

PROCEEDING

IC 2018 MS

**The 4th International Conference on Management Sciences
Universitas Muhammadiyah Yogyakarta, Indonesia**

“Disruptive Innovation in Modern Business Era”

held in UMY, Indonesia, on March 28, 2018

Department of Management

FACULTY OF ECONOMICS AND BUSINESS
Universitas Muhammadiyah Yogyakarta

in collaboration with:
Universiti Sains Islam, Malaysia
Tamkang University, Taiwan
Khon Kaen University, Thailand



**The 4rd International Conference on Management Sciences 2018
(ICoMS 2018)**

March 28 2018

Universitas Muhammadiyah Yogyakarta, Indonesia

Chair Person

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4. Dr. Arni Surwanti, M.Si. (Universitas Muhammadiyah Yogyakarta)
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- ROOM A** : Dr. Indah Fatmawati S.E., M.Si.
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ROOM C : Ika Nurul Qamari, S.E., M.Si.
ROOM D : Prof. Dr. Heru Kurnianto Tjahjono, M.M.
ROOM E : Dr. Arni Surwanti, M.Si.

Preface ICoMS 2018
The 4rd International Conference on Management Sciences 2018
(ICoMS 2018)
March 28 2018
Universitas Muhammadiyah Yogyakarta, Indonesia

Dear Presenters and Delegates,

Department of Management, Economics Faculty, University of Muhammadiyah Yogyakarta, in collaboration with the Tamkang University Taiwan, Khon Kaen University Thailand, USIM Malaysia, organized an International Conference which will be held on March 28 2018.

We are proud to know that there is a thick manuscript submissions came to our table for this conference. In detail, there are 42 international academic manuscripts which we received from Indonesia, Malaysia, Thailand. And in this conference we choose **Disruptive Innovation in Modern Business Era** as the main theme.

Our international conference is a manifestation of the Government of Indonesia through the Directorate General of Higher Education, which has encouraged the internationalization of research and teaching in order to foster high-caliber academic institutions globally and increase competitiveness in International Higher Education.

We are very confident that our presenters and delegates will get a lot of ideas together and experience of this conference. In addition, our participants will enjoy additional insight from our plenary session keynote speakers, namely, Prof.Dr.Shu-Hsien Liao from Tamkang University Taiwan, Dr. Kawpong Polyorat from Khon Kaen University Thailand, Prof. Dr. Syadiyah Abdul Shukor from USIM Malaysia, and Punang Amaripuja, S.E., S.T., M.IT. from Universitas Muhammadiyah Yogyakarta.

Through this conference, we are committed to promote and improve our mission and academic culture synthesize global progress with local knowledge. Therefore, it is my great honour to welcome you to ICoMS 2018 in great cultural city of Yogyakarta, Indonesia. I look forward to seeing you soon in the conference.

Best wishes,

Dr. Indah Fatmawati

Chair of ICoMS 2018

<http://icoms.umy.ac.id/call-for-papers>

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WORKING CAPITAL MANAGEMENT OF PT WASKITA BETON PRECAST TBK

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ABSTRACT

PT Waskita Beton Precast Tbk is a company that engaged in concrete manufacture industry where the business segment of PT Waskita Beton Precast Tbk are precast and ready-mix business segment. The potential future market and also the need for a source of capital make the company do an initial public offering or IPO on September 20, 2016 by releasing 40% share of the company. According to the calculations, ROE decreases 65% in 2016 because there are decreases in asset turnover. Asset turnover decreases 50% in 2016 and higher receivable becomes one of the main cause that increases total asset of the company. Refers to Brigham F. Eugene, if the amount of receivable is high, then the company has a relaxed credit policy evidenced by the cash conversion cycle of the company increases 168% and become 106 days in 2016. The purpose of this research is to accelerate the company cash conversion cycle and decrease the working capital of the company. Accelerate cash conversion cycle can be done by speeding up the collections period and extend the time period of account payable payment. According to the calculations, there are favorable credit terms that can be offered to the customers by giving the credit discount if the customer can pay faster with some credit options: 2/60 net 90, 1/90 net 236 and 1/150 net 236 days. And to extend the account payable payments, the company should evaluate and consider to change the credit policy of short-term debt with more flexible short-term debt such as credit account, working capital-revolving method and credit investment for long-term payment or fix asset funding.

Keywords: Working Capital, Cash Conversion Cycle, Concrete and Precast Business

1. INTRODUCTION

Infrastructure development in Indonesia is one of the government strategies to increase economic growth in Indonesia. The construction industry also one of sector industry with the largest contribution to Indonesia GDP besides manufacture industry, agriculture industry (BPS, 2017). The contribution of the construction industry to Indonesian GDP increased every year from 2011 to 2016 along with Indonesian government policies to accelerate the infrastructure development. Accelerate in infrastructure development will impact to the growth of construction industry and will also impact to the growth of concrete industry in Indonesia and predicted that concrete industry will continue to grow in the next few years as well as construction industry in Indonesia.

PT Waskita Beton Precast Tbk (code: WSBP) is a subsidiary of PT Waskita Karya (Persero) Tbk, The leading state-owned construction company in Indonesia which engaged in precast and ready-mix concrete business segment. In 2016, the number of customers of PT Waskita Beton Precast Tbk increased greatly. There are 52.5% in private company, 56.5% in state-owned enterprise and 75% in government agencies. As of December 31, 2016, the company operated 10 precast plants, 41 ready-mix batching plants and 3 stone crushers

that strategically located near the projects locations. The company is committed to expanding new plants to meet the potential precast and ready-mix market in Indonesia.

2. BUSINESS ISSUE EXPLORATIONS

Based on the company annual report, WSBP earns total equity around IDR 5.2 trillion in 2016 from the initial public offering and make the total equity of WSBP increases around 456% in 2016. The company revenue also increases by 78.39% in 2016. The significant increase in company revenue in 2016 was due to the increase in company projects contracts in 2016. Along with the significant increase in company revenue, the company net profit also increases by 90% in 2016

According to the calculation using DuPont Analysis, ROE of the company decreases by 65% in 2016 because there are decreasing in company asset turnover. Asset turnover of the company decreases by 50% in 2016, and one of the factors of increase in asset turnover is increasing in account receivables. Short-term account receivable increases by 845% in 2016 and long-term account receivable increases around 96% in 2016. Refers to Brigham F. Eugene, if the company receivables are high then the company has a relaxed credit policy. Relaxed credit policy will increase the company account

receivable and company assets and it will decrease the company sales and impact to company asset turnover ratio also the ROE of the company

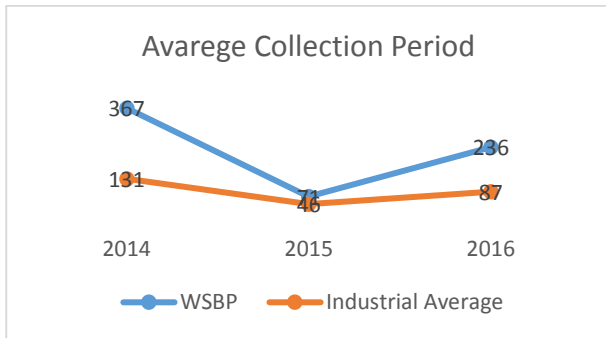


Figure 1 ACP compared to Industrial Average

According to the graph, the average collection period of the company increase from 71 days to 236 days in 2016, the increasing in average collection period prove that the company has relaxed credit policy. The increasing of collection period will impact the company cash conversion cycle. The cash conversion cycle of the company increases by 168% and become 106 days in 2016. An improvement by reducing the company cash conversion cycle can reduce the require working capital of the company.

2.1 Conceptual Framework

A Conceptual Framework is an analytical tool with several variations and contexts. The conceptual framework is used to make conceptual distinctions and organize the ideas. To gain a better understanding, the conceptual framework for this research will be explained in Figure 2.

2.2 Method Of Data Collections And Analysis

Refers to Lawrence J. Gitman, there is some strategy to accelerate the cash conversion cycle such as speed up the inventory turnover as quickly as possible without stock out, speed up the collections period as quickly as possible without losing sales and pay account payable as slowly as possible without damaging the company credit rating.

This research also conducting external environment analysis and internal environment analysis. The external environment analysis consists of PESTEL analysis, competitor analysis and industry analysis using Porter's five Forces method. Afterwards, the summarized result is determined to identify opportunities and threats that occurred.

The internal analysis consists of resource analysis and value chain analysis. The summarized result is determined to identify strength and weakness from the internal company.

The opportunities, threats, strengths and weaknesses factor of the company summarized in SWOT analysis. This factors would be used to determine the company strategy using TOWS strategy. The result then used as the input to develop assumptions of strategy that will be used in financial analysis and calculations. The financial statement that will be projected is income statement and cash flow. The purpose of financial statement projected is to analyze the implementation of company strategy in the next few years. This research also develops risk management analysis and purposed the implementation strategy to accelerate the cash conversion cycle of the company.

3. ANALYSIS OF BUSINESS SITUATION

In order to analysis the business situation of PT Waskita Beton Precast Tbk, the author conducted SWOT analysis to analysis the company strength, weakness, threat, and opportunities that summarize from external and internal environmental analysis. The SWOT analysis described. The analysis of the company strength, weakness, threat, and opportunities factors will be used to determine the company strategy using TOWS analysis which with the TOWS analysis the company can identify the advantage of the opportunities, reduce threats, and exploitation of the company strength and weakness. The TOWS analysis described in Table 1.

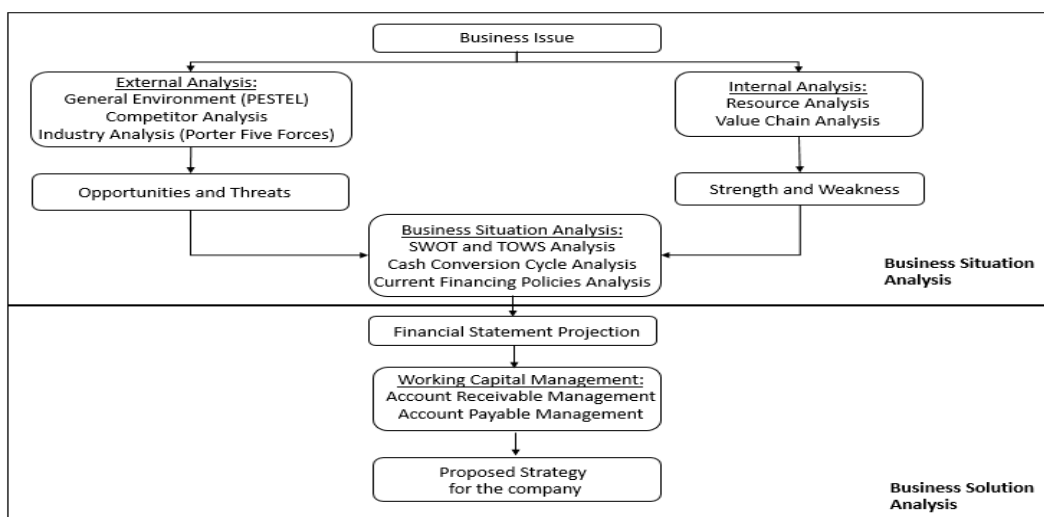


Figure 2 Conceptual Framework

Table 1 TOWS analysis

	Strength S1-S4	Weakness W1-W2
Opportunities O1-O14	<ol style="list-style-type: none"> 1. Develop continuously both the existing plant and new plant in several regions due to government policies in infrastructure development and also economic equity in Indonesia (S1,S2,O1,O2,O3) 2. Increase in the company production capacity and also product quality due to precast business segment as an innovation in infrastructure (S1,S2,S3,O4) 	<ol style="list-style-type: none"> 1. Fund additional project using debt instead of equity (W1,O1,O2,O3,O4) 2. Make credit policy for turnkey project payments refers to revenue construction contract PSAK 34 (W2,O1,O2,O3,O4) 3. Production its own natural raw materials using quarry to meet the need of the company and to produce the high-quality product. (W3,O1,O2,O3,O4)
Threats T1-T7	<ol style="list-style-type: none"> 1. Increase production capacity and marketing strategy to be able to compete with the competitors (S1,S2,S3,T1,T2,T3). 2. Improve integrated business process of the company to increase product quality since the company has low product differentiation (S3,T2,T3) 	<ol style="list-style-type: none"> 1. Buyback shares of the company that has been outstanding (W1,W2,T1,T2,T3) 2. Develop and also improve customer services also customer satisfaction of the company (W2,W3,T1,T2,T3)

In term of working capital analysis, the company using cash conversion cycle to calculate the length of time the company needed to purchase or produce inventory, hold it for a time and then sell it and receive cash. The cash conversion cycle also measures the time, the length of time the company able to convert into cash. The cash conversion cycle of PT Waskita Beton Precast Tbk explained in Figure 2

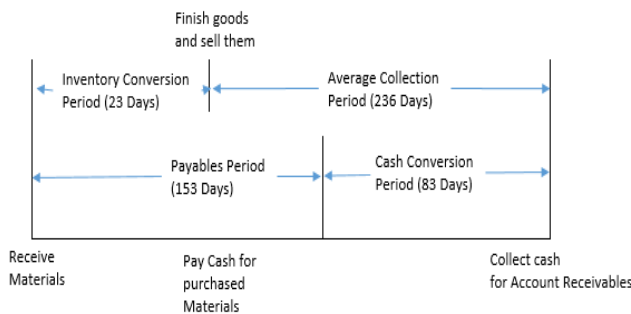


Figure 2 Cash Conversion Cycle-Existing

According to the Figure 2, WSBP conversion inventory on the 23 days and the sell them but the average of customer payment is on the 236 days, the average collection period is dependent on the company scheme. And one of the scheme is turnkey scheme where the company will receive the payment from the project owners at the time the project is completed. So the operating cycle of the company is 259 day. Supposed that the company has to pay its supplier on the 153 days, but the operating cycle of the company is on 259 days so the company has to borrow working capital on the 153 days and would be able to pay it on the 83 days after customer pay the receivable. Because the company should working capital then the company has to pay interest on its debt. It can be concluded that the shorter the cash conversion cycle would be better because the shorter cash conversion cycle means the lower interest expense and the higher revenue the company would generate.

Investment of operating current asset is must be financed, and the primary sources of funds include bank loans, credit from suppliers (account payable), accrued liabilities, long-term debt and also common equity (Brigham, F Eugene, 2013). There are several current financing policies such as moderate approach, aggressive approach, and conservative approach. The current financing policies of WSBP is described in Table 2.

Table 2 Debt Structure of WSBP

Debt Structure	2015	2016	2017	YoY (%)
Short-term debt	301,784	1,907,060	3,328,632	90
Long-term debt	459,255	1,448,924	1,448,924	68
total liabilities	3,001,582	6,328,766	8,280,086	63

According to the data, the company short-term debt growth around 90% from 2015 to 2017 while the long-term debt only growth around 63% from 2015 to 2016. The portion of short-term debt to total liabilities is 40% in 2017 while long-term debt remains the same in 2017. Short-term debt of WSBP mostly used as working capital and also as investment capital. According to this fact, it can be concluded that the company has an **aggressive approach** to their financing policies because the company finances some of their working capital with short-term debt.

According to this fact, the company would subject to dangers from loan renewal as well as the rising of interest rate problems even short-term interest rate is lower than the long-term interest rate. And if the cash flow is not sufficient to pay off the loan at the end of the year then the loan would have to be renewed and this could lead the company to bankruptcy.

4. BUSINESS SOLUTION

In this research, the author provides a solution to the company business issue to accelerate the cash conversion cycle of the company. To accelerate the company cash conversion cycle, the author should determine the income statement projection calculation, cash budget projection calculation, and also trade credit calculation.

4.1 Financial Statement Projection

The financial statement projections of this research consist of income statement projection and cash planning or cash budgeting projections. This financial statement would be used to determine the optimal solution for the company. All of the financial projection are calculated by the author.

4.1.1 Income Statement Projection

The income statement is a financial statement that reports company financial performance over a specific period. One of the simple methods for developing an income statement projection is the percent of sales method which is express the various income statement account as a percentage of sales (Lawrence J. Gitman, 2013).

According to interview, the company projected that the sales will increase by 42% in 2017 and increase by 25% from the forecasted revenue in 2017 for 2018 to 2020. There are some reasons that makes the company confidence in the forecasted revenue as follow:

- There are increasing in company contract value, the contract value predicted achieve IDR 21,2 Trillion in 2017, that consist of IDR 11.05 Trillion new contracts around 56.40% increase in contract value of WSBP
- Supported by the increasing demand of the company through government policies to accelerate the infrastructure development and also supported with the increase in production capacity which increases to 3,25 million tones.

4.1.2 Cash Budget Projection

The cash budget or cash forecast is a firm planned inflow and outflow of a cash. the cash budget is used to estimate the company short-term cash requirements, with particular being paid to planning for surplus cash and for cash shortage (Lawrence J. Gitman, 2013). Cash budget typically designed to cover 1 year period, and usually presented on monthly basis. The cash budget projection of 2017 and 2018 of WSBP is described in Figure 3 and Figure 4. The cash budget projection of 2017 and 2018 of WSBP is calculated without considering the turnkey project of the company.

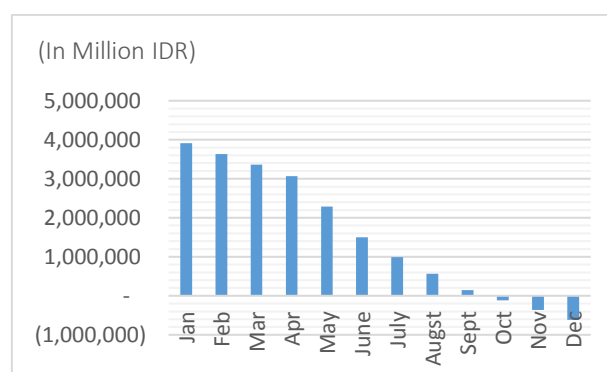


Figure 3 Cash Budget 2017

The cash budget of 2017 calculated using the existing average collections period scenario which is 236 days and the ending cash of 2016. According to the calculations, the company still manage positive cash in 2017 until September but decrease in company cash in October until December, there are several factors that decrease the company cash such as the company collection period is in 236 days and also the company has to pay the principal payment of bank loans. According to the calculations, the company requires a working capital of IDR 615,128 million.

Table 3 Income Statement Projection Calculations

Income Statement	2015	2016	2017F	2018F	2019F	2020F
Revenue	2,644,319	4,717,150	6,681,840	8,352,300	10,440,375	13,050,469
COGS	(2,224,888)	(3,667,087)	(4,673,288)	(5,866,383)	(7,040,467)	(8,434,945)
Gross profit	419,431	1,050,063	2,008,552	2,485,917	3,399,908	4,615,524
Selling Expense	(2,320)	(4,280)	(2,607)	(6,391)	(8,750)	(11,888)
G&E Expense	(53,750)	(92,728)	(467,721)	(677,478)	(977,474)	(1,396,423)
Foreign Exchange	(557)	(197)	(512)	(722)	(1,018)	(1,436)
Interest Income	58,047	2,358	100,974	9,463	86,822	86,419
EBIT	420,851	955,216	1,638,686	1,810,788	2,499,488	3,292,197
Interest expense	(19,581)	(45,153)	(189,927)	(365,653)	(721,538)	(1,235,785)
Income in joint venture		16,715				
Income before taxes (EBT)	401,270	926,778	1,448,758	1,445,136	1,777,950	2,056,412
Income tax expense (25%)	(11,180)	(335,518)	(362,190)	(361,284)	(444,487)	(514,103)
Net Income*	390,090	591,260	1,086,569	1,083,852	1,333,462	1,542,309
Dividend 40%	156,036	236,504	434,627	433,541	533,385	616,923

*exclude other income and other expense

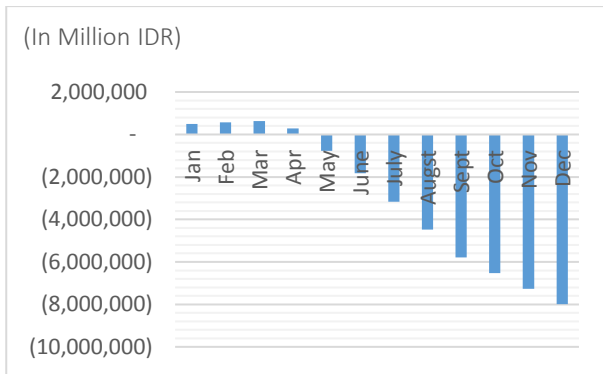


Figure 4 Cash Budget 2018

The calculation of cash budget 2018 is calculated using the same assumptions of collections period which is 236 days and using the ending of the cash flow of 2017. According to the calculations, the company still manage positive cash in January until April 2018 but decrease in May until December it's because the company collection period in 236 days, that can decrease the company cash. Decreasing in company cash would make the company have to found for another funding source to fulfill the cash shortage, the maximal loans or working capital that the company should take is IDR 7,990,456 million.

4.2 Working Capital Management

There are three main components of cash conversion cycle: the average age of inventory, average collection period and average payment period. There is a cost in the tied up working capital of the company that also called interest expense. If the length of cash conversion cycle increases then the cost of interest increase and can reduce the net income of the company. The company strategy to decrease working capital of WSBP as follows:

4.2.1 Account Receivable Management

There are several ways to reduce average collection periods such as change in credit standard whether relaxing the policy or thight the credit or give the credit discount if the customers can pay its bills faster. To calculated account receivable management, the company has to define the several scenarios of the credit period. The company using the benchmark of other company to determine the scenario of credit period of collections period. The industry average of collection period is 94 days, the fast collections period of the industry is 60 days, and also there are several companies that collect their receivables in 150 days. Based on benchmark analysis, the scenario of credit period for WSBP are 60 days, 90 days and 150 days, this credit scenario will be calculated using what-if analysis to define the effective discount for the customers that can pay bill faster.

Table 4 Scenario 60 Net 90 Days

Loan Requirement Customer That Take Discount (%)	Discount (%)				
	1	2	3	4	5
80	(4,145,280)	(4,207,866)	(4,270,453)	(4,333,039)	(4,395,626)
70	(4,393,594)	(4,448,357)	(4,503,120)	(4,557,883)	(4,612,647)
60	(4,641,907)	(4,688,847)	(4,735,787)	(4,782,727)	(4,829,667)
50	(4,890,221)	(4,929,338)	(4,968,455)	(5,007,571)	(5,046,688)
40	(5,138,535)	(5,169,829)	(5,201,122)	(5,232,415)	(5,263,708)
30	(5,386,849)	(5,410,319)	(5,433,789)	(5,457,259)	(5,480,729)
20	(5,635,163)	(5,650,810)	(5,666,456)	(5,682,103)	(5,697,750)

Based on Table 4 , the range of discount that company can give to the customer if the customer can pay in 60 days net 90 days are 1-5%, because if only 20% of customers that pay in 60 days with discount 5%, the required loans are still below the existing required loans which are IDR 7,990,456 million. This calculation comes from the financial projection calculated by the author.

Table 5 Scenario 90 Net 236 Days

Loan Requirement Customer That Take Discount (%)	Discount (%)				
	1	2	3	4	5
80	(4,892,755)	(4,951,110)	(5,009,464)	(5,067,819)	(5,126,174)
70	(5,255,746)	(5,306,806)	(5,357,867)	(5,408,927)	(5,459,987)
60	(5,618,737)	(5,662,503)	(5,706,269)	(5,750,035)	(5,793,801)
50	(5,981,728)	(6,018,199)	(6,054,671)	(6,091,143)	(6,127,615)
40	(6,344,719)	(6,373,896)	(6,403,073)	(6,432,251)	(6,461,428)
30	(6,707,710)	(6,729,593)	(6,751,476)	(6,773,359)	(6,795,242)
20	(7,070,701)	(7,085,289)	(7,099,878)	(7,114,467)	(7,129,055)

Based on Table 5, the range of discount that company can give to the customer if the customer can pay in 90 days net 236 days are 1-5%, because if only 20% of customers that can pay in 90 days with discount 5%, the required loans are still below the existing required loans which are IDR 7,990,456 million. This calculation comes from the financial projection calculated by the author.

Table 6 Scenario 150 Net 236 Days

Loan Requirement Customer That Take Discount (%)	Discount (%)				
	1	2	3	4	5
80	(6,299,950)	(6,345,610)	(6,391,269)	(6,436,928)	(6,482,587)
70	(6,505,835)	(6,545,786)	(6,585,738)	(6,625,690)	(6,665,642)
60	(6,711,719)	(6,745,963)	(6,780,208)	(6,814,452)	(6,848,697)
50	(6,917,603)	(6,946,140)	(6,974,677)	(7,003,214)	(7,031,751)
40	(7,123,487)	(7,146,317)	(7,169,146)	(7,191,976)	(7,214,806)
30	(7,329,371)	(7,346,494)	(7,363,616)	(7,380,738)	(7,397,860)
20	(7,535,256)	(7,546,670)	(7,558,085)	(7,569,500)	(7,580,915)

Based on the Table 6, the range of discount that company can give to the customer if the customer can pay in 150 days net 236 days are 1-5%, because if only 20% of customers that can pay in 150 days with discount 5%, the required loans are still below the existing required loans which are IDR 7,990,456 million. This calculation comes from the financial projection calculated by the author.

Table 7 Relaxed Credit Policy

Late Payments (%)	Loan Requirement	Net Income
10	(8,349,048)	1,295,401
20	(8,516,094)	1,283,812
30	(8,683,140)	1,272,223
40	(8,850,186)	1,260,634
50	(9,017,232)	1,249,045
60	(9,184,278)	1,237,457
70	(9,351,324)	1,225,868
80	(9,518,370)	1,214,279
90	(9,685,416)	1,202,690

Based on Table 7, the more customers that pay the receivables within 300 days then bigger required for loan that the company should take. If only 10% customers that pay receivables within 300 days the amount of loan already bigger than the loan of existing scenario which is IDR 7,990,456 million and also decreases net income of the company. This calculation comes from the financial projection calculated by the author.

4.2.2 Account Payable Management

Account payable payment determines the length of time the company needed to pay to the supplier. The longest account payable payment period would be better. The calculation of account payable payment described in Table 8.

Table 4 Account Payable Payment

Account Payable Payment			
In Days	2014	2015	2016
Payable	131,169	730,169	1,541,851
COGS	495,225	2,224,889	3,667,087
COGS/365	1,356.78	6,095.59	10,046.81
APP	97	120	153

According to table 8, the average payable payment of the company is 153 days exceed the industry average which is 78 days. Conclude that the company has a strong bargaining power through the supplier. And according to the previous calculation and analysis, conclude that the company has an **aggressive approach** to their financing policies because the company finances some of their working capital with short-term debt. According to this fact, the company would subject to dangers from loan renewal as well as the rising of interest rate problems even short-term interest rate is lower than the long-term interest rate.

5. PROPOSED STRATEGY

The proposed strategy of this research is divided into two categories such as the strategy for account receivable and the strategy of account payable management. The analysis of proposed strategy for account receivable management and account payable management of WSBP described as follows:

5.1 Account Receivable Proposed Strategy

According to the calculation of scenario credit policy, concluded that there are several favorable credit terms that the company can offer to the customer. To proposed the favorable credit terms for the costumes, the author used calculations and analysis using trade credit. Trade credit is a spontaneous source of financing in the sense that it arises from the ordinary business transaction. Expanding sales and lengthening the credit period generate additional amounts of financing via trade credit (Brigham, F Eugene, 2013). Trade credit can be calculated using the nominal cost of trade credit and effective annual rate. The nominal cost of trade credit is calculated by multiply the cost per period for the trade credit with how many times each year the cost is incurred

Table 9 Credit Terms

Credit Term	Nominal Cost (%)	Loan (20%)	Existing Loan (In Million IDR)
2/60 net 90	24.83	(5,650,810)	(7,990,456)
1/90 net 236	2.53	(7,085,289)	(7,990,456)
1/150 net 236	4.29	(7,546,670)	(7,990,456)

According to the calculations in table 9, the company can offer several favorable credit terms as follows:

1. Optimistic Scenario: credit terms of 2/60 net 90 have the bigger nominal cost compared to the other credit terms but if only 20% customers that take the discount and pay for 60 (worst scenario), the company can reduce working capital until 29% from existing conditions to IDR 5,650,810 million.
2. The moderate scenario: credit terms of 1/90 net 236 days which have the lower nominal cost compared to the other credit terms and if only 20% customer that take the discount and pay in 90 days (worst case), the company still manage to reduce the loan until 11% from existing conditions to IDR 7,085,289 million.
3. The pessimistic scenario: credit terms of 1/150 net 236 which has nominal cost 4.92% and if only 20% of the customer take the discount and pay in 150 days (worst case), the company still can reduce the company loan until 6% from existing conditions to IDR 7,546,670 million.

5.2 Account Payable Proposed Strategy

According to the previous account payable payment calculation, the company average payable payment is 153 days higher than the average industry of account payable payment which means the company has a stronger bargaining power that can convince the supplier to give more time to pay for its purchases. And according to the analysis of current asset financing policies, the current asset financing of WSBP is Aggressive approach because the company finances their working capital with short-term debt.

There are several strategies to longer the account payable payments as follows:

- a) **Current Account Credit**
 Current account credit policy is a short-term loan which can be extended for a period of time. This credit offers flexibility in which the withdrawal process can be done at any time during its credit terms.
 The advantage of current account credit such as:
 - a. The interest rate charged only for a large amount of loan that used the total of credit plafond that given.
 - b. Mostly, the borrower has to pay the principal installment and also interest rate in payments repayment but in current account credit, if the cash flow of the borrower still unstable the borrower can pay the interest expense first.
 - c. There is no need to guarantee the company asset or property.
 - d. The period of payment can be negotiated.
- b) **Working Capital Credit-Revolving**
 Working capital credit is a debt with a short period of time usually less than one year period. The interest rate on the working capital loan is smaller than the interest rate of investment credit. Working capital revolving allows the borrower to extend the loan in accordance with the provisions.
 The advantage of working capital credit such as:
 - a. Withdraws can be made at any time.
 - b. Funds that have not been withdrawn are not subject to the interest rate.
 - c. Finance activities channeled through the account of payable.
 - d. Payment made gradually and it can light the burden of the borrower.

- c) **Investment Credit**
 There is the alternative credit for long-term finance by using investment credit. Investment credit is a debt with a medium or long take up period. This debt submitted to finance as capital for rehabilitation, modernization, or the establishment of a new project. The advantage of credit investment such as:
 - a. Support the company with the source of financing to expand their business.
 - b. Credit period more than one years.
 - c. The repayment period is adjusted according to the company cash flow capability.
 - d. There may be a grace period for repayment.

6. RISK MANAGEMENT

The risk is uncertainty from the generated output in the future. There are always be uncertainty in the process. In another word, there are always be a risk in the business. The author will develop a risk management in order to determine the risk that may occur and the proposed mitigation strategy. From the risk identification process, there are 6 risks that may occur during this research.

According to the risk measurement, the score of each risk has been determined. The total score is 65 and the average score of risk is 10.8. Referring to the risk category, the risk category of PT Waskita Beton Precast Tbk categorized as **Medium**.

The last step in risk management determines the strategy or action plan to minimize the impact of the risk that has been measured before. There are some types of strategy to mitigate: retain, control, transfer and avoid. Risk mitigation of WSBP is described in Table 11.

Table 10 Risk Identification

NO	Risk Description	Cause (Hazard)	Impact (Loss)	Risk Category
1	Change in Market Demand	Unstable political conditions might cause a revision in business development, business regulation, and law. There are a lot of competitors and new entrants that join the market.	Impact of the business plan and development strategy of the company and also decrease the company demand.	Market Risk, Financial Risk
2	Inflation Risk	The increase in inflation rate.	Increasing the company operating expense.	Financial Risk
3	Interest Rate Risk	Bank or creditors increase their required rate of loan or interest rate.	Decreasing in net income of the company.	Financial Risk
4	Risk of Capital Management	There is no improvement of the company collections policy or credit terms.	Decreasing in cash of the company and also increasing the company requirement of loans.	Funding Risk, Financial Risk
5	Risk of Short-Term Liabilities	The company mostly finance their working capital and also their fix asset using short-term debt.	Increasing in risk of renewal the short-term bank loans of the company.	Funding Risk, Financial Risk
6	Risk of Customer Paying Late	There are a lot of customers that pay up the receivable longer.	Decreasing the company cash and increase the company requirement of loans.	Strategy Risk, Business Risk

Table 11 Risk Mitigation

NO	Risk Descriptions	Treatment	Mitigation Plan
1	Change in Market Demand	Avoid or Transfer	Preparing the backup plan for the business variable that might be affected by unstable political conditions.
			Create strategy or business analysis team to analyze the market for the company and also detect the new entrants also creating a strategy to prevent the loss due to the new entrants in the market.
			Continuously analyze market demand and purpose the suitable business strategy.
2	Inflation Risk	Avoid or Transfer	Continuously control and evaluate the operating expense.
3	Risk of Capital Management	Avoid or Transfer	Speed up the collections period by proposed the favorable credit terms of payments to customers.
4	Risk of Short-term Liabilities	Avoid or Transfer	Finance the fix asset development or new fix asset using long-term debt.
			Finance the working capital with more flexible short-term debt such as working capital credit-revolving and account credit.
5	Interest Rate Risk	Transfer	Create an agreement with the creditors to give interest rate in certain rate (acceptance rate).
6	Risk of Customer Paying Late	Retain or Control	Create a clear and detail contract with the customers, including a clear penalty for every contract.
			Analyze the ability of the customers to pay the receivables.

7. CONCLUSION AND RECOMMENDATION

In accordance with the research question in chapter one, the author will answer the question about the final project problem through research conclusion. According to the income statement projections, the company still manage positive net income along with the government policies in accelerating infrastructure development in Indonesia that will impact to increase the sales of the company. According to the calculation, the cash budget of the company in 2017 still manage surplus cash until September 2017 but in October to December the cash of the company decreased and the company required working capital of IDR 615,128 million. In 2018 the company still manage surplus cash until April 2018 but in May until December the cash of the company decreased and required the working capital of IDR 7,990,456 million. One of the main factors is because of the length of collections period of the company, the company average collections period is 236 days while the average of industry only 94 days.

Reduce in cash conversion cycle can be done in three ways such as reduce the inventory turnover as quickly as possible without stock out, reduce average collection period without decreasing sales and also increase average payment period without decreasing the credit rating of the company. According to the calculations, there are some favorable credit terms that the company can purpose to the customer: 2/60 net 90, 1/90 net 236 and 1/150 net 236 days. The purpose of favorable credit terms is based on the least nominal cost of the company which more favorable for the company and also for the customers.

To slow down the company average payment, the company should evaluate their account payable and consider to change or take another credit terms such as account payable credit, investment credit, and also investment credit for financing long-term asset which more flexible in payment.

From this final project, author purposes some recommendation to PT Waskita Beton Precast Tbk:

1. The company should consider expanding their market share.
2. The company should speed up the collections by providing credit discount. The favorable credit terms that can be offered are 2/60 net 90, 1/90 net 236 and 1/150 net 236.
3. The company should constantly monitor both the average collections period and also the aging schedule to detect any trends, to see how effectively the credit terms is operating compared to another company.
4. Evaluate and analyze the costumer’s ability of payments to minimize the risk of bad debt.
5. The company should manage their account payable by financing their long-term asset with long-term debt to reduce the renewal loan, high-interest expense and also increase the company net income.
6. Evaluate and consider to take another term of credit that can make account payable payment as long as possible such as account payable credit, working capital-revolving credit and also investment credit.

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