The Impact of Liquidity, Profitability, Activity and Solvency Ratio on Change in Earnings

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ABSTRACT

This study aims to determine the impact of liquidity, profitability, solvency, and activity ratio on change in earnings. In this research, multiple linear regression is used to identify a change in earnings on an entity. The study takes sample data from consumer goods companies listed on IDX for the period 2014-2017. The results of this study show that profitability ratio has a significant effect on change in earnings. The other results show that liquidity ratio, activity ratio, and solvency ratio does not affect change in earnings.

Keywords: Liquidity Ratio, Profitability Ratio, Activity Ratio, Solvency Ratio, Change in Earnings

JEL Classification: M41
INTRODUCTION

Changes in earnings are an instrument to measure the company's business activity performance. According to Ikatan Akuntan Indonesia (2012), net income (profit) is often used as a performance measure or basis for other measures such as return on investment or earnings per share. Change in earnings or earnings growth, which is the percentage increase, or decrease of net profit reflect the company’s performance. The higher the increase, the better performance of the company (Utari, Purwanti, and Prawironegoro, 2014).

The company’s profits in the future cannot be ascertained. Management is not able to state the exact amount of profit in the future, but management may forecast to predict how much profit to be earned in the next period. Change in earnings primarily used as a tool by investors to decide whether to buy, sell, or keep their shares investment.

In consumer goods manufacturing companies in Indonesia, change in earnings occurs positively. This change indicates that consumer goods companies in Indonesia have proper earning growth. Five companies that have significant growth in profit, the first and second place are Indofood CBP Sukses Makmur and Mayora Indah. Both companies earn 14.47% and 18.44% in 2018. Compared to 2017 period, Indofood CBP Sukses Makmur only has 7.15% and Mayora Indah 7.15%, twofold on earnings growth. On the third and fourth position is Unilever with the net change in earnings increased to 39.84% and HM Sampoerna in 2018 recorded a profit increase of 3.58 %. The last place is Kalbe Farma, with an increase of 1.69% in 2018 (source: CNN Indonesia). Change in earnings enjoyed by those five companies gives a positive signal because it tells that they maintain their performance in the right way. Changes in earnings represent the company's performance. It may be predicted using financial ratios such as liquidity ratios, profitability, and solvency. The degrees of these ratios give impact on higher or lower on the change in profit. Kasmir (2012) indicated that a company with a high current ratio tend to have a high change in earnings too, with high profit earned indicates the company’s ability to repay its short-term liabilities. While different thing happened to the other ratio, the same study said the solvency ratio has the opposite direction on change in earnings. This ratio serves to see how far each company's equity in covering its debt, the lower the solvency ratio, the higher the change in earnings produced.
Signaling theory is an action taken by management by providing information to investors relating to the management’s perspective on the company’s prospects/expectations (Brigham and Houston, 2006). Profit announcements are an example of signaling. Fahmi and Riza (2013) suggested earnings announcements contain information used by investors to make decisions on investment activities as well as to project or estimate on the company’s prospects/expectations. When management announces rising profit, investors receive information that the company’s financial condition is relatively good in the future. However, if management announces decreasing profit, investors receive information that the company’s financial condition is relatively bad in the future. In line with the theory to fulfill the interest of stakeholders in obtaining information about the profitability, management publishes financial statements that contain financial and non-financial information that can be used to assess the company’s performance. In the financial statements, there is a comprehensive income statement that provides the amount of profit or loss obtained by the company.

Furthermore, the financial statement can be used as a tool to get notable information about the company’s conditions and how good its performance. Government and business people need information from financial statement to make a decision and to analyze the company’s sustainability. Financial ratios have become one of the tools to analyze one of them that is to predict the company’s change in earnings.

Financial ratios are used as company’s analytical instrument that intended to show changes in financial conditions or operating performance in the past and help illustrate the trend pattern of changes and then shows the risks and opportunities inherent in the company concerned (Ifada and Puspitasari, 2016). The result is that financial ratio analysis can be used to assess management performance in achieving predetermined targets (earnings) and management capabilities in effectively empowering company resources.

Previous studies showed inconsistent results about the effect of financial ratios on the changes in earnings. Research by Rochim and Ghoniyah (2017) indicates there are no significant effects of net profit margin and liquidity ratio on change in earnings. Other studies by Agustina and Silvia (2012) and Meythi (2005) prove that Total Asset Turnover (TOT) had no significant effect on changes in earnings, but Hapsari (2007); Syamsudin and Primayuta (2009) found that TOT had a significant positive
effect on changes in earnings. Research conducted by Oktanto and Nuryatno (2014) shows that DER (debt to equity ratio) had a significant negative influence on earning changes, but is not in line with research by Ifada and Puspitasari (2016) that solvability ratio measured by debt to equity ratio had no significant impact on earning changes.

The purpose of this study is to prove the effect of liquidity ratios, profitability, activity, and solvency on earnings changes. This study contains an analysis of the effect of financial ratios on earnings changes in various companies in the same sector. Also, can be used for assessing the rate of profit changes in a company and as an information source that used by investors to decide on investment activities as well as to estimate the company's prospect in the future.

LITERATURE REVIEW

Signaling theory determines the existence of information asymmetry between a company’s management and stakeholders. For this reason, managers need to provide information to stakeholders using financial statements. Signaling theory suggests how companies should provide signals to users of financial statements. This signal is the form of information about what management should do in operational activities to realize the inclinations of principals. A signal can be in the form of promotions or other information stating that the company is better than other companies. Managers provide information through financial statements that they implement conservatism accounting policies that produce higher quality profits because this principle prevents companies from taking action to exaggerate profits and help users of financial statements by presenting profits and assets that are not overstated. Two signals are delivered, good news, and bad news. If the profits reported by the company increase, the information can be categorized as good news, it gives a positive signal because it indicates that the company is in good condition. Conversely, if reported decline in earnings, the company is in bad condition so that it is considered a bad signal.

According to Wild et al. (2014), the profit of the company reflects feedback to owner or shareholders for the current period. Profit is an approximation of increases or decreases in equity before allocation to shareholders. Change in earnings happens by the changes in financial components, for examples change in sales, cost of goods sold, operational expenses, interest expenses, income tax or change in extraordinary
account. Change in earnings means there are alterations in the number of income that a company earns or the expenses incurred (Warsidi and Pramuka, 2000).

According to Wild et al. (2014), financial statement analysis is the analysis of financial statements consisting of review or study of relationships and tendencies or trends to determine the financial position and results of operations and the development of the company concerned.

Liquidity Ratio is a ratio that describes the company's ability to fulfill short-term obligations. According to Kasmir (2012), the function of the liquidity ratio is to show or measure the company's ability to meet obligations that are due, both obligations to parties outside the company and within the company. Liquidity ratio, or often called the working capital ratio, is a ratio to measure how ‘liquid’ a company is. The liquidity ratio used in this study is the current asset divided by current liability (Ifada and Puspitasari, 2016).

Profitability ratios are a type of financial ratios that are used to assess a business's ability to generate earnings relative to its revenues, operating costs, balance sheet assets, and shareholders' equity over time. In this study, profitability is calculated by the net profit margin, which is the ratio used to measure the percentage of net profit in a company against net sales. Kasmir (2012) argues that the net profit margin is calculated by comparing net income after tax with revenue (net sales).

Activity Ratio is the ratio used to measure the level of efficiency of the use of company resources (sales, inventory, debt collection, and others) or ratio to assess the company's ability to carry out daily activities by Kasmir (2012). Activity ratios is a financial ratio that measures the firm's ability to convert different accounts in a statement of financial position into cash or sales. Activity ratios measure the overall effectiveness of a firm based on its utilization of its assets, leverage, or other similar statements of financial position items and are significant in determining if the management is doing a well in generating revenues and cash from its resources. In this study, the total assets turnover are used as activity ratios.

According to Widyanti and Nuryatno (2017), Solvency ratios are used to measure the extent to which company assets are financed by debt. Solvency Ratio is the ratio used to assess a company's ability to meet its debt obligations (Munawir, 2007). The solvability ratio used by researchers in this study is the Debt to equity ratio. Kasmir (2012) argues that the Debt to equity ratio is a ratio that measures a company's ability to
pay long-term obligations, the lower the ratio, the better the company's ability to pay long-term obligations.

This study examines four independent variables: liquidity, profitability, activity, and solvency, on one dependent variable change in earnings. Independent variables are the liquidity ratio measured by the current ratio, the profitability ratio measured by net profit, the activity ratio measured by total asset turnover, and the solvency ratio measured by the debt to equity ratio. The dependent variable in this study is the change in earnings measured by comparing the results of the reduction in profit for the year with the previous year, divided by the amount of profit the previous year.

CONCEPTUAL FRAMEWORK

Previous research done by Rochim and Ghoniyah (2017) proved that net profit margin had a significant effect on change in earning, whereas different results are obtained from the research of Agustina and Silvia (2012) which proves that net profit margins have no significant influence on the change in earnings. Research by Gumanti, Paramawardhani, dan Puspitasari (2012) shows that the current ratio does not affect changes in earnings, but different results are obtained from Zakaria (2015) which proves that the current ratio has a positive influence on changes in earnings. Agustina and Silvia (2012) and Meythi (2005) prove that total asset turnover had an insignificant impact on earnings changes, while Hapsari (2007); Syamsudin and Primayuta (2009) state that total asset turnover has a significant and positive effect on changes in earnings. Research conducted by Oktanto and Nuryatno (2014) revealed that DER (debt to equity ratio) had significant influence with a negative direction on changes in earnings, but not in line with research by Ifada and Puspitasari (2016) indicated that debt to equity ratio had insignificant influence on earnings changes. Referring to those studies that have inconsistent results and limitations on the problems described, the conceptual framework to be used in the formulation of the hypothesis in this study is
Hypothesis Development

The higher current ratio indicates a lower change in profit because the company has to maintain high current asset not to generate revenue. Lower revenue means lower in profit; therefore, the current ratio has a negative influence on changes in earnings. This hypothesis is supported by Syamsudin and Primayuta (2009), but the research by Wibowo and Pujiati (2011) shows that CR has significant influence with a positive direction on changes in corporate profits. The negative effect shows the efficiency of the company's performance in optimizing current assets to guarantee current liability.

H1: Current ratio has a negative impact on changes in earnings

The higher net profit margin, the higher the profit changes obtained. The high net profit margin explains that company's ability to gains profit quite high — this hypothesis supported by Adisetiaawan (2011). The positive influence shows that the company can increase its business through the achievement of its operating profit in the period.

H2: Net profit margin has a positive impact on changes in earnings

The high ratio of total asset turnover reflects a higher change in profit. It explains that high total asset turnover shows that a company can utilize its assets to increase sales, which has an impact on increasing profits. Activity ratios measure the overall effectiveness of a firm based on the use of its assets, leverage, or other similar items and are important in
determining whether a company's management generating revenues and cash from its resources in a good way. This hypothesis is supported by Gunawan and Wahyuni (2013). The positive influence shows that the more effective asset turnover, the higher profit increase.

H3: Total Asset Turnover has a positive impact on changes in earnings

According to Zakaria et al. (2015), when a company uses more capital coming from debt, the greater the burden that must be borne. The presence of large equity will reduce the adverse effect of profit decline due to the measurement of Debt to Equity (DER) ratio. If the debt value of a company increases then the profit value has to increase because a large profit must be included in the capital account. If the company is unable to do so, the company tends to go bankrupt. Debt can hinder the development of the company, which in turn can make shareholders think twice to keep adding capital. Profit becomes one of the parameters for knowing the performance of financial statements, so that the debt to equity ratio has a negative influence.

H4: Debt to equity ratio has a negative impact on changes in earnings

METHODS

The nature of this research is hypothesis testing, where the hypothesis, which is a temporary explanation of the problem being studied, must be tested for its truth. The type of this research is causal research which aims to find out how a variable affects other variables. The level of intervention of this study is minimum because the authors obtain and process existing data and are carried out in unregulated situations. The study of this study is a manufacturing company listed on the Indonesia Stock Exchange. The time horizon used in this study is cross-sectional and time series by collecting data for the last four years, namely 2014, 2015, and 2016, 2017.

Changes in earnings are the difference in profit for the year studied with the previous year's profit, which is then compared to the previous year's profit. The scale used is the ratio scale using decimal units according to Zakaria (2015):

$$\Delta Y_{it} = \frac{(y_{it} - y_{t-1})}{y_{t-1}}$$

$\Delta y$: changes in earnings
$y_{t-1}$: changes in earnings in the previous period
$y_{it}$: changes in earnings for the current period
Liquidity ratio is a ratio that describes the company's ability to fulfill short-term obligations. According to Septiawan and Anugrah (2014), the function of the liquidity ratio is to show or measure the company's ability to meet obligations that are due, both obligations to parties outside the company and within the company. This variable is calculated by the current ratio which is a ratio to measure the company's ability to pay short-term liabilities or debts that are immediately due when billed as a whole (Kasmir, 2012):

\[
\text{Current Ratio (CR)} = \frac{\text{current asset}}{\text{current liabilities}}
\]

Profitability ratios are a type of financial ratios that are used to assess a business's ability to generate earnings relative to its revenues, operating costs, balance sheet assets, and shareholders' equity over time. In this study, profitability is calculated by the net profit margin, which is a ratio used to measure the percentage of net profit in a company against net sales. The net profit margin is a ratio used to measure the ability of a company to obtain profit after tax from every rupiah sold (Widyanti and Nuryatno, 2017):

\[
\text{Net Profit Margin (NPM)} = \frac{\text{net income after tax}}{\text{net sales}}
\]

Activity ratios are a category of financial ratios that measure a firm's ability to convert different accounts within its statement of financial position into cash or sales. Activity ratios measure the overall effectiveness of a firm based on its use of its assets or other similar statement of financial position items and are important in determining whether a company's management is doing a well in generating revenues and cash from its resources. This variable is calculated by Total asset turnover which is a ratio that shows how effectively the company uses assets owned to generate revenue or describes how much the sales rupiah can be generated by each rupiah invested in the form of company assets (Agustina and Silvia, 2012):

\[
\text{Total Asset Turnover (TATO)} = \frac{\text{net sales}}{\text{total asset}}
\]

Solvency ratios are used to measure the extent to which company assets are financed by debt. They are used to assess a company's ability to meet its debt obligations (Munawir, 2007). The solvency ratio used in this study is the Debt to equity ratio. Debt to equity ratio, calculated by dividing total debt to total equity, can describe how much the company is financed by long-term debt. The higher the debt, the higher financed from long term external source (Kasmir, 2012):
Debt to Equity (DTER) = \frac{\text{Total Debt}}{\text{total equity}}

Descriptive statistical methods used in this study are intended so that the average, minimum, and maximum values and standard deviations of the variables studied are known. This study uses multiple regression analysis, the steps taken are data normality test, classic assumption test, multiple linear regression analysis, simultaneous f-test, and partial t-test. Test of multiple regression analysis has the equation:

\[ Y = \alpha + \beta_1 CR + \beta_2 NPM + \beta_3 TATO + \beta_4 DTER + \varepsilon \]

**Legends:**
- \( Y \): Changes in earnings
- \( CR \): Current Asset/ Current Liability
- \( NPM \): Net Income after tax/ net sales
- \( TATO \): Net Sales/ Total Asset
- \( DTER \): Total Debt/Total Equity
- \( \varepsilon \): Error

**Table 1. Criteria of sample**

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Consumer goods companies in IDX</td>
<td>44</td>
</tr>
<tr>
<td>2.</td>
<td>Incomplete data</td>
<td>(14)</td>
</tr>
<tr>
<td>3.</td>
<td>Income Loss during the period of 2014,2015,2016,2017</td>
<td>(4)</td>
</tr>
<tr>
<td>4.</td>
<td>Number of companies that meet the sample criteria</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Number of observation (26 x 4 years)</td>
<td>104</td>
</tr>
</tbody>
</table>

The sample data are taken from consumer goods manufacturing company listed on IDX for the period 2014-2017. They are secondary data source because data are taken from the IDX website. The research data is pooling data. From 44 consumer goods manufacturing company listed on the Indonesia Stock exchange, only 26 companies can fulfill the criteria.

**RESULTS**

Based on the table 2, the objects studied (N) in 2014-2017 were 26 consumer goods companies with observations of 104 samples.

The current ratio has the minimum value 0.5139, while the maximum value is 10.2542 owned. With a sample average of 3.0096 and a standard deviation of 2.1255, it means that the variable distribution of data is 212%.

Net profit margin has the minimum value of 0.0037 and the maximum value of 0.8350. The average of 104 samples in the NPM variable is 0.140366 with the standard deviation of 0.1431462 value is smaller than...
one, so the data on the variable net profit margin is good and homogeneous, meaning that the average data distribution is 14%.

Total Asset Turn Over has a minimum value of 0.2363 and the maximum value of 2.8431. While. The average of 104 samples in the TATO variant is 0.489733 with a standard deviation of 0.4994319 values smaller than one, so the data on the total asset turnover variable is good and homogeneous, meaning that the average data distribution is 50%.

Debt to equity ratio has the minimum value of 0.0743 and the maximum value of 2.6546. While. The average of 104 samples in the TATO variable is 0.05650 with a standard 0.5762323 value smaller than one, so the data on the debt to equity ratio variable is good and homogeneous, meaning that the average data distribution is 58%

<table>
<thead>
<tr>
<th>Table 2. Descriptive Statistics</th>
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</thead>
<tbody>
<tr>
<td>Minimum</td>
</tr>
<tr>
<td>PLB</td>
</tr>
<tr>
<td>CR</td>
</tr>
<tr>
<td>NPM</td>
</tr>
<tr>
<td>TATO</td>
</tr>
<tr>
<td>DTER</td>
</tr>
</tbody>
</table>

Based on the results of the normality test with Kolmogorov Smirnov, the data in this study were normally distributed. The VIF values for all independent variables are smaller than 10 (VIF <10), so the four independent variables in this study did not have multicollinearity. There is no autocorrelation in the tested variables. The significant value of the four independent variables is more than 0.05, so it can be concluded that there is no problem of heteroscedasticity in the regression model.

The coefficient of determination is that the value of Adj.R2 is equal to 0.61. The independent variable can explain 61% of the variation of the dependent variable Corporate Value while the remaining 39% (100% - 61%) is explained by other variables not included in the tested equation.

From ANOVA test the sig value 0.049 <sig value 0.05 it concluded that independent variable, current ratio, net profit margin ratio, total asset turnover, and debt to equity ratio simultaneously has a significant effect on changes in earnings.
The data of this study do not support the first hypothesis (H1). Beta value on CR variable has a value of -0.026, meaning that if the current ratio variable decreases by 1 unit, the change in earnings will decrease by 0.026. Sig value of 0.192/2 = 0.096. The value is greater than 0.05 positive effect of current ratio on changes in earnings.

The data of this study support the second Hypothesis (H2). The beta value in the NPM variable is 0.482, which means that if the NPM variable rises by 1 unit, then the change in profit will increase by 0.482 units. The sig value owned by NPM is 0.064 / 2 = 0.023, the value is smaller than 0.05. It is statistically proven to have a positive influence on net profit margins on changes in earnings.

The data of this study do not support the third Hypothesis (H3). The beta value in the TATO variable has -0.019, that means if the TATO variable rises by 1 unit, then change in earnings will decrease by 0.019 units. The sig value by TATO is 0.801/2 = 0.405. The value is greater than 0.05; it is not statistically proven to have a positive effect of total assets turn over on changes in earnings.

The data of this study do not support the fourth hypothesis (H4). Beta value of the NPM variable has a value of -0.26. It means that if the DTER variable rises by 1 unit, then the change in earnings will decrease by 0.26 units. The result has the same directions with the hypothesis, but the sig value of DTER is 0.714/2 = 0.322. Greater than 0.05 statistically, it is not proven that there is a negative effect of debt to equity ratio on changes in earnings.
### Table 4. Multiple Regression Linear Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>Sig</th>
<th>Sig/2</th>
<th>Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>0.180</td>
<td>0.202</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>-0.26</td>
<td>0.192</td>
<td>0.096</td>
<td>H1 rejected</td>
</tr>
<tr>
<td>NPM</td>
<td>0.482</td>
<td>0.064</td>
<td>0.023</td>
<td>H2 accepted</td>
</tr>
<tr>
<td>TATO</td>
<td>-0.19</td>
<td>0.801</td>
<td>0.405</td>
<td>H3 rejected</td>
</tr>
<tr>
<td>DTER</td>
<td>-0.26</td>
<td>0.714</td>
<td>0.322</td>
<td>H4 rejected</td>
</tr>
</tbody>
</table>

**DISCUSSION**

The results obtained on the effect of the current ratio on changes in earnings in the consumer goods sector manufacturing company listed on the Stock Exchange are the current ratio variable having a sig 2-tailed value of 0.096, the value is greater than 0.05 with a beta value of -0.26. So that the H\textsubscript{1} current ratio has a negative effect on changes in rejected earnings. The negative impact is due to the fact that a high current ratio indicates that there are excess current assets that can cover the company's current liabilities. On the shareholders' point of view, the higher the current ratio, the lower the profit gains. The high current ratio is indicated unfavorable current asset surplus against company profitability because current assets produce lower returns than fixed assets, but according to the creditor's point of view, this seems good. Because current assets are the most liquid parts to be traded, such as inventory, the more smoothly inventory is traded, the more profit that can be obtained. The results of this study are not in line with the research by Mahaputra (2012), which revealed that the Current ratio affects earnings. However, the results of this study are in line with research by Agustina and Silvia (2012) and Gumanti, Paramawardhani, and Puspitasari (2012) which concluded that the Current Ratio does not affect earnings changes.

The results obtained on the effect of net profit margin on changes in earnings in the consumer goods manufacturing sector listed on the Stock Exchange are the NPM have a sig 2-tailed value of 0.023, the value is smaller than 0.05 with a beta value of 0.482. H\textsubscript{2} net profit margin has a positive effect on earnings changes; the hypothesis is accepted. The fact that a high current ratio indicates that there are excess current assets that can cover the company's current liabilities. So the conclusion is that Net profit margin has a positive effect on earnings changes in manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2017. These results are consistent with research conducted by Mahaputra (2012), which states that net profit margins affect earnings changes. The bigger the
net profit margin, the better because it is considered that the company’s ability to obtain profits is quite high and will have a good effect on change in earnings, but it is not in line with the research conducted by Agustina and Silvia (2012)

The research results obtained regarding the effect of total assets turnover to changes profit on consumer goods manufacturing sector listed on the IDX is TATO variable having a sig 2-tailed value of 0.405, the value is greater than 0.05 with a beta value of -0.19. It indicates that $H_3$ total asset turnover has a positive effect on earnings changes; the hypothesis is rejected. So, it can be concluded that Total Asset Turnover does not have a positive impact on changes in earnings. The results of this study are in line with the research conducted by Agustina and Silvia (2012) which states that TATO is a ratio that shows the effectiveness of the use of all company assets to generate revenue. The higher the TATO, the higher the change in profits earned by the company. This high TATO shows that a company can take advantage of assets owned to increase sales, which have an impact on increasing profits. However, the results of this study are not consistent with the research conducted by Gunawan and Wahyuni (2013), which states that Total Asset Turnover has a positive influence on changes in earnings. Faster rates of asset turnover, the net income generated increases because the company can utilize assets to increase sales that affect income. The more effective the company’s asset turnover or asset management can produce high company performance so that it can increase company profits and have an impact on increasing the return obtained by investors.

The results obtained on the effect of the Debt equity ratio on changes in earnings in the consumer goods manufacturing sector listed on the Stock Exchange are the DTER variables have a sig 2-tailed value of 0.322, the value is greater than 0.05 with a beta value of -0.26. So that $H_4$ Debt to equity ratio has a positive effect on changes in earnings, the hypothesis is rejected. This variable is not affected because if more capital comes from debt, the greater the burden that must be borne, but with the presence of large equity will be able to reduce the adverse effects of profit decline because in the measurement of Debt to Equity (DTER) equity value as a divider. So that if the debt value increase, then the profit value will continue to increase because a large profit will be included in the capital account. This result is not in line with the study from Zakaria (2015), which shows a DTER have a negative influence on the change in earnings.
CONCLUSIONS

Based on the study analysis and discussions, and according to multiple linear regression and hypothesis test, the conclusions of this study are: the current ratio is insignificant on change in earnings, net profit margin is significant and positive on change in earnings, total assets turnover is insignificant on change in earnings, and debt to equity ratio is insignificant on change in earnings.

Suggestions for further research to use the method of calculating financial ratios with other formulas, increase the number of independent variables, and multiply the sample not only in manufacturing companies of consumer goods but also other manufacturing companies.

Financial statement users who will take a decision should not only rely on data regarding the current ratio, net profit margin and total asset turnover and debt to equity ratio but also need to pay attention to other factors. Other factors that change the earnings, such as companies, economic factors, industry effects, other financial ratios.

For companies, they are expected to pay more attention to the company's ability to generate profits by effective and efficient use of costs, manage debt, regulate the use of external data in terms of expansion and financing of company operations in the future, and maintain a good and efficient working model.

REFERENCES


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