

Quality Analysis of Profit at Pdam Tirta Anoa Kendari City



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ABSTRACT: The purpose of this study was to determine the quality of earnings at PDAM Tirta Anoa Kendari City was adequate. The type of data used in this research is qualitative data. Sources of data used in this study primary data and secondary data. In this study, the data collection methods were interviews and documentation. The data analysis method used in this research is descriptive. The results show that the Profit Quality of PDAM Tirta Anoa Kendari City has decreased every year, which is still below the number 1, in 2018 it was 0.002, while in 2019 the profit quality decreased by -0.1 and in 2020 the earnings quality was 0.00. The liquidity ratio is seen from the current ratio in 2017-2020 the condition of the company is categorized in a bad condition, because the average standard generated from 2017-2020 is only 275.07%. The solvency ratio is seen from the debt ratio in 2017-2020, the condition of the company is categorized in good condition, because the average standard produced is 10.97%. The activity ratio is seen from the Total Assets Turnover in 2017-2020, the condition of the company is categorized in a bad condition, because the average standard generated is 0.59 times, and judging from the Net Profit Margin in 2017-2020 the condition of the company is categorized in a bad condition, because the standard the average generated is very little and <50%, where the average standard is 1.57%, this shows that the company's performance in generating profits is not good enough.

KEYWORDS: Earnings Quality, Profitability, Solvency, Liquidity, Activity Ratio

I. INTRODUCTION

The income statement is one of the financial statements that shows the results that have been achieved by the company through the profit or loss generated by the company. The profit generated by the company's operations can be used to measure the success of the company.

With the profits earned by the company will support the achievement of other goals, such as the survival of the company, current growth. To achieve maximum profit, the company needs to prepare profit planning so that the capabilities of the company can be mobilized in a coordinated manner in achieving the company's main goals.

Regional Drinking Water Company (PDAM) is a Regional Owned Enterprise (BUMD). The Regional Drinking Water Company (PDAM) is one of the regionally owned business units, which is engaged in the distribution of clean water, to improve the welfare of the community which includes social, health and general aspects.

The Regional Drinking Water Company (PDAM) Tirta Anoa Kendari City is a company engaged in providing clean water services in the city of Kendari and selling clean water is the main source of income. Water is the main support for all living organisms and is a primary need for humans. In order for water to be used for the purposes of human life such as household, office, factory, and other places, it must meet the requirements, among others, the water must be colorless, relatively odorless and tasteless (tasteless). For the purposes of life, humans must take water, among others, from rivers, lakes and in the soil by making wells.

The need for clean water, especially for urban communities, is increasing, this is due to the increasing number of residents accompanied by an increasing number of water absorption areas that are changing functions into residential areas and shopping buildings. This also happened in the Kendari City area, so that to meet the need for clean water suitable for consumption, PDAM Tirta Anoa Kendari City supplied it completely. PDAM is a business unit (organization) owned by the regional government that provides services and organizes public benefits in the drinking water sector.

PDAM Tirta Anoa, Kendari City, is experiencing problems in terms of revenue from the sale of clean water which tends to increase every year but is inversely proportional to the revenue obtained from the sale of clean water which has decreased every year. This is due to the large number of clean water customers of PDAM Tirta Anoa, Kendari City, who do not pay their

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water bills or are in arrears in payment, some even immediately cut off the flow of clean water unilaterally. Therefore, the company's management must take corrective actions to determine the optimal tentability so that the company can cover losses caused by increased operational costs.

TABLE 1. PDAM Tirta Anoa profit and loss report Kendari City

Information	2018	2019	2020
Operating profit (loss)	296,604,435	185,333,846	67,555,134
Profit (loss) before income tax	979,348,564	431,716,208	168.030.027
Net profit (loss)	680,349,949	431,716,208	168.030.027

From the table above, it can be concluded that the annual income statement in 2018 by looking at the operating profit and loss amounted to Rp. 296,604,435, while the profit and loss before income tax is Rp. 979,348,564, and the net profit or loss amounted to Rp. 680,349,949. In 2019 seen from the operating profit and loss amounted to Rp. 185,333,846, while the profit and loss before income tax is Rp. 431,716,208, and the net profit or loss amounted to Rp. 431,716,208. In 2020, seen from the operating profit and loss amounting to Rp. 67,555,134, while the profit and loss before income tax is Rp. 168,030,027, and the net profit or loss amounted to Rp. 168.030.027.

Irawati (2012) states that quality earnings are earnings in financial statements that reflect the company's real financial performance. Bellovary et.al (2005) argues that earnings quality is an important aspect to assess the financial health of the company. Parties related to the company will always pay attention to the company's financial statements. Earnings quality can be interpreted as the company's ability to report company profits that show actual company profits.

The purpose of this study was to determine the quality of earnings at PDAM Tirta Anoa Kendari City was adequate.

II. RESEARCH METHODS

Object of research

The object of this research is the analysis of earnings quality at PDAM Tirta Anoa, Kendari City, which is located at Jln. R. Suprpto No. 90, Kendari, Southeast Sulawesi.

Data types and sources

The type of data used in this study is qualitative data, namely data in the form of explanations or statements that are not in the form of numbers, as in the general description of PDAM Tirta Anoa, Kendari City.

Sources of data used in this study are:

1. Primary data is data obtained from interviews with functions related to earnings quality
2. Secondary data is data in the form of documents used in the quality of profits obtained from the company.

Method of collecting data

In this study the data collection method was carried out as follows:

1. Interviews where researchers conduct direct interviews with functions related to earnings quality
2. Documentation, the researcher will collect documents related to earnings quality.

Data analysis method

The data analysis method used in this research is descriptive. Where descriptive research is to provide an overview and facts to the reader on the data obtained from the company then the data is processed into information. From the information analyzed so as to make conclusions, (Sekaran, 2006).

Earnings quality is proxied by earnings persistence and accruals persistence. The analysis used in this study is earnings persistence analysis, according to Persada (2010) calculating earnings persistence with changes in profit before tax for the current year which consists of profit before tax this year minus profit before tax in the previous year divided by total assets whose calculation is based on the formula as following : $Earnings\ quality = \frac{earnings\ before\ tax\ period\ t - earnings\ before\ tax\ period\ t-1}{total\ assets}$.(Persada and Martani, 2010).

Nominal numbers 1 and 0. This calculation is obtained by using a simple regression coefficient value of current year's profit with the previous year's profit for each year. Number 1 shows the results of calculations which indicate the company's financial statements are persistent, while number 0 shows the results of calculations that indicate the company's financial statements are not persistent (Nurul Fitriana and Wida Fadhlia, 2016).

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III. RESULT AND DISCUSSION

Definition of Analysis

Analysis is the translation of a complete information system into various component parts with the intention that we can define or evaluate various kinds of problems that will arise in the system, so that these problems can be overcome, repaired or also developed. The word analysis itself comes from the word analysis, where the use of this word has different meanings depending on how we put this word.

Definition of Profit

According to Subramanyam and J. Wild (2010), Gains (profit) is a summary of the net results of business operating activities in a certain period expressed in financial terms (KRSubramanyam and John J. Wild .2010) . According to Mahmud M. Hanafi (2010), stated that "Profit is a measure of the overall performance of the company, which is defined as follows: Profit = Seller - Cost" (Mahmud M. Hanafi, MBA, 2010).

Earnings Quality

According to Wulansari (2013), earnings quality is the quality of earnings information available to the public that is able to show the extent to which earnings can influence decision making and can be used by investors to assess the company. Quality earnings are earnings that reflect the actual financial performance of the company (Irawati, 2012). According to Wulansari (2013) to be useful information, profit as part of the financial statements must be of high quality. Quality earnings are earnings that reflect sustainable earnings in the future, which are determined by accrual and cash components, and can reflect the company's real financial performance (Wulansari, 2013).

According to Rinawati, (2011) earnings quality is a measure to match whether the profit generated is the same as what was previously planned. Earnings quality is higher if it is close to the initial plan or exceeds the level of the initial plan. The quality of earnings is low if the presentation of earnings does not match the actual profit so that the information obtained from the earnings report becomes biased and the impact is misleading creditors in making decisions.

According to Dwi Martani, Syilvia Veronika NPS, Ratna Wardani, Aria Farahmita, and Edward Tanujaya (2012), earnings quality is an act of regulating the timing of the recognition of income, profit, expense, gain, or loss in order to achieve certain desired profit information, without violating the provisions in accounting standards. Usually, earnings management is carried out in the form of increasing profits to achieve certain profit targets, for example by recognizing income prematurely. Or it can also be done in the form of lowering profits in this period, in order to increase revenues in future periods, for example by recognizing excessive impairment losses on receivables with assumptions that are less realistic.

Profit Measurement Concept

In concept, profit is tasked with providing both a measurement of changes in shareholder wealth over the period and estimating current operating profit, i.e. to what extent the company can cover operating costs and generate returns to its shareholders. In particular, its second role, namely as an indicator of company profitability, is crucial for an analyst, as it helps in estimating potential future profits, which is undoubtedly one of the most important tasks in business analysis.

According to Hendrikson (2002) as follows:

1. The concept of measuring profit at the structural level is the concept of measuring profit which is based on the concept of accounting profit. FASB (Statement of Accounting Concepts) No.1 considers that accounting profit is a good measure of profit on company performance and that accounting profit can be used in predicting future cash flows.
2. The concept of profit measurement at the interpretive level awakens the idea of the relationship between profit and owner's capital (equity). In this case profit is recognized as a net increase in the wealth of the company or owner's wealth, so that profit is also seen as a custodian of wealth.
3. The concept of measuring earnings according to behavior (Behavior) relates earnings to the decision process of investors and creditors, the reaction of market prices of securities in an organized market to earnings reporting, capital expenditure decisions by management, and feedback reactions (Feedback) of management and accountants. In this concept, profit is introduced as a forecasting instrument, where third parties (investors, creditors) have an interest in determining whether to hold and wait for the next dividend or to release their ownership of the company.

According to Hendrikson (2004), the concept of profit consists of various forms and types including:

1. Economic profit concept

The important profit measurement is economic profit and permanent profit. Economic profit is usually cash flow plus changes in the fair value of assets, while permanent profit, called sustainable profit or normalized profit, is the average stable profit that is estimated to be obtained by the company in general.

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2. Accounting profit concept

Accounting profit is measured based on the concept of accrual accounting. Although operating profit includes aspects of both economic profit and permanent profit, this profit is not a direct measure of profit.

Profit concept according to Harahap (2002)

a) Accounting profit concept

Where this concept states five characteristics of accounting profit including :

- 1) Accounting profit is based on accrual transactions carried out by the company (mainly income arising from the sale of goods or services less costs required to achieve these goals).
- 2) Based on periodic postulates and the relationship with the company's financial performance over a certain period.
- 3) It is based on the revenue principle and requires the definition, measurement, and recognition of revenue.
- 4) Requires cost measurement in the form of historical costs incurred by the company to obtain certain results.
- 5) Based on the principle of "matching" means the results minus the costs received or incurred in the same period.

b) Economic profit concept

This concept states that profit is an increase in wealth and is associated with business practices, according to Fisher as quoted by Belkaoui, economic profit as a series of events associated with three stages, namely:

- 1) Physical Income is personal consumption of goods and services that actually provide physical pleasure and the fulfillment of this type of profit can not be measured.
- 2) Real Income is an expression of events that give rise to physical pleasure. The measure used is the "cost of living"
- 3) Money Income is the result received and intended for consumption in meeting the needs of life.

c) Capital Maintenance Concept

According to Belkaoui there are two main concepts of maintaining capital or meeting costs, namely:

- 1) Financial Capital (in debt units) consisting of:
 - a. Money Maintenance namely financial capital which is measured by the number of units of money. Financial capital is invested, maintained, and the profit generated is the same as net assets adjusted for capital transactions which are expressed in units of money.
 - b. General purchasing Power Money Maintenance i.e. financial capital is measured by the same amount of purchasing power
- 2) Physical Capacity (in units of general purchasing power)
 - a. Productive Capacity Maintenance i.e. physical capital is measured in the number of units of money. Production capacity used.
 - b. General Purchasing Power Production capacity Maintenance that is, physical capital is measured in the same number of units of purchasing power.

Profit Elements

The elements of profit can be divided into:

1. Income is a result of what someone does, this income can be understood as a salary or things that are obtained after working or after doing a business.
2. Expenses are things that must be issued or what someone must be responsible for to get an expected result. These expenses will be very important to fulfill so as to get the expected profits.
3. Cost is something that must be sacrificed in a business or venture. In this case, costs can be interpreted as things that must be cash in a business. Costs are used as a means of driving the business so that it continues to run well and provide benefits that are in line with expectations.
4. Profits and losses are advantages and disadvantages understood by many people even by people who are not in the world of economics. In this case, profit is one of the things that will be obtained by someone who does business. This will allow people to earn their income. In addition, losses are something that all business owners avoid
5. Income is the end result of the business. This income can be used for life. There is nothing that can be done to provide a high income. All kinds of ways can be done so that a business can earn high profits.

Earnings Quality Category

Wulansari (2013) classifies proxies of earnings quality into three main categories, namely:

1. Earnings quality depends on relevant information in making decisions. Thus, the definition of earnings quality above is only in the context of a particular decision model. The first category includes earnings persistence, magnitude of accruals, residual accrual models, earnings smoothness, and timely recognition.

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2. The quality of the reported profit figures is seen from whether the information describes the financial performance of a company. The second category includes the earnings response coefficient (ERC).
3. Earnings quality is jointly determined by the relevance of the underlying financial performance. And the third category includes: Accounting and Auditing Enforcement Releases (AAERs), restatements (restatements), and inefficiency of internal control procedures based on the Sarbanes Oxley Act (internal control procedure deficiencies reported under the Sarbanes Oxley Act).

Earnings quality in this study is seen from the investor's response to earnings. The earnings response coefficient is a measure of the abnormal return of a security in response to the unexpected earnings component reported by the company that issued the security (Romasari, 2013). Earnings response coefficient (ERC) can be measured through several stages of calculation. The first stage calculates cumulative abnormal return (CAR) and the second stage calculates unexpected earnings (EU).

Profit Growth Analysis

According to Angkoso (2006) there are two kinds of analysis to determine profit growth, namely fundamental analysis and technical analysis, but in this study the analysis used was fundamental analysis.

1. Fundamental Analysis

Fundamental analysis is an analysis related to the company's financial condition. With fundamental analysis, it is hoped that potential investors will know how the operations of the company that will become the property of investors are, whether it is healthy or not, whether it is profitable or not, and so on. This is important because later it will relate to the returns to be obtained from investors and the risks that must be borne. Fundamental analysis is a historical analysis of the financial strength of a company which is often referred to as company analysis. The data used is historical data, meaning that the data that has occurred reflects the actual financial situation at the time of analysis. In company analysis, the analysts will analyze the company's financial statements, one of which is financial ratios.

2. Technical Analysis

Technical analysis is often used by investors, and usually the data or market records used are in the form of charts. This analysis is in the form of predicting future profit growth by observing changes in past earnings. This technique ignores matters relating to the company's financial position.

The profit quality calculation carried out on the financial statements of the Tirta Anoa Kendari Regional Drinking Water Company (PDAM) for the 2017 to 2020 period aims to see the performance of the financial aspects produced by the company by comparing the accounts contained in the financial statements. The formula applied in this research is earnings quality can be calculated by the following formula:

$$\text{Earnings Quality} = (\text{earnings before tax period } t - \text{earnings before tax period } t-1) / (\text{total assets}).$$

Based on the secondary data obtained, the profit quality obtained by PDAM Tirta Anoa Kendari is as follows:

TABLE 2. Profit Quality Pdam Tirta Anoa Kendari

Period	Profit before tax (Rp)	Assets (Rp)	Earnings Quality
2017	846,801,527	46,825,240,758	-
2018	979,348,564	48,147,194,200	0.002
2019	431,716,208	51,162,685,197	-0.1
2020	168.030.027	58,818,801,081	0.00

Source: Secondary Data Processed, Year 2021

Based on table 2 from 2018 to 2020 which shows the number 0 which indicates that the financial statements are not persistent or of poor quality, and none shows the number 1 which indicates that the company's financial statements are less effective. Broadly speaking, PDAM Tirta Anoa Kendari has no quality earnings, this can be seen from 2018 to 2020 the quality of profits is still at 0.

Based on the results of the calculation of the quality of earnings above, the quality of earnings on sales for these 4 years can be categorized as not good because what is produced is only worth 0 each year.

DISCUSSION

Earnings Quality Analysis

Based on the results of the study, it shows that the quality of profits obtained by PDAM Tirta Anoa Kendari is still not good, so that the quality of profits owned is in the low category. Profit before tax at PDAM Tirta Anoa Kendari City in 2018 was 979,348,564 with a growth of 0.14% and assets owned in 2018 of 48,147,194,200 with asset growth of 0.03%, resulting in a profit quality of 0.002. Earnings quality in 2018 did not reach number one (1) resulting in poor earnings quality for that year.

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In 2019, the profit before tax obtained by PDAM Tirta Anoa Kendari was Rp431,716,208, this owned profit before tax decreased by 1.27 and the assets owned were Rp 51,162,685,197 with a growth of 0.06% resulting in earnings quality that is equal to -0.1. so that the earnings quality in 2019 also did not reach the number one (1) so that the earnings quality in that year was not good.

Meanwhile, in 2020 the profit before tax obtained by PDAM Tirta Anoa Kendari is Rp168,030,027, owned profit before tax decreased by 1.57. Assets owned amounted to Rp 58,818,801,081 with asset growth of 0.13 %. In 2020 the quality of profits obtained is still not good, this can be seen from the value obtained of 0.00 does not reach number 1, from three years of observation the quality of profits owned by PDAM Tirta Anoa has not been fully qualified.

Profit becomes so important because PDAM Tirta Anoa must maintain adequate operating activities to obtain maximum profit. PDAM Tirta Anoa, which earns a steadily decreasing profit, has an effective profit quality. This is because the increase in profit is not followed by an increase in cash which indicates that PDAM Tirta Anoa has not been able to obtain a definite profit which has been realized into cash. In every business transaction, cash is directly or indirectly involved in the company. Sufficient cash will allow a company to operate as economically as possible, but excessive cash indicates the presence of unproductive funds and this will cause losses for the company, and conversely the presence of insufficient cash is a major indicator of a company's failure.

Good earnings quality will automatically affect the value of PDAM Tirta Anoa Kendari which continues to increase. On the other hand, if the earnings quality is poor, the value of PDAM Tirta Anoa will also decrease. High company value will affect shareholders who will always invest their capital in the company, because later shareholders will get multiple benefits from the investment. While the low quality of earnings in the resulting financial statements accounting program can make users such as company management and external parties make mistakes in decision making, so that it will make the value of the company decrease. The size of an earnings quality can predict stock price movements in the future, so that the stock price will directly affect the value of the company, especially in PDAM Tirta Anoa.

The quality of earnings at PDAM Tirta Anoa is very low so it will have an impact on the company's performance. The low quality of earnings will make decision-making errors for users such as investors and creditors so that the value of the company will decrease. Earnings as part of the financial statements that do not present actual facts about the economic condition of the company can be of doubtful quality. Earnings that do not show true information about management's performance can mislead the users of the report. If this kind of profit is used by investors to form the market value of the company, then the profit cannot explain the true market value of the company (Paul, 2012),

The results of this study are in line with research conducted by Nurul Fitriana and Wida Fadhliya (2016) that financial statements are not persistent, so the quality of the profits earned is still lacking. Scott (2012) explained that earnings quality is a criterion considered in measuring how far the information presented in the financial statements can describe the actual condition of the company. Not only that, the information in the financial statements must be used to predict the company's performance in the next period. The relationship between the information presented in the current financial statements and the company's performance in the future shows the quality of earnings presented in the financial statements.

Large companies or small companies are always developing to achieve their goal of always increasing company profits and the quality of their profits. Large companies have greater financial information to increase profits but the financial risk to be borne is also greater. While small companies even have less financial information than large companies to increase their profits, the financial risks they bear are also lighter.

Fundamental Analysis

Liquidity Ratio

Current Ratio. The formula used is: $\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Debt}} \times 100\%$

The following is the calculation of the Current Ratio. Regional Drinking Water Company (PDAM) 2015-2019.

TABLE 3. Calculation of Current Ratio Year 2017-2020

Period	Current asset (a)	Current Debt (b)	Current Ratio (c)=(a)/(b)	Change %
2017	Rp.13.773.424.438	Rp.6.172.363.524	223.15%	-
2018	Rp.14.508.432.076	Rp.4.661.748.327	311.22%	+88.07%
2019	Rp.15.095.036.885	Rp5.229.879.117	288.63%	-22.59%
2020	Rp17.488.992.40	Rp6.308.495.611	277.23%	-11.4%
Average			275.07%	

Source: Results of Data Processing of PDAM Tirta Noa Financial Statements Kendari City 2017-2020

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Based on the table of Current Ratio PDAM Tirta Anoa Kendari City in 2017-2020, namely Calculation of Current Ratio PDAM Tirta Anoa Kendari City in 2017 amounted to 223.15%, in 2018 amounted to 311.22%, in 2017 2019 was 288.63, and in 2020 it was 277.23%. By the average amount 275.07%

Quick Ratio. Here are the results of the Quick Ratio: $\text{Quick Ratio} = (\text{Quick Asset} - \text{Inventory}) / (\text{Quick debt}) \times 100\%$
The following is the calculation of the Quick Ratio (Quick Ratio) of PDAM Tirta Anoa Kendari City for 2017-2020

TABSL 4. Quick Ratio Calculation (Quick Ratio) 2017-2020

Period	Current asset (a)	Stock (b)	Current Debt (c)	Quick Ratio = (ab)/(c)	Change %
2017	Rp. 13.773.424.438	Rp. 70.679.015	Rp. 6.172.363.524	218.76%	-
2018	Rp. 14.508.432.076	Rp. 134.357.750	Rp. 4661748327	308.34%	+89.58
2019	Rp. 15.095.036.885	Rp. 210.742.000	Rp. 5.229.879.117	284.60%	-23.74
2020	Rp17,488,992,400	Rp. 150.593.750	Rp. 6.308.495.611	274.84%	-9.76
Average				271.635%	

Source: Results of the Financial Statements of PDAM Tirta Noa Kendari City for 2017-2020

Based on the quick ratio table (quick ratio) PDAM Tirta Anoa Kendari City in 2017 was 218.76%, in 2018 it was 308.34%, in 2019 it was 284.60%, and in 2020 it was 274.84%. average 271.635%

Ratio Solvency

Debt Ratio. Following are the results of the debt ratio.

$\text{Debt Ratio} = (\text{Total Debt}) / (\text{Total Asset}) \times 100\%$

Based on the 2015 Debt Ratio, the total debt financed by the company was 10.73% and the company's capital was 89.27%. The following is the calculation of the Debt Ratio (Debt Ratio) of PDAM Tirta Anoa Kendari City 2017-2020.

TABLE 5. Debt Ratio Calculation (Debt Ratio) For 2017-2020

Period	Total Amount of debt (a)	Total Assets (b)	Debt Ratio (c)=(a)/(b)	Change %
2017	Rp. 6.200.784.921	Rp. 46.825.240.758	13.24%	-
2018	Rp. 4.661.748.327	Rp. 48.147.194.200	9.69%	-3.55%
2019	Rp. 5.229.879.117	Rp. 48.147.194.200	10.22%	+0.53%
2020	Rp6,308,495,611	Rp. 58.818.801.081	10.73%	+0.51%
Average			10.97%	

Based on the table of Debt Ratio of PDAM Tirta Anoa Kendari City in 2017-2020, namely the calculation of the debt ratio (Debt Ratio) of PDAM Tirta Anoa Kendari City in 2017 of 13.24%, in 2018 of 9.69%, in 2019 by 10.22% and in 2020 by 10.73%, with an average number of 10.97%

Activity Ratio Analysis

The ratio of Total Assets Turnover) can be calculated by the formula:

$\text{Total Assets Turnover} = (\text{Net Sales}) / (\text{Total Assets})$

The following is the calculation of Asset Turnover. PDAM Tirta Anoa Kendari City, 2017-2020.

TABLE 6. CALCULATION OF ASSETS TURNOVER (TOTAL ASSETS TURNOVER) FOR 2017-2020

Period	Net sales (a)	Total assets(b)	Total Assets Turnover (c)=(a)-(b)/(a)	Change %
2017	Rp32.087.171.425	Rp46.825.240.758	0.69	-
2018	Rp31.151.370.556	Rp48.147.194.200	0.65	-0.04%
2019	Rp28.819.072.538	Rp5.116.268.519	0.56	-0.09%
2020	Rp27.140.137.500	Rp58.818.801.081	0.46	-11.4%
Average			0.59	-

Source: Results of Data Processing of PDAM Tirta Anoa Financial Statements Kendari City

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Based on the table of Asset Turnover (Total Asset Turnover) of PDAM Tirta Anoa Kendari City in 2017-2020, namely: The calculation of asset turnover (Total Asset Turnover) of PDAM Tirta Anoa Kendari City in 2017 was 0.69 times, in 2018 it was 0.65 times, in 2019 it was 0.56 times and in 2020 it was 0.46 times. By the average amount 0.59 times.

Profitability Ratio Analysis

Gross Profit Margin

The following is the result of the Gross Profit Margin Ratio.

$$GPM = (\text{Net Sales} - \text{cost of goods sold}) / \text{Sales} \times 100\%$$

The following is the calculation of the Gross Profit Margin of PDAM Tirta Anoa Kendari City for 2017-2020

TABLE 7. Calculation Of Gross Profit Margin (Gross Profit Margin) 2017-2020

Period	Net sales (a)	HPP (b)	Gross Profit Margin (c)=(a)-(b)/(a)	Change %
2017	Rp. 32.087.171.425	Rp. 31.820.272.672	0.83%	-
2018	Rp. 31.151.370.556	Rp30,855.766.121	0.95%	+0.12%
2019	Rp. 28.819.072.538	Rp. 28.633.738.692	0.64%	-0.31%
2020	Rp. 27.140.137.500	Rp. 27.072.582.366	0.25%	-11.4%
Average			0.67%	-

Source: Results of Data Processing of PDAM Tirta Anoa Financial Statements Kendari City

Based on the table of Gross Profit Margin (gross Profit Margin) PDAM Tirta Anoa Kendari City in 2017-2020, namely Gross Profit Margin calculation, PDAM Tirta Anoa City of Kendara in 2017 was 0.83%, in 2018 it was 0.95% , in 2019 it was 0.64% and in 2020 it was 0.25%. By the average amount 0.6675%.

Net Profit Margin

Calculation of Net Profit Margin can be calculated by the formula:

$$NPM = (\text{Net profit after tax}) / (\text{Net sales}) \times 100\%$$

The following is the calculation of the Net Profit Margin of PDAM Tirta Anoa Kendari City, 2017-2020.

TABLE 8. Calculation Of Net Profit Margin (Net Profit Margin) 2017-2020

Period	Net Profit After Tax (a)	Net sales (b)	Gross Profit Margin (c)=(a)-(b)/(a)	Change %
2017	Rp635.101.145	Rp. 31.820.272.672	1.98%	-
2018	Rp680.349.949	Rp30,855.766.121	2.18%	+0.2%
2019	Rp431.716.208	Rp. 28.633.738.692	1.50%	-0.68%
2020	Rp168.030.027	Rp. 27.072.582.366	0.62%	-0.88%
Average			1.57%	-

Source: Results of Data Processing of PDAM Tirta Anoa Financial Statements Kendari City

Based on the table of Net Profit Margin (Net Profit Margin) of PDAM Tirta Anoa Kendari City in 2017-2020, namely the Calculation of Net Profit Margin (Net Profit Margin) of PDAM Tirta Anoa Kendari City in 2017 of 1.98%, in 2018 of 2.18% , in 2019 it was 1.50% and in 2020 it was 0.62%. By the average amount 1.57%

CONCLUSIONS

Based on the results of research and discussion on the analysis of earnings quality at PDAM Tirta Anoa Kendari City, it can be concluded that the profit quality of PDAM Tirta Anoa Kendari City has decreased every year, which is still below number 1, in 2018 it was 0.002, while in 2019 the earnings quality experienced a decline. a decrease of -0.1 and in 2020 earnings quality of 0.00. While the results of financial performance in terms of liquidity ratios, solvability ratios, activity ratios, and profitability ratios in 2017-2020 can be summarized as follows:

1. Based on the liquidity ratio seen from the current ratio in 2017-2020 the condition of the company is categorized in good condition, because the average standard generated from 2017-2020 is only 275.07% while the condition is that if the company can be said to be good, the company must have an average standard > 200%. And when viewed from Quick Ratio in 2017-2020 the condition of the company is in good condition, because the average standard produced is 271.635% while the condition if the company can be said to be good, the company must have an average standard of > 200%.

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2. Based on the solvency ratio seen from the debt ratio in 2017-2020, the condition of the company is categorized in good condition, because the average standard generated is 10.97%, so the total debt financed by the company during 2017-2020 is 10% and the company's capital to be managed is Rp. 90%, this shows that the company's performance when viewed from Debt Ratio can be said to be quite good.
3. Based on the activity ratio seen from Total Assets Turnover in 2017-2020 the company's condition was categorized as unfavorable, because the average standard produced was 0.59 times, and only a few results from year to year met the existing standards.
4. Based on the profitability ratio seen from Gross Profit Margin from 2017-2020 the condition of the company was categorized in a bad condition, because the average standard produced was very little <50%, where the average standard was 0.67%, and judging from the Net Profit Margin of 2017-2020 the condition of the company was categorized in a state of not good, because the average standard produced is very little and <50%, where the average standard is 1.57%, this shows that the company's performance in generating profits is not good enough, so when viewed from the Net Profit Margin the company's ability to produce profit in 2017-2020 can be said to be not good.

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For the company, it can be taken into consideration by the company to improve the quality of better earnings. The variables in this study only use the quality of earnings for further researchers are expected to use other variables. Research recommendations are as follows:

1. PDAM Tirta Anoa Kendari City should improve its performance so that the profit generated will also increase.
2. The research period used is not only a period of 4 years in order to produce better and more accurate information.

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