Bad Debts and Depreciation of Fixed Assets on Net Profit of PT. Indofood Sukses Makmur Tbk

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Article Info	Abstract
	This research aims to determine the effect of bad debts and depreciation of fixed assets on net profit. This research uses quantitative research which uses 20 samples of PT's quarter 1, quarter 2, quarter 3 and quarter 3 PT. Indofood Sukses Makmur Tbk. The research results show that bad debts have no effect on net profit, while depreciation of fixed assets has a significant effect on net profit. If simultaneously, bad debts and depreciation of fixed assets have a positive and significant effect on net profit interest.

INTRODUCTION

The primary goal of starting a business is essentially to generate the highest possible profit for its owners. A company's profit is a measure of its financial performance and represents the company's growth. Every entrepreneur certainly wants their business to run smoothly (Riadi, 2022). For trading and manufacturing companies, receivables from sales activities are crucial for business continuity, as they lead to the acquisition of operating funds. Credit sales result in either profit or loss. If sales increase, a business's revenue and profit will also increase; however, if there are many uncollectible receivables, the company's losses may

also increase (Senastri, 2021). This loss is commonly referred to as bad debt expense. For companies that make credit sales, uncollectible receivables represent expenses arising from company operations. Naturally, it is important to know how much your business is spending.

Bad credit occurs due to delayed payments and declining creditworthiness (Senastri, 2020). Additionally, the inability to collect debt from customers can lead to reduced profits. To address this issue, management must manage receivables strictly to prevent large losses from being debited. Bad debt expense refers to the cost incurred by a company due to uncollectible receivables arising from credit sales. Bad receivables are recorded as operating expenses in the income statement. This expense is borne by the company to compensate for losses caused by customer insolvency. These losses occur in the form of payments that the company has not received from its customers (Wadiyo, 2023). Operating expenses not only include bad debts but also depreciation of fixed assets.

Fixed asset depreciation expense is the process of allocating the cost of an asset over its estimated useful life. Fixed assets are a vital component in a company's production due to their significant value and depreciable nature. Therefore, it is crucial for businesses to apply the appropriate depreciation method for their assets. Since depreciation reduces the value of assets over time, the choice of depreciation method will influence its impact on the company's overall profit (Riadi, 2019). As such, the depreciation expenses incurred each year have a significant effect on profit.

Net income is the business's revenue minus the cost of goods sold. Several factors can affect net income, including income tax expenses, operating expenses, interest, and the cost of goods sold. Having net income not only helps companies report it in their financial statements but also assists investors in gauging how much revenue exceeds business expenses (Fikriansyah, 2023). Net income is the positive difference between operating revenue and non-operating costs. Therefore, it can be said that net income is the residual gross income in a certain period, minus all costs and income taxes. The function of net income itself is as a company reserve fund to meet investment needs, development, and emergency funding.

PT. Indofood Sukses Makmur Tbk experienced a decline in operating profit

from 17.9% to 16.7% in the first half of 2022 due to unrealized foreign exchange losses. Nevertheless, the company recorded a 12% growth in sales. This study aims to examine the effect of uncollectible receivables on net profit at PT. Indofood Sukses Makmur Tbk, evaluate the impact of fixed asset depreciation on the company's net profit, and analyze the combined effect of uncollectible receivables and fixed asset depreciation on the company's net profit.

METHODS

The research was conducted at PT. Indofood Sukses Makmur Tbk, which operates in the processed food sector, with its headquarters in Jakarta. The study uses quarterly (I, II, and III) and annual financial reports from 2019 to 2023 as data. The data will be obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). The population includes all financial reports issued by PT. Indofood Sukses Makmur Tbk, while the sample consists of relevant quarterly and annual financial reports within the specified period.

Multiple linear regression analysis is used to examine the independent variables of uncollectible receivables (X1) and fixed asset depreciation (X2) against the dependent variable of Net Profit (Y). The multiple linear regression model uses the following equation:

$$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + e$$

Keterangan:

Y   = Net Profit

α   = Konstanta

X1 = Bad Debts

X2 = Depreciation of Fixed Assets

β1   = The multiple regression coefficient of X1 on the dependent variable Y

β2   = The multiple regression coefficient of X2 on the dependent variable Y

e   = error

In this study, multiple regression analysis is used to evaluate the effects of uncollectible receivables and fixed asset depreciation on net profit. Several preliminary tests were conducted to ensure data accuracy: the Normality Test

confirmed normal distribution, the Multicollinearity Test indicated no significant multicollinearity with tolerance values > 0.1 and VIF < 10, the Autocorrelation Test showed no autocorrelation with a Durbin-Watson (DW) value between -2 and +2, and the Heteroscedasticity Test ensured variance homogeneity using methods like the Glejser test.

To test the hypotheses, three methods were employed: the Coefficient of Determination (R^2), the t-test, and the F-test. R^2 measures how well the independent variables explain the variability in net profit, with higher values indicating a better model. The t-test assesses the individual impact of each variable, with a significant t-value ($p < 0.05$) showing a notable effect on net profit. The F-test evaluates the collective impact of the independent variables, where a significant F-value ($p < 0.05$) indicates a meaningful combined effect on net profit.

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression

Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1(Constant)	701221.097	1059346.999		.662	.517
X1	4.782	4.432	.180	1.079	.296
X2	18.003	4.322	.695	4.166	.001

a. Dependent Variable: Y

The equation for the multiple linear regression can be formulated as follows:

$$Y = \alpha + \beta1\ X1 + \beta2\ X2 + e$$

$$Y = 7012221{,}097 + 4{,}872 + 18{,}003 + e$$

a. The constant value of 7,012,221.097 indicates the net profit without the influence of the uncollectible accounts and depreciation of fixed assets variables.

b. The regression coefficient β1 of 4.872 indicates that uncollectible accounts increase net profit by 4.872 for every 1-unit increase.

c. The regression coefficient β2 of 18.003 indicates that depreciation of fixed assets increases net profit by 18.003 for every 1-unit increase.

Classic Assumption Test

Normality Test

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		20
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1839069.94807733
Most Extreme Differences	Absolute	.143
	Positive	.143
	Negative	-.120
Test Statistic		.143
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

The results of the normality test conducted using the Kolmogorov-Smirnov test indicate that the significance level is greater than 0.05, or 0.200 > 0.05, which means that the data is normally distributed.

Multicollinearity Test

Table 3. Multicollinearity Test

Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1 (Constant)	701221.097	1059346.999		.662	.517		
X1	4.782	4.432	.180	1.079	.296	.767	1.304
X2	18.003	4.322	.695	4.166	.001	.767	1.304

a. Dependent Variable: Y

The VIF value for the uncollectible accounts variable (X1) and the fixed asset depreciation variable (X2) is 1.304 < 10, and the Tolerance value is 0.767 > 0.1. Therefore, multicollinearity does not occur.

Autocorrelation Test

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.798[a]	.637	.594	1944243.195	.682

a. Predictors: (Constant), X2, X1
b. Dependent Variable: Y

The value is 0.682, which falls into criterion point 2, indicating that the D-W value is between -2 and +2, meaning there is no autocorrelation. It can be concluded that there are no symptoms of autocorrelation.

Heteroskedasticity Test

Table 5. Heteroskedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1094267.238	541042.232		2.023	.059
	X1	-3.661	2.264	-.410	-1.617	.124
	X2	3.273	2.207	.376	1.483	.156

a. Dependent Variable: ABS_RES1

The significance value for the bad debts (X1) is greater than 0.05, specifically $0.124 > 0.05$. Similarly, the significance value for the fixed asset depreciation variable (X2) is also greater than 0.05, at $0.156 > 0.05$. Consequently, it can be concluded that heteroskedasticity is not present.

Hypothesis Testing

Coefficient of Determination (R^2)

Table 6. Coefficient of Determination (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.401[a]	.161	.062	992986.88523

a. Predictors: (Constant), X2, X1

The R Square (R^2) value is 0.161, which corresponds to 16.1%. This indicates that the combined effect of the bad debts (X1) and the fixed asset depreciation variable (X2) on net profit accounts for 16.1%. The remaining 83.9%

(0.839) of the variation in net profit is influenced by other factors not examined in this study.

t-Test (Partial Test)

Table 7. t-Test (Partial Test)

Coefficientsᵃ

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	701221.097	1059346.999		.662	.517
X1	4.782	4.432	.180	1.079	.296
X2	18.003	4.322	.695	4.166	.001

a. Dependent Variable: Y

The t-statistic shows a value of 1.079 for the variable X1 and 4.166 for the variable X2. Meanwhile, the t-table shows a value of 1.734, which is derived from $n = 20$, $k = 2$, $\alpha = 0.05$, and $df = 20 - 2 = 18$. From the table, the significance value for the uncollectible accounts variable (X1) is $0.296 > 0.05$, or the t-statistic < t-table, specifically $1.079 < 1.734$, which means that the uncollectible accounts variable (X1) does not have a partial effect on net profit, or it can be stated that H1 is rejected. In contrast, the significance value for the fixed asset depreciation variable (X2) is $0.001 < 0.05$, or the t-statistic > t-table, specifically $4.166 > 1.734$, indicating that the fixed asset depreciation variable (X2) has a partial effect on net profit, or it can be stated that H2 is accepted.

Bad Debts on Net Profit

The findings from the partial test reveal that bad debts (X1) have a significance level of 0.296, which exceeds 0.05, and a t-statistic of 1.079, which is less than the t-table value of 1.734. This suggests that uncollectible receivables do not significantly impact the net profit of PT. Indofood Sukses Makmur Tbk. Even though the amount of bad debts has risen, it does not affect the company's net profit as these receivables are classified as current assets. This result contrasts with the studies conducted by Dillak & Juliana (2006) and Tanuma (2020), which assert that bad debts can significantly influence profitability when managed effectively.

Depreciation of Fixed Assets on Net Profit

The partial test results also indicate that the depreciation of fixed assets (X2) does not have a significant effect on net profit, with a significance value of 0.296 and a t-statistic of 1.079, which is below the t-table value of 1.734. These results are inconsistent with earlier research by Kartini (2014) and Rahmawaty et al. (2021), which claim that fixed asset depreciation positively affects profit.

The F test results indicate that uncollectible receivables (X1) and fixed asset depreciation (X2) together influence net profit, as evidenced by a significance value of 0.000 and an F-statistic of 14.908, exceeding the F-table value of 3.59. The increase in the values of these two variables can have an effect on the company's profit. This research contributes to the existing literature by exploring the joint influence of these two variables on net profit, which is different from the studies conducted by Yusmalina (2020) and Sagala (2022), who focused on uncollectible receivables but with different independent and dependent variables.

CONCLUSION

Based on the research results at PT. Indofood Sukses Makmur Tbk, using financial report data from 2019 to 2023 and IBM SPSS software, it can be concluded that: (1) Partially, uncollectible receivables do not show a significant effect on the company's net profit, hence hypothesis H1 is rejected. (2) Fixed asset depreciation has a positive and significant effect on the company's net profit growth, thus hypothesis H2 is accepted. (3) Simultaneously, uncollectible receivables and fixed asset depreciation significantly affect the company's net profit, thereby supporting hypothesis H3.

Based on the research findings, it is recommended that the company consider uncollectible receivables and fixed asset depreciation in its strategies to maximize net profit and manage these two variables more effectively. Future researchers are encouraged to explore other variables that may influence net profit, involve various companies, and extend the research period to gain a more comprehensive understanding of factors affecting financial performance.

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