

FINANCIAL REPORT ANALYSIS AS A BASIS FOR DECISION MAKING STRATEGIC DECISIONS IN THE COMPANY

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Abstract: *Study This aim For evaluate roles and methods analysis report finances applied by companies to serve as base taking decision strategic approach in the company . study use approach qualitative with use study library research. Research This referring to sources that include theory , study cases and research empirical latest findings from study This show that implementation analysis report effective finance can increase quality decision strategic and power competition company . Research This also suggests that technology such as big data integrated For strengthen analysis future finances.*

Keywords: *Report Finance , Ratio Finance And Taking Decision*

Introduction

In an era of increasingly fierce and dynamic business competition, companies are required to make strategic decisions quickly, accurately, and based on data. Globalization, the development of information technology, and changes in macro and microeconomic conditions have increased the complexity of the business environment faced by companies. In these conditions, errors in strategic decision-making can significantly impact business continuity, financial performance, and competitiveness. Therefore, management requires reliable analytical tools to comprehensively understand the company's internal conditions, one of which is through financial statement analysis.

Financial statements are the primary means of presenting information regarding a company's financial position, performance, and cash flow over a specific period. The information contained in financial statements is needed not only by internal parties, such as management and owners, but also by external parties, such as investors, creditors, and regulators. However, raw financial statements often fail to provide a clear picture of a company's condition without in-depth analysis. Therefore, financial statement analysis is a crucial step in interpreting financial data so that it can be used as a basis for strategic decision-making.

Financial report analysis includes various techniques and methods, including financial ratio analysis, trend analysis, comparative analysis . analysis), as well as common analysis Size . Through this analysis, management can assess the company's liquidity, solvency, profitability, and activity levels. This information is crucial for determining corporate strategy, such as investment decisions, funding, business expansion, cost efficiency, and operational restructuring.

In other words, financial statement analysis serves not only as a tool for evaluating past performance but also as a basis for planning and formulating future strategies.

In practice, many companies still haven't optimally utilized financial statement analysis in their strategic decision-making process. Decisions are often made based solely on managerial intuition or experience, unsupported by adequate financial analysis. This situation has the potential to create strategic errors, such as selecting inappropriate funding sources, investing in less profitable projects, or failing to anticipate future financial challenges. Therefore, a comprehensive understanding of financial statement analysis is an urgent need for company management.

Furthermore, developments in accounting standards and demands for transparency are also encouraging companies to be more serious about managing and analyzing their financial reports. The implementation of generally accepted financial accounting standards requires companies to present reliable and relevant financial reports. However, the quality of these reports must be balanced with management's ability to analyze and utilize available information. Proper financial report analysis will help management identify the company's strengths and weaknesses, as well as the opportunities and threats faced in the business environment.

Strategic decision-making based on financial statement analysis is also becoming increasingly important in the face of economic uncertainty, such as exchange rate fluctuations, interest rate changes, and unstable market conditions. In such situations, companies are required to have adaptive strategies oriented toward business sustainability. Financial statement analysis can provide early warning signs (warning) of potential financial problems, so that management can take preventive and corrective steps in a timely manner.

Based on the above description, it can be concluded that financial statement analysis plays a highly strategic role in supporting decision-making in companies. Therefore, a study of financial statement analysis as a basis for strategic decision-making is crucial. This research is expected to provide theoretical contributions to the development of accounting and financial management science, as well as practical contributions to company management in improving the quality of strategic decision-making based on reliable and relevant financial information.

Literature Review

1. The Concept of Financial Reports and the Purpose of Analysis

A financial report is a document that presents a company's financial information for a specific period, including *the balance sheet*, *income statement*, *cash flow statement*, and *shareholder equity*. This report represents the company's financial condition and operating results, useful for various stakeholders such as management, investors, creditors, and regulators. Through financial reports, stakeholders can assess the company's financial health, operational performance, and ability to generate profits and manage liquidity. Financial statement analysis is the process of evaluating the information contained in the financial statements to understand performance trends, capital structure, sources and uses of funds, and operational efficiency. This information is essential as a basis for making appropriate decisions within the company (Hamizar, 2025).

2. The Role of Financial Statement Analysis in Strategic Decision Making

In the context of strategic decision-making, financial statement analysis is a fundamental tool for management to identify financial strengths and weaknesses, predict future trends, and plan adaptive business strategies. For example, a study by Saputra & Sisdianto stated that applying financial statement analysis through techniques such as financial ratios and trend analysis can improve the quality of strategic decisions and improve a company's

competitiveness. This is in line with research explaining that financial ratios such as liquidity, solvency, activity, and profitability not only reflect a company's financial condition but also serve as *indicators* in strategic decision-making, including resource allocation and growth planning.

This information helps management consider strategic decisions such as business expansion, new product development, asset investment, or debt restructuring. In other words, strategic decisions based on financial analysis tend to be more objective and responsive to the company's internal and external conditions (Saputra, 2024).

3. Financial Report Analysis Techniques

Some common techniques used in financial statement analysis include:

- Financial Ratio Analysis: Measuring the relationship between financial statement accounts, such as liquidity ratios (*current ratio*), profitability ratio (*return on assets /ROA*), and solvency ratio (*debt to equity ratio /DER*). This technique helps assess a company's ability to meet short-term obligations, generate profits, and manage its capital structure.
- Trend or Horizontal Analysis: Comparing financial data from several periods to see changes and development patterns that occur over time.
- Vertical Analysis (*Common-size*): Presenting each item in the financial statements as a percentage of a certain total to facilitate comparisons between periods or between companies.

These techniques do not stand alone but complement each other to provide a comprehensive picture of the company's financial condition that supports strategic decision-making (Yolanda, 2024).

4. Strategic Benefits of Financial Statement Analysis

Financial statement analysis has a number of strategic benefits for companies, including:

- Performance Evaluation: Management can find out whether the current operational strategy is effective in generating profits and using resources efficiently.
- Planning and Control: The results of the analysis can be important input in the budgeting process, cash planning, and future financial projections.
- Investment Decision Making: Investors and business owners can use financial statement analysis to assess the feasibility of an investment and the risks involved.
- Strengthening Competitiveness: Information obtained from financial analysis helps companies adjust their strategies to face industry competition.

5. Challenges and Limitations

Despite its usefulness, there are challenges in using financial statement analysis as a basis for strategy. One obstacle is the potential for users to have limited understanding of analytical techniques, particularly if the financial statements are highly complex or there are changes in accounting policies that affect the figures presented. This is especially important for small companies or MSMEs that lack a structured accounting system, resulting in rudimentary financial statement utilization and suboptimal strategic decision-making.

Research Methods

Study This use approach qualitative descriptive with method studies literature (library research). Approach This chosen Because study aim For understand , analyze and study in a way deep concepts , roles , and benefit analysis report finance as base taking decision strategic in the

company based on theory and results study previously . Approach qualitative descriptive allows researchers For describe phenomenon in a way systematic and factual without do testing hypothesis in a way statistics , but rather with examine meaning and implications from information finance to policy strategic company .

Results And Discussion

Research result

Research result This obtained through study library to various book text finance and articles scientific discussion role analysis report finance in taking decision strategic company . Based on the results review said , can concluded that report finance is source information main thing that describes condition finance , performance operational , as well as prospects sustainability company . Information the become base important for management in formulate long-term strategies short and term long .

Analysis report finance generally done with use technique analysis ratio , analysis trends , analysis vertical and horizontal, as well as analysis cash flow ratio the most frequent finances used covering ratio liquidity , solvency , profitability , and activity . According to Kasmir (2019), the ratios the give description about ability company in fulfil obligation term short and long term length , level efficiency use assets , as well as ability company in produce profit .

Study results show that ratio profitability , such as Return on Assets (ROA) and Return on Equity (ROE), have role dominant in evaluation performance managerial and effectiveness of corporate strategy . Companies with level high profitability tend own more flexibility big in take decision strategic , such as expansion business , diversification products , as well as investment term long . This is in line with Subramanyam and Wild's (2020) research states that that profitability is indicator main success of corporate strategy in utilise source power owned .

In addition , the analysis report cash flow also shows significant results in support decision strategic . Information operating cash flow give description real about ability company in generate cash from activity The main thing . According to Brigham and Houston (2018), high profits No always reflect condition healthy finances if No followed with positive cash flow . Therefore that , management need consider balance between profit accounting and cash flow in determine financing and investment strategies.

Discussion

Based on the results research , can discussed that analysis report finance No only functioning as tool evaluation past performance , but also as instrument important in planning and decision making decision strategic . Information financial results generated from report finance become base for management in identify the company's internal strengths and weaknesses , as well as opportunities and threats that come from from environment external .

In context taking decision strategic , analysis liquidity help management in determine working capital policy and cash management . Ratio low liquidity can become signal for management For postpone expansion or look for source funding addition . Instead , level excessive liquidity height can also be indicates the existence of idle funds that are not utilized optimally , so that a more sophisticated investment strategy is needed aggressive (Horne & Wachowicz, 2017).

Analysis solvency play a role important in taking decision related company capital structure . Ratio high debt can increase risk finance , but on the other hand it can also increase level return for holder share if managed in a way effective . According to Gitman and Zutter (2019), the decision strategic about funding must considering the trade-off between risk and return, which can analyzed through report finance .

More further analysis trend finance give description about direction development performance company from time to time . Downward trend profit or improvement burden operational in a way consistent can become warning early for management For do evaluation of the strategies that have been applied . With Thus , the report finance functioning as tool control strategic control that helps management in do adjustment policy in a way appropriate time

Discussion This confirm that quality decision strategic is very dependent on quality analysis report financial errors made . in interpretation of financial data can cause taking poor decision precise and impactful negative to performance company . Therefore that , the company need own source Power competent human being in the field finance as well as system reporting reliable and accurate finances .

Conclusion

Based on the results of a literature review conducted on various relevant scientific literature, textbooks, and journal articles, it can be concluded that financial statement analysis plays a fundamental role as a basis for strategic decision-making in companies. Financial statements serve not only as a formal reporting tool for a company's financial performance, but also as a source of strategic information capable of providing a comprehensive overview of the company's financial condition, operational performance, and future sustainability prospects. Therefore, the proper use of financial statement analysis is a necessity that cannot be ignored by company management.

The information generated from this analysis provides a strong foundation for formulating strategic decisions, both short-term and long-term. Decisions related to investment, funding, business expansion, cost efficiency, and corporate restructuring can be made more objectively and measurably when supported by comprehensive financial statement analysis.

Furthermore, the literature review indicates that companies that consistently use financial statement analysis in their strategic decision-making processes tend to have greater resilience and competitiveness. Financial statement analysis enables management to identify the company's internal strengths and weaknesses, while simultaneously assessing opportunities and threats emerging from the external environment. Thus, the strategies formulated are not merely reactive but also proactive and anticipatory in response to changing business and economic conditions.

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