONCLUSION AND SUGGESTION**

1. **Conclusion**

Based on the calculation of the ratios that have been carried out from 2015 to 2019 for the assessment of financial performance using financial ratio analysis, namely the liquidity ratio and profitability ratio at FPT Corporation, Vietnam, it can be concluded that the performance of the FPT Corporation based on the results from the liquidity ratio analysis above illustrates the condition of the company that is not good, it can be see from the calculation of the current ratio which has decreased in 2016, 2018 and 2019, increase occurred only in 2017, the decline also occurred in the quick ratio calculation in 2018 and 2019. Then the profitability analysis above describes a sufficient condition, during the five periods although experiencing fluctuation but with increase trend.

1. **Suggestion**

After author analyze, calculation and obtain the above conclusion, author provide suggestion for the company, the FPT Corporation should optimize the use of current assets and reduce current liabilities so that liquidity increases.

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**ATTACHMENT**

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Giving A Certificate by Representative of the International Office of University of Economics and Law (UEL)



Photo with Members of International Office



Take Part in Competitions at UEL Sport Day



Celebrate UEL Day (Performing Flashmob and Selling Food on UEL Day)



Celebrate Mid-Autumn Festival



Preparing for Mid-Autumn Festival