THE EFFECT OF FINANCIAL RATIOS ON FIRM VALUE IN THE FOOD AND BEVERAGE SECTOR OF THE IDX

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Abstract.
This research examines the use of Financial Ratios (ROA, Current Ratio, and Acid Test Ratio) and its effect on Firm Value of 14 Indonesia Firms in the Food and Beverages sector for period of 2010-2014. Tobin Q Ratio is used as the measure for Firm Value to investigate whether Financial Ratios has effect on Firm Value or not. This is investigated by using multiple regression analysis with ROA, CR, and ATR as the independent variable and Firm Value as dependent variable. The result of this study is that all three financial ratios has significant effect to firm value. ROA and Current Ratio have a positive relationship with Firm Value, while Acid Test Ratio has a negative relationship. On the basis of these findings, the study concludes that companies need to pay more attention on financial ratios and that there is increasing need for a more credible and comprehensive disclosure of financial ratios in the annual reports of firms.

Keywords: Financial ratios; Firm Value; Multiple Regression Analysis; Tobin Q Ratio

Introduction

People looks at financial statement to see the company performance to decide whether a company is doing well (financially strong) or badly (vulnerable). They used it to judge the value of the firm. From there we can use ratio analysis to compare one figure to another and produce a ratio, they are then used to assess whether the ratio indicates a weakness or strength in the company's affairs. These ratios help the company shareholders and other potential investors to assess the value and quality of a company.

The relation between firm value and financial ratios has been paid great attention in financial areas in recent years. When investors want to invest on a firm using stocks, there are measures that need to be done and factors to be analyzed. They cover the firm's unique factors and affect the income. As they are special to the firms, financial ratios are able to provide the investors with the information of the real value of the firms. We can get the firm value from the analysis of the cash flows expected to be made and the assets of the firm, organizational structure, technology used and the human resources. Aside from shareholders, creditors also has that rights to have access to the firm's assets because they provide financial loans to the company. This is because when a firm is about to be discontinued, the creditor will pay accounts receivable earlier compared to the shareholders' invested capital.
In our study, the concept that we used as firm value can be expressed as below:

**Firm value (Tobin's Q) = Total Market Value of Firm / Total Asset Value of Firm**

In this study the author will use multiple regression analysis to see the effect of Financial Ratios (ROA, Current Ratio, and Acid Test Ratio) on Firm Value which we use Tobin Q Ratio. The author want to know whether one of the independent variable has any effect on firm value.

For the sample, the author decide to use companies from Food and Beverages Industry sector. There is a reason for this. Indonesia's economy is largely driven by rising household consumption, and one industry that thrives on this like no other is that of food and beverages. Especially from the growing number of middle class consumers. The industry is also far and away the largest subsector of Indonesia's manufacturing industry, representing around one-quarter of total manufacturing value and more than double that of the next-largest sector. The market outperformed overall economic growth in recent years, and analysts expect this trend to last. The impact of the food and beverage industry is reflected in its consistently high showing in terms of investment flow, with the sector generally ranking among the top-three manufacturing segments each year.

**Research objective**

The objective of this research is to:

- Find out whether financial ratios have effect on firm value
- Determine the ratio that has the biggest influence in affecting firm value

**Research limitation**

The research will restrict the sample only for publicly listed in Bursa Efek Indonesia or Indonesia Stock Exchange. These companies are consisted of 14 listed corporation. The range for the research is from 2010-2014 (5 years of period), the purpose is to give picture of recent state. We also restrict the research by only using three ratios, namely; ROA (profitability ratio), Current Ratio and Acid Test Ratio (liquidity ratio).

**Literature Review**

There has been many discussion about the effect of financial tools on the firm value. One of those example is studied by Cheng et al. (2010) who investigated the effects of leverage on firm value with a threshold regression panel. The firm value that they used is ROE, and debt to total asset ratio as the threshold value. There is also a study done by Yusuf, Ali, and Serhat (2016) who research the use of financial derivatives and its effect on firm value. Some of the method used in their research is Tobin's Q ratio analysis with panel data models. The conclusion of their research is firm value in Turkish market doesn't effected by financial derivatives.

In this study, the researcher decide to use ROA, current ratio, and acid test ratio. The researcher also use Tobin Q Ratio as her dependent variable. Of course there are other researcher that study topic similar to what the author use such as Asiri and Hameed (2014) in which they examines how financial ratios explain the firms' value. They used financial ratios such as profitability, liquidity, efficiency and debt. The result shows that return on assets (ROA) is the most determinant factor in explaining the market value followed by financial leverage and beta. They also find that the size of the firm that is measured through total assets and Tobin's Q ratio also has a significant effect on its market value.

There is also a study by Karaca and Savsar (2012) who research about the effect of financial ratios on a firm's value with 36 companies and 8 period in Turkey. They use 16 ratios in their research and also panel data analysis. The result is that financial ratios analysis is effective on firm value. Their research is similar to this study, although this study used Tobin Q Ratio as the firm value. Other researcher that agreed that
this topic is interesting is Baba (2014) who investigate the effect of accounting ratios on firms' value using Malaysian listed companies. The method he used is multiple regression analysis which resulted in revealing that both liquidity and profitability ratios have a significant effect on firms' value.

**Financial Ratio Analysis**

**ROA**  
Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. It is a profitability ratio that measures the net income produced by total assets during a period by dividing net income with the average total assets. ROA gives a measure of the efficiency of a company in managing its assets to generate earnings. This ratio shows the amount of profit earned relative to the investment in total assets (Fraser & Ormiston, 2004).

The higher the ROA number, is more favorable for the company and investor, because the company is earning more money on less investment. As the main purpose of a company is to increase the profit, ROA really helps as it can show how to increase their profit with less investment. Because of ROA dependency on the similar kind of industry a company is as different industries use assets differently, it is best to compare it against a company's previous ROA numbers or the ROA of a similar company or the result can vary substantially. ROA is most useful for comparing companies in the same industry.

\[
\text{ROA} = \frac{\text{Net Income}}{\text{Average Total Assets}}
\]

**2.2.2 Current Ratio**  
The current ratio is a liquidity ratio that measures a firm's ability to pay off its short-term liabilities with its current assets. The available cash resources to satisfy these obligations must come primarily from cash or the conversion to cash of other current assets (Fraser & Ormiston, 2004).

If the ratio result less than 1, it indicates that the liabilities of the company are greater than the assets which implied the obligations of the company would be unable to be paid off by the time it is due. It tells the business owner or investor that the company's financial health is not good, it also may indicate issues with company's liquidity.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

**Acid Test Ratio**  
The acid test ratio is commonly known as quick ratio and is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with only quick assets. This ratio is a strong indicator of whether a firm has sufficient short-term assets to cover its immediate liabilities and explain how well a company can quickly convert its assets into cash in order to pay off its current liabilities. The acid-test ratio is a more conservative version of current ratio. These two ratios is rather similar, although the Acid-Test ratio provides a more rigorous assessment of a company's ability to pay its current liabilities than the current ratio because the numerator eliminates inventory, considered the least liquid current asset and the most likely source of losses (Fraser & Ormiston, 2004).

The advantage of using this ratio is people can see if the companies has the ability to pay its current liabilities by seeing the acid test or quick ratio, if the ratio greater than 1.0 then the company is sufficiently able to meet their short-term liabilities. Also with higher acid test ratio, the company has a better liquidity and also financially is more secure in the short term. If the result is low or the acid-test ratios is decreasing, usually it means that a company has trouble in maintaining or growing sales, paying obligations too quickly, or slow in collecting receivables.

\[
\text{Acid Test Ratio (Quick Ratio)} = \frac{(\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable})}{\text{Current Liabilities}}
\]
If we cannot find the company breakdown of quick assets on the balance sheet from their financial statements, the acid test ratio formula that we used is as below:

\[
\text{Acid Test Ratio (Quick Ratio)} = \frac{(\text{Current assets} - \text{Inventory})}{\text{Current Liabilities}}
\]

**Firm Value**

Firm value is a concept that has been developed to realistically accounting a firm's real value considering the concept of market value. It is a concept that demonstrate the value of the firm purified from the cash and cash equivalents and financial debts in terms of market value (Ilgaz 2010, 23). While there are many study that uses other tools to represent the firm value, the researcher decide to use Tobin Q Ratio as the measure more suited instead. Tobin’s q has been utilized as the market value of a firm in most studies (Allayannis & Weston, 2001; Bhabra, 2007; Desai & Dharmapala, 2009; McConnel & Servaes, 1990; and Morck, Shleifer & Vishny, 1988).

The popularity of the index is based on its ability to reflect the performance of management. According to Bhagat and Black (2002), high Tobin’s q means that the managers of a firm have produced greater market value from its assets. It has been used by many corporation fields with example like R&D (Cockburn and Griliches, 1988; Megna and Klock, 1993) and IT investments (Bharadwaj et al, 1999). Tobin’s q measures a firm value by scaling the market value of a company’s assets with the costs that would be incurred to replace the asset at the current marketplace (Lewellen & Badrinath, 1997).

It was stated by Wernerfelt and Montgomery (1988), that Tobin's Q ratio is a good choice for firm value measurement. Tobin's Q ratio is often used when people conduct empirical studies. In this study, Tobin's Q ratio we use is defined as [Total Market Value of Firm (no. of shares outstanding x share price) / Total assets value]. This ratio is calculated using the market value of a company which then divided by the replacement value of the firm's assets. Number of shares outstanding multiplied with current share price which then divided by total asset

\[
Q \text{ Ratio} = \frac{\text{Total Market Value of Firm}}{\text{Total Asset Value}}
\]

A research studied by Lewellen and Badrinath (1997) stated that, companies which exhibit Tobin’s q greater than “one” means effective use of scarce resources, while Tobin’s q less than “One,” means the inefficient or poor use of scarce resources.

**Multiple Regression Analysis**

Multiple regression is an extension of simple linear regression. It is a technique that statistically uses several explanatory variables to predict the outcome of a response variable. The purpose is to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data. Multiple regression can be used to identify the strength of the effect that the independent variables have on a dependent variable. Also, it can shows the effects of changing variable. This analysis helps us to understand how much the dependent variable will change, when we change one or more independent variables.

Although, before we can use this method the data need to be tested by 4 test. These test is important because we can’t use multiple regression analysis without passing these test. The tests are Normality test, Autocorrelation test, Heteroskedascity test, and Multicollinearity test. To pass these test, he data need to be normally distributed, it also need to have no autocorrelation, heteroskedascity, and multicollinearity. If these conditions has been met, then we can continue using multiple regression analysis.
Methodology

Hypothesis of the study
Based on the problem statement, objectives of the study and the review of the related literature; for this study are several key hypotheses to reach the desired objective of the study as follows:

- $H_0$: Financial ratios have no effect on firm value.
- $H_1$: Financial ratios have effect on firm value.

Sample
The researcher has examined annual reports and collect the data of 14 firms’ observations. The sample consists of Food and Beverages firms that have 5 years non-missing data during the sample period.

Table 3.1 Firms that are Used in the Analysis

<table>
<thead>
<tr>
<th>No.</th>
<th>Stock Code</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ADES</td>
<td>PT Akasha Wira International Tbk.</td>
</tr>
<tr>
<td>2</td>
<td>CEKA</td>
<td>PT Cahaya Kalbar Tbk.</td>
</tr>
<tr>
<td>3</td>
<td>DAVO</td>
<td>PT Davomas Abadi Tbk.</td>
</tr>
<tr>
<td>4</td>
<td>DLTA</td>
<td>PT Delta Djakarta Tbk.</td>
</tr>
<tr>
<td>5</td>
<td>ICBP</td>
<td>PT Indofood CBP Sukses Makmur Tbk.</td>
</tr>
<tr>
<td>6</td>
<td>INDF</td>
<td>PT Indofood Sukses Makmur Tbk.</td>
</tr>
<tr>
<td>7</td>
<td>MYOR</td>
<td>PT Mayora Indah Tbk.</td>
</tr>
<tr>
<td>8</td>
<td>MLBI</td>
<td>PT Multi Bintang Indonesia Tbk.</td>
</tr>
<tr>
<td>9</td>
<td>ROTI</td>
<td>PT Nippon Indosari Corpindo Tbk.</td>
</tr>
<tr>
<td>10</td>
<td>PSDN</td>
<td>PT Prasidha Aneka Niaga Tbk.</td>
</tr>
<tr>
<td>11</td>
<td>SKLT</td>
<td>PT Sekar Laut Tbk.</td>
</tr>
<tr>
<td>12</td>
<td>STTP</td>
<td>PT Siantar Top Tbk.</td>
</tr>
<tr>
<td>13</td>
<td>AISA</td>
<td>PT Tiga Pilar Sejahtera Food Tbk.</td>
</tr>
<tr>
<td>14</td>
<td>ULTJ</td>
<td>PT Ultrajaya Milk Industry &amp; Trading Co.Tbk.</td>
</tr>
</tbody>
</table>

Source: IDX

Variables and Measurement

- **Dependent Variables**
  
  In our empirical models, dependent variable is the firm value and we measure the firm value by using Tobin’s $Q$ ratio. It was stated by Wernerfelt and Montgomery (1988), that Tobin’s $Q$ ratio is a good choice for firm value measurement. Tobin’s $Q$ ratio is often used when people conduct empirical studies. In this study, Tobin’s $Q$ ratio we use is defined as $[\text{Total Market Value of Firm (no. of shares outstanding x share price)}]/\text{Total assets value}$.

- **Independent Variables**

  To choose the most significant ratios for this research, the author use Stepwise Regression analysis. Stepwise regression is a method of regressing multiple variables while simultaneously removing those that aren’t significant. The end result are the variables that explain the distribution best.

As the result the author get 3 variables as the most significant, which are:

- **Return on Asset (ROA)** $= \frac{\text{net income}}{\text{total asset}}$
An indicator of how profitable a company is relative to its total assets. The higher the ROA, the more company can efficiently manage the assets.

- **Current Ratio** = \(\frac{\text{current asset}}{\text{current liabilities}}\)
  An indicator of whether a company’s short-term assets are readily available to pay off its short-term liabilities. The higher the ROA, the more easily a company can make current debt payments.

- **Acid Test Ratio** = \(\frac{\text{cash + marketable securities + account receivable}}{\text{current liabilities}}\)
  Or it can also be = \(\frac{\text{current asset + inventory}}{\text{current liabilities}}\)
  An indicator of whether a firm has sufficient short-term assets to cover its immediate liabilities. The higher Acid Test Ratio, the better the company's liquidity position and the more financially secure a company is in the short term.

### Data Process and Analysis

#### Method of Statistical Analysis
In order to identify the level of impact of the independent variables on the dependent variable, and also to identify the type of relationship and correlation between variables and testing the hypotheses; to achieve these aims, this study used regression test (multiple regression analysis). This method is supported by:

- **Financial Ratio Analysis**
  The researcher used financial ratio analysis method to assess the level of financial performance in 14 listed companies in 2010-2014, through the use of some indicators of financial ratios that have been selected to evaluate the financial performance of these companies and these indicators are ROA, Current Ratio, and Acid Test Ratio.

- **Descriptive Analysis**
  This analysis measure and explained the performance of each variable for the period set in the study. It explains how the sample companies’ ROA, Current Ratio, Acid Test Ratio, and Firm Value are developing through year 2010 to year 2014. This analysis is very helpful in order to tell which year of the business performance that need improvement.

In order to achieve the aims of this study, the researcher used the multiple linear regression analysis to identify the relationship between financial ratios and the firm value. Before using the multiple linear regression analysis, the data needed to be run on the Classic Assumption Test, which consist of 4 test. After these test are passed, only then the research can be continued using multiple linear regression analysis.

Assuming the data passed the classic assumption test, the multiple linear regression analysis then can be used. Following is the regression equation:

\[
Y = \alpha + b_1X_1 + b_2X_2 + \ldots + b_nX_n + e
\]

Where: \(Y\): Dependent Variable, \(\alpha\): Constant Coefficient, \(b_n\): Regression Coefficient, \(X_n\): Independent Variable, \(e\): Error Value.

In this study, ROA, Current Ratio (CR), and Acid Test Ratio (ATR) will be taken as the independent variables and Firm Value will be used as the dependent variable. The regression model using those variables will be as follow:

\[
\text{Firm Value} = \alpha + b_1\text{ROA} + b_2\text{CR} + b_3\text{ATR} + e
\]
The Classic Assumption Test will be using:
- Normality Test
- Autocorrelation Test
- Heteroskedascity Test
- Multicollinearity Test

Result and Discussion

Data Analysis
Analysis of the Data

Classic Assumption Test
Before forming the regression model, classic assumption test has to be examined to ascertain that the model will give BLUE estimation. This assumption test consists of four examination, which are Normality Test, Autocorrelation Test, Heteroskedascity Test and Multicolinearity Test.

a. Normality Test
Normality Test is examined to find whether the residual data is normally distributed or not, therefore the data is able to be used on the regression model or not.

Table 4.5 Normality Test Kolmogorov-Smirnov

<table>
<thead>
<tr>
<th>Normality Test Kolmogorov-Smirnov Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters &lt;sup&gt;a,b&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
</tr>
<tr>
<td>Asympt. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

*a. Test distribution is Normal.*

*b. Calculated from data.*

According to table above, it could be found that the Kolmogorov-Smirnov value is 0.723 with the value of sig= 0.673. Therefore, since sig>0.05, then it could be concluded that the residual is normally distributed.

b. Autocorrelation Test
Literally, Autocorrelation means that there is correlation between the observed object with other observation in the different time. Align with OLS method, OLS assumption stated that there is no correlation between one residual and the other residuals.
Table 4.7 Result of Autocorrelation Test

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.738(^a)</td>
<td>.544</td>
<td>.523</td>
<td>.77953</td>
<td>1.799</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Acid Test Ratio, ROA, Current Ratio

b. Dependent Variable: Firm Value

From the output of SPSS above, it is found that the value of d is 1.799. This value will then compare with the value of dL and dU on the Durbin-Watson table. For \( a = .05, k = 3 \) and \( n = 70 \), acquired that \( dL = 1.525 \) and \( dU = 1.703 \). Since d is situated between \( dL = 1.703 \) and \( 4 - dU = 2.297 \), therefore this model is not containing autocorrelation.

c. Heteroskedasticity Test

Heteroskedasticity Test is used to find whether the data is homogen/contain the same variant. Heteroskedasticity Test could be taken by looking on the scatter plot.

![Heteroscedasticity Test Result](image)

The image above indicates that the dots are scattered and does not reflect of an particular pattern, and also the distribution is stalemate for the value above and below zero. Therefore, we could find that there is no heteroscedasticity assumption violation on the regression model.

d. Multicollinearity Test

Multicollinearity Test is intended to examine whether in the regression model we can found correlation between its independent variables. A good regression model should not contain correlation between its independent variables.
Table 4.8 Multicollinearity Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.020</td>
<td>.272</td>
<td>-3.745</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>.828</td>
<td>.112</td>
<td>.626</td>
<td>7.402</td>
<td>.000</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>-.871</td>
<td>.175</td>
<td>-.168</td>
<td>-4.984</td>
<td>.000</td>
</tr>
<tr>
<td>Acid Test Ratio</td>
<td>.738</td>
<td>.189</td>
<td>.915</td>
<td>3.899</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results above indicate that the VIF value for each independent variables are far below 10, which is X1= 1.036, X2= 7.952, and X3= 7.968. Therefore, we could conclude that there is no multicollinearity between its independent variables on the regression models.

**Multiple Linear Regression**

The model of the multiple regression is as follow:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e \]

Where:

- \( Y \) = Firm Value
- \( X_1 \) = Return on Asset (ROA)
- \( X_2 \) = Current Ratio (CR)
- \( X_3 \) = Acid Test Ratio (ATR)
- \( B_0 \) = Constant Value
- \( B_1, B_2, B_3 \) = Regression Coefficient
- \( e \) = Error

Table 4.9 Result of The Regression Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.020</td>
<td>.272</td>
<td>-3.745</td>
<td>.000</td>
<td>.585</td>
</tr>
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<td>.000</td>
</tr>
<tr>
<td>Acid Test Ratio</td>
<td>.738</td>
<td>.189</td>
<td>.915</td>
<td>3.899</td>
<td>.000</td>
</tr>
</tbody>
</table>

From the output above, we acquired that the constant value and the regression coefficient so we could build the equation as follow:

\[ Y = -1.020 + 0.828X_1 - 0.871X_2 + 0.738X_3 \]

Equation above could be interpreted into:

- \( b_0 = -1.020 \) meaning that if the variabe \( X_1, X_2, X_3 \) has the value of 0, therefore the variable \( Y \) will be valued on -1.020
- \( b_1 = 0.828 \) meaning that if ROA (\( X_1 \)) increase by 1, and the other value remain constant, therefore the value of \( Y \) will increase by 0.828
\[ b_2 = -0.871 \] Meaning that if Current Ratio (X1) increase by 1, and the other value remain constant, therefore the value of Y will increase by 0.871

\[ b_3 = 0.738 \] Meaning that if Acid Test Ratio (X1) increase by 1, and the other value remain constant, therefore the value of Y will increase by 0.738

Multi Correlation Analysis
This analysis is examined to find the degree or the value of correlation between variable X (ROA, Current Ratio, Acid Test Ratio) and variable Y (Firm Value) simultaneously. With using SPSS, therefore could be concluded the correlation coefficient is as follow:

Table 4.10 Simultaneously Correlation Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(0.738^a)</td>
<td>0.544</td>
<td>0.523</td>
<td>0.77953</td>
<td>1.799</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Acid Test Ratio, ROA, Current Ratio
b. Dependent Variable: Firm Value

From analysis above, we acquired 0.738 that is considered as strong correlation. The correlation is positive, which is lying between 0.600 – 0.799

Coefficient Determination Analysis
After the R value is known 0.738, then the coefficient determination could be counted using this following formula:

\[ CD = R^2 \times 100\% \]
\[ = (0.738)^2 \times 100\% \]
\[ = 54.465\% \]

Therefore, the value of Coefficient Determination could be acquired with the value of 54.465% which shows that ROA, Current Ratio, and Acid Test ratio give simultaneously significant impact with the value of 54.465% to Firm Value.
Findings

Partial Test (t-test)

Table 4.13 Result of Coefficient Beta x Zero Order Coefficient Partial Determination Test

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-1.020</td>
<td>.272</td>
<td>0.626</td>
<td>-3.745</td>
<td>.000</td>
</tr>
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<td>ROA</td>
<td>.828</td>
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<td>0.626</td>
<td>7.402</td>
<td>.000</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>-.871</td>
<td>.175</td>
<td>-1.168</td>
<td>-4.984</td>
<td>.000</td>
</tr>
<tr>
<td>Acid Test Ratio</td>
<td>.738</td>
<td>.189</td>
<td>0.915</td>
<td>3.899</td>
<td>.000</td>
</tr>
</tbody>
</table>

From individuals test above could be concluded that the variable X1 (ROA) to variable Y (Firm Value) has positive impact with the value of 0.36621 or 36.63%, X2 (Current Ratio) to variable Y (Firm Value) has positive impact with the value of 0.23244 or 23.25%, and X3 (Acid Test Ratio) to variable Y (Firm Value) has negative impact with the value of -0.0549 or -5.49%.

Simultaneously Hypothesis Test (F-test)

H0 : Return On Asset, Current Ratio, and Acid Test Ratio simultaneously do not has an effect toward Firm Value in the period 2010-2014.

H1 : Return On Asset, Current Ratio, and Acid Test Ratio simultaneously has an effect toward Firm Value in the period 2010-2014.

Significant level (α) is 5%. By using SPSS program, the output acquired is as follow:

Table 4.14 Simultaneously Hypothesis Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>47,876</td>
<td>3</td>
<td>15,959</td>
<td>26.262</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>40,106</td>
<td>66</td>
<td>.608</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>87,982</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm Value
b. Predictors: (Constant), Acid Test Ratio, ROA, Current Ratio
Based on the output shown in the table, it is shown that $F_{\text{test}}$ is 26,262 with $p$-value (sig) 0,000. With $\alpha=0,05$ and $v_1 = 67 = (n-(k+1)$ and $v_2 = 3$, we get $F_{\text{table}}$ 2,742. Because $F_{\text{test}} > F_{\text{table}}$ (26,262 > 2,742), it led to $H_0$ rejected, which mean that variables Return On Aset, Current Ratio, and Acid Test Ratio simultaneously has a significant effect to Firm Value in the period 2010-2014.

**Conclusion**

This research agree with earlier research conclusion by Baba, B.U. (2014) that both liquidity and profitability ratios which ROA, CR, and ATR is a part of, have a significant effect on firms’ value. Other researcher that support this study is Asiri, B.K., and Hameed, S.A. (2014) whose study shows that ROA is the main factor that influence the firm value, and Karaca and Savsar (2012) who agree that ATR influence firm value. From the result of the study of “The Effect of Financial Ratios on Firm Value In the Food and Beverage Sector of the IDX” (from period 2010-2014), the researcher can draw the following conclusions:

1. The partial test (t-test) conclude that variable $X_1$ (Return on Aset (ROA)) to variable Y (Firm Value) has a significant positive influence with contribution effect of 0,36621 or 36,621%.
2. The partial test (t-test) conclude that variable $X_2$ (Current ratio (CR)) to variable Y (Firm Value) has a significant positive influence with contribution effect of 0,23244 or 23,244%.
3. The partial test (t-test) conclude that variable $X_3$ (Acid Test Ratio (ATR)) to variable Y (Firm Value) has a significant negative influence with contribution effect of -0,0549 or -5,49%.
4. The simultaneous test shows there is influence from Return on Aset (ROA), Current Ratio (CR), and Acid Test Ratio (ATR) to Firm Value in the period of 2010-2014. It can be seen from the overall effect analysis (F-test) that variable $X$ (Return on Aset (ROA), Current Ratio (CR), and Acid Test Ratio (ATR)) has a significant influence on variable Y (Firm Value) wich amount to 54,465%.

**Recommendation and Suggestion**

Based on the result of this study, the researcher come with several recommendation. It is recommended that Firms are strongly advised to always compare and keep watch on the financial ratios compute from each year financial statement before making a decision on managing their resources and financing their operations. This is because as shown by this work, financial ratios influences significantly on firm’s value and can help in finding out what is needed for the company to flourish. Other than that, authorities are also recommended to implement a guideline to improve reporting quality and availability of financial statements, and companies must be encouraged to disclose detailed financial information or comprehensive financial ratios so that investor can make better informed decision without being hindered by missing data. For further research, the researcher suggest broadening the industries used as samples and lengthening the period to see if there will be different ratios that can effect firm value.

**References**


