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The effect of liquidity ratio, activity ratio, and profitability ratio on accounting profit with firm size as a mediation

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ABSTRACT

One of the important parameters in the financial statements used to measure management performance is profit. Financial ratios as one of the information in the financial statements are used to measure the company's financial performance as proxied by profit. This study aims to analyze the effect of liquidity ratios, activity, and profitability on accounting profit with firm size as a mediating variable on issuers of the consumer goods sector in 2016 - 2020. The research method used is path analysis with the AMOS 23.00 software analysis tool. The results show that the liquidity ratio has no effect on accounting profit, the activity ratio has a significant effect on accounting profit, the profitability ratio has a significant effect on accounting profit, and company size only mediates the liquidity ratio on accounting profit.

Keywords: Company Size, KAP Size, Profitability, Audit Delay

1. INTRODUCTION

The main purpose of a company being established is to be able to increase the welfare of the owner, therefore the company must increase the wealth it has. The company's wealth can increase, one of which is by obtaining profits. The profit obtained by the company is of course not only for a time, but this profit must at least occur continuously (Dwimulyani & Shirley, 2018). The development of the business world demands information as the basis for making business decisions in the current era of globalization. In this case, accounting plays a role in providing useful information for business people (investors). Information about profit is a component of the company's financial statements (Kurniawati, 2016).

Financial reports are a communication medium for companies with external parties and are needed by various parties for decision making (Dwimulyani & Shirley, 2018). In detail, there are three objectives of financial statements. The first objective is to the ability of financial statements to provide useful information in making investment and credit decisions. The second objective is useful in forecasting future cash flow and earnings prospects. The last objective is to provide information about company resources, claims to these resources, and changes in these resources (Indahyanti & Wijaya, 2014).

One of the important parameters in the financial statements used to measure management performance is profit. So far, investors use the company's profit data in the past as a tool to predict future profits and until now profits are still the main concern for estimating the performance or accountability of company management. Investors still assume that companies with high profits have a high level of performance and will ultimately provide a high rate of return for investors (Widiyoko & Hadi, 2005). Profit is an additional economic capacity (prosperity) which is marked by an increase in capital in an accounting period originating from the company's production operations, in a broad sense it can be consumed or withdrawn by the entity or owner of capital without reducing the initial economic capacity of capital (Fernando, 2016).

Financial ratios are very important for external analysis that assesses a company based on published financial statements. This assessment includes issues of liquidity, solvency, profitability, management efficiency and the company's prospects in the future. Financial ratio analysis is also useful for internal analysis to assist management in making evaluations of the company's operating results, correcting errors and avoiding situations that can cause company financial difficulties (Hapsari, 2004). Financial ratios as one of the information in the financial statements are used to predict the company's financial performance or profit in the future. Changes in financial performance indicators will affect financial policy for further activities, such as policies regarding dividends, debt payments, allowances, investments, and maintaining the continuity of company activities (Syamsudin & Primayuta, 2009).

In general, financial ratios that are commonly used as benchmarks by investors can be grouped, including liquidity ratios, solvency ratios, profitability ratios, and activity ratios (Hidayat, 2015). Financial ratios are relationships that indicate industrial activity. The source of financial ratios is the company's financial statements which are only meaningful when compared to other information. Financial ratios help individuals understand the company's performance compared to its competitors and are often used to measure performance (Pasupati, 2020).

The activity ratio is used to measure the level of efficiency in the utilization of the company's resources, or to assess the company's ability to carry out its daily activities. This ratio is also known as the asset utilization ratio, which is the ratio used to assess the effectiveness and intensity of the company's assets in generating sales. Furthermore, total asset turnover is a ratio used to measure how much sales will be generated from each rupiah of funds embedded in total assets (Aisyah et al., 2017), the higher the total asset turnover, the more effective it is. the company's total assets generate sales. If the perpetrators of company management activities cannot maximize the use of company assets, company sales cannot be maximized, so profits will decrease.

The profitability ratio describes the ability of the company's management to manage the company, the company can survive depending on the performance of management. If one of the financial ratios decreases, difficulties will hit the company, including debts not being paid on time, difficulties in getting credit, and finally a decline in company performance (Idawati,2017). The profitability ratio also shows how effectively a company operates so as to generate profits or profits for the company. In general, the higher the ratio, the more efficient the company in reducing existing costs so as to increase profits (Usmar, 2018).

Another factor that affects profit is the size of the company, companies with growing profits can strengthen the relationship between the size or size of the company and the level of profits obtained where companies with growing profits will have large amounts of assets so as to provide greater opportunities in generating profitability (Fernando, 2016).

Company size is the company's ability to face uncertainty. Companies with large sizes are relatively more stable and more able to generate profits compared to small companies and companies with small sizes generally have a low level of efficiency and higher financial leverage. Small company sizes are considered to practice more earnings management than large companies. This is because small companies tend to want to show the condition of companies that always perform well so that investors invest in the company (Ghofir & Yusuf, 2020). Large companies pay more attention to the public so that they will be more careful in carrying out financial reporting so that the impact on the company reports its condition is better (Pagulung in Fernando, 2016). Investors who are cautious (risk adverse) tend to invest in large companies because they have a lower level of risk (Sunarto & Budi, 2009).

Sunarto & Budi (2009) citing Beaver, et al stated that company size can also be used as a proxy for the level of stock uncertainty, large-scale companies tend to be known by the public so that information about the prospects of large-scale companies is relatively easier for investors to obtain than small-scale companies. . The level of uncertainty that will be faced by potential investors regarding the future of the company will be minimized with the increasing amount of information obtained.

The size of the company can be determined from the number of assets owned, the profits obtained by companies that have a large size will tend to have ease in entering the company, and market capacity (Ghofir & Yusuf, 2020). The greater the total assets of the company, the profit earned and the market capacity of the company, the greater the size of the company (Habibah & Andayani, 2015). Companies with low and high total assets will continue to spur profit growth to create a good impression about the company to users of financial statements, because high total company assets will cause the company's capital to increase and to increase and encourage investors to assess the company and ultimately investors will invest their capital. to the company. With the large number of total assets owned by the company, it is certainly very influential on sales and increasing company profits (Fernando, 2016).

2. LITERATURE REVIEW

A. Accounting Profit

The concept of economic profit is a change to a better, healthier, more prosperous state or a more popular term is better offness that occurs over a certain period of time. However, the measure of economists in calculating changes in well being or better offness is not clearly defined in terms of operational terminology that can be applied within the company (Dwimulyani & Shirley, 2018). While the concept of profit according to accounting is the difference between the realization of income derived from company transactions in a certain period minus the costs incurred to obtain that income (Harahap in Dwimulyani & Shirley, 2018). Profit in a company is generally divided into 3 forms, namely: gross profit, operating profit, and net profit, where each profit indirectly affects one another. Therefore, changes in profits need to be analyzed to find out the causes of these changes, both favorable changes (increases) and unfavorable changes (decreases), so that conclusions can be drawn and or necessary actions are taken for future periods. Earnings analysis can be done using trend analysis techniques, namely comparing company profits for several periods (Dwimulyani & Shirley, 2018).

Profit is one measure of operating activity. Profit figures are usually reported in the income statement for a period along with other components such as revenues, expenses, gains and losses. Companies that have relatively stable earnings make it possible to predict the amount of estimated future earnings and these companies will usually pay a higher percentage of their profits as dividends than companies with fluctuating profits (Kurniawan et al., 2013).

Operating profit or commonly referred to as operating profit is a measure of the company's profit from ongoing operating activities. The higher the operating profit, the company can maintain its viability, and can operate the company. In daily activities, working capital is most needed by the company to finance its operating activities, and the working capital that has been used is expected to return to the company along with the marketing results of its production (Putra et al., 2019).

Profit is the increase in wealth or profits obtained by a company in a period. Profit is very useful for owners and management of the company. Because profits can be used for the welfare of the company and also as additional capital in order to increase the company's production. Furthermore, profit can be viewed as a change in net assets. The profit obtained by the company for the coming year cannot be ascertained, whether the profit for the coming year will increase or decrease (Avivah, 2018).

B. Liquidity Ratio

The Liquidity Ratio in this study is proxied by the Current Ratio (Yusuf & Suherman, 2021). The effect of the Current Ratio on profit growth is that the higher the Current Ratio value, the lower the net profit generated by the company because a high Current Ratio indicates an excess of current assets which is not good for the company's profitability. Current Ratio is a ratio used to measure the company's ability to meet its short-term financial obligations. The higher the Current Ratio indicates the effectiveness of the company in paying off its short-term obligations. So that the company can avoid the inability to pay obligations, which can lead to an increase in the burden of fines, a decrease in costs will increase profits (Kurniawan et al., 2013).

This current ratio shows the level of short-term creditor security, or the company's ability to pay these debts. The company's ability to pay current debt with current assets will affect the consideration of prospective creditors in providing short-term credit to the company. By knowing the current ratio of the company, the easier it is to find out the possibility of granting credit by creditors. Credit provided by creditors can facilitate the company's activities, so that it is easier for the company to generate profits. Thus, by knowing the company's current ratio, the easier it is to find out the possibility of lending by creditors, the easier it is to estimate the smoothness of the company's activities in generating profits (Hidayat, 2015).

A high CR indicates an excess of current assets so that the net profit generated is less than the excess of fixed assets (Wardhani, 2019), the higher the Current Ratio means the greater the company's ability to meet short-term financial obligations. So that in the end the company will find it easier to get a profit (Hidayat, 2015). CR is formulated as follows, namely:

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

C. Activity Ratio

Activity Ratio is a ratio that describes the company's activities in running a business. One of the activity ratios is the ratio of Total Assets Turn Over, which is a ratio that describes the sales turnover of the company's total assets. This ratio can also be used to measure how efficiently these assets have been used to earn income or profit (Hidayat, 2015).

Total asset turnover is a ratio used to measure how efficiently all company assets are used to support sales activities by comparing sales with total assets, which means that the higher the asset turnover, the more efficient the use of company assets. Total asset turnover reflects the company's ability to measure the level of efficiency in the use of company resources in carrying out daily activities. The higher total asset turnover indicates a higher profit increase (Puspasari et al., 2017).

Total asset turnover ratio measures the company's activity and ability to generate sales through the use of these assets. This ratio can also be used to measure how efficiently these assets have been used to earn income so that this ratio can be used to predict future profits. The effect of the ratio of Total Assets Turn Over (TATO) on changes in the company's net income is that the faster the turnover rate of its assets, the net income generated will increase, because the company is able to utilize these assets to increase sales which affect revenue. The increase in income can increase the company's net profit (Hidayat, 2015).

The effect of the Total Asset Turn Over (TATO) ratio on changes in the company's net income is that the faster the turnover rate of its assets, the net profit generated will increase, because the company can already utilize these assets to increase sales which affect revenue (Hidayat, 2015). Activity ratio is proxied by Total asset turnover (TATO). TATO illustrates how effectively the company uses all assets to create sales and profits. The calculation of this ratio is:

$$TATO = \text{Sales}/\text{Total Assets}$$

D. Profitability Ratio

Profitability ratios describe the company's ability to generate profits relatively. Relative here means that profit is not measured in absolute terms, but compared with other elements or benchmarks, because large profits do not necessarily describe large profits (Yusuf & Suherman, 2021). The benchmarks that can be used are income, funds and capital. Profitability ratio where this ratio describes the company's ability to earn profits, the higher the profitability, the higher the probability of the company making profits in the future period. The activity ratio is a ratio that describes the company's operational activities in obtaining sales or income, the higher the activity ratio, the higher the possibility of the company to earn profits (Hidayat, 2015).

Profitability is the ability of management to earn profit. To obtain above-average profits, management must be able to increase revenues and reduce all expenses on these revenues. This means management must expand market share at a favorable price level and eliminate non-value added activities. Profit growth is influenced by several factors, including: First, the size of the company. The bigger the company, the higher the accuracy of the expected profit growth. The second age of the company. Newly established companies lack experience in increasing profits, so the accuracy is still low. If the company has a high level of debt, then managers tend to manipulate earnings so as to reduce the accuracy of profit growth. The high level of sales in the past, the higher the level of sales in the future, the higher the profit growth. Changes in past earnings. The greater the change in profits in the past, the more uncertain the profits obtained in the future (Napitupulu, 2019).

Profitability ratio, the ratio used is the net profit margin used to measure the rupiah profit generated by the sale of each rupiah and measure all efficiency, both production, administration, marketing, financing, prices and management taxes. The higher the ratio indicates the company's ability to generate high profits at a certain level of sales. Return on equity is one of the financial ratios often used by investors to analyze stocks. This ratio shows the effectiveness of the company's management team in making profits from the shareholders of the funds invested (Napitupulu, 2019).

In this study, the profitability ratio is proxied by Return On Equity (ROE). ROE is used to measure profitability from the perspective of shareholders which shows how many rupiahs are earned from net income for every rupiah invested by shareholders. ROE is formulated as follows:

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

E. Company Size

Company size is an increase from the fact that large companies will have large market capitalization, large book values and high profits. Meanwhile, small companies will have a small market capitalization, small book value and low profits. Company size describes the size of the company. the size of the business in terms of the field of business being carried out, the determination of the size of the company can be determined based on total sales, total assets, average sales levels (Dewi & Wirajaya, 2013).

Company size in general can be interpreted as a scale that classifies the size of a company in various ways, including expressed in total assets, total sales, stock market value, and others. Larger companies have a greater incentive to smooth earnings compared to smaller companies because larger companies are subject to scrutiny (tighter supervision from the government and the general public) (Sunarto & Budi, 2009). Company size is the size of the company seen from the amount of equity value, sales value or asset value. Company size is basically a grouping of companies into several groups, including large, medium and small companies (Riyanto, 2013). Company scale is a measure used to reflect the size of the company based on the company's total assets. Company size is a measure of the size of the assets owned by the company so that large companies generally have large total assets (Ghofir & Yusuf, 2020). Large companies can more easily access the capital market than small companies. The larger the size of the company, the easier it is to get external capital in larger amounts, so investors are interested in investing in the company so as to increase the value of the company. With the availability of these funds, it makes it easier for companies to carry out investment opportunities (Sunarto & Budi, 2009).

Company size describes the size of the company. The size of the business is viewed from the field of business being carried out. Determination of the size of the company can be determined based on total sales, total assets, average level of sales (Yusuf & Suherman, 2021). Company size is a value that shows the size of the company. Company size shows the size of the company. Company size is the average total net sales for the year to several years. In this case the sales are greater than the variable costs and fixed costs, then the amount of income before tax will be obtained. Conversely, if sales are less than variable costs and fixed costs, the company will suffer losses (Ula et al., 2018).

According to Riyanto (2013) a large company whose shares are very widely spread, any expansion of share capital will only have a small effect on the possibility of loss or displacement of control from the dominant party to the company concerned. Thus, large companies will be more daring to issue new shares in meeting the need to finance growth based on sales, compared to small companies.

$$\text{Company Size} = \text{LnTotal\_Asset}$$

F. Framework And Hypotheses

The framework of thought in this study can be described as follows:

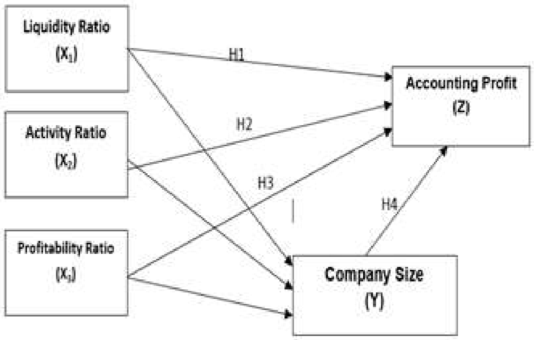

Figure 1. Framework

Hypothesis

H1 There is a Significant Effect of Liquidity Ratio on Accounting Profit

H2 There is a Significant Effect of Activity Ratio on Accounting Profit

H3 There is a Significant Effect of Profitability Ratios on Accounting Profit

H4 There is a Significant Effect of Liquidity Ratios, Activities and Profitability on Accounting Profits through Firm Size Variables.

3. METHODOLOGY

A. Sampling Method

The population in this study is the financial statements for the 2016-2020 period of all issuers of the consumer goods sector listed on the Indonesia Stock Exchange (IDX) contained in the Indonesia Stock Exchange (IDX) for the 2016-2020 period as many as 41 companies. The sample selection in this study used the purposive sampling method, which is a sampling technique with certain considerations and criteria tailored to the research objectives (Sugiyono, 2016). The criteria in this study are as follows:

Table 1. Sample Selection Criteria

No.	Criteria	Amount
1.	Consumer goods sector companies listed on the Indonesia Stock Exchange 2016-2020	41
2.	Consumer goods sector companies listed on the Indonesia Stock Exchange in 2016	(6)
3.	Consumer goods sector companies that have negative retained earnings or suffer losses during the 2016-2020 period	(16)
Number of Samples		**19**
Number of Observations (19 x 5)		**95**

Based on the sample requirements above, the sample companies are as follows:

Table 2. Research Sample

No	Code	Name	IPO Date
1	CEKA	PT Wilmar Cahaya Indonesia Tbk.	09-Jul-96
2	DLTA	Delta Djakarta Tbk	12-Feb-84
3	DVLA	Darya-Varia Laboratoria Tbk	11-Nop-94
4	GGRM	Gudang Garam Tbk	27-Agust-90
5	HMSP	HM Sampoerna Tbk	15-Agust-90
6	ICBP	Indofood CBP Sukses Makmur Tbk	07-Okt-10
7	INDF	Indofood Sukses Makmur Tbk	14-Jul-94
8	KLBF	Kalbe Farma Tbk	30-Jul-91
9	MERK	Merck Tbk	23-Jul-81
10	MLBI	Multi Bintang Indonesia Tbk	17-Jan-94
11	MYOR	Mayora Indah Tbk	04-Jul-90
12	ROTI	Nippon Indosari Corpindo Tbk	28-Jun-10
13	SIDO	PT Industri Jamu dan Farmasi Sido Muncul Tbk	18-Des-13
14	SKBM	Sekar Bumi Tbk	05-Jan-93
15	SKLT	Sekar Laut Tbk	08-Sep-93
16	TSPC	Tempo Scan Pacific Tbk	17-Jun-94
17	ULTJ	Ultra Jaya Milk Industry Tbk	02-Jul-90
18	UNVR	Unilever Indonesia Tbk	11-Jan-82
19	WIIM	Wismilak Inti Makmur Tbk	18-Des-12

The issuers' financial report data that became the research sample were audited financial statements of companies for 2016-2020 obtained from the Indonesia Stock Exchange website, namely www.idx.co.id.

B. Data Analysis Technique

The analysis method uses Path Analysis with the AMOS 23.00 Software Tool. Data analysis in quantitative research is based on a statistical approach. According Ghozali (2011) path analysis is a further development of multiple and bivariate regression analysis. To calculate the mediating effect of firm size on the liquidity ratio, activity ratio, and profitability ratio to accounting profit, the Sobel test is used, with the following formula:

$$Sab = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$

Description:

Sat : The size of the standard error of indirect effect

a : Independent variable path (X) with intervening variable (Y1)

b: Path of intervening variable (Y1) with dependent variable (Y2)

sa : Standard error coefficient a

sb : Standard error coefficient b

To test the significance of the indirect effect, we need to calculate the t value of the coefficient with the following formula:

$$t = \frac{ab}{sab}$$

This t-count value is compared with the t-table value, if the t-count value > the t-table value, it can be concluded that there is a mediation effect.

4. RESEARCH RESULT

A. Descriptive Statistics

Table 3. Descriptive Statistics of Liquidity Ratio

Liquidity Ratio

N	Valid	95
	Missing	0
Mean		3,081375
Median		2,547100
Mode		,6056ᵃ
Std. Deviation		1,9225564
Minimum		,6056
Maximum		8,6378
Sum		292,7306

a. Multiple modes exist. The smallest value is shown

Sumber : Data diolah dengan SPSS 23.00

Source: Data processed with SPSS 23.00

Based on the results of data processing in table 3. The liquidity ratio variable obtained has an average of 3.0813, the median of 2.57. The minimum value is 0.605 and the maximum value is 8.63.

Table 4. Descriptive Statistics of Activity Ratio

Statistics

Activity Ratio

N	Valid	95
	Missing	0
Mean		1,269534
Median		1,204500
Mode		,4458ᵃ
Std. Deviation		,5692262
Minimum		,4458
Maximum		3,1048
Sum		120,6057

a. Multiple modes exist. The smallest value is shown

Source: Data processed with SPSS 23.00

Based on the results of data processing in table 4. The activity ratio variable obtained has an average of 1.269, the median of 1.204. The minimum value is 0.4458 and the maximum value is 3.10.

Table 5. Descriptive Statistics of Profitability Ratio

Statistics

Profitability Ratio

N	Valid	95
	Missing	0
Mean		,290047
Median		,171000
Mode		,1826
Std. Deviation		,3904760
Minimum		,0007
Maximum		2,2545
Sum		27,5545

a. Multiple modes exist. The smallest value is shown

Source: Data processed with SPSS 23.00

Based on the results of data processing in table 5. The profitability ratio variable obtained has an average of 0.290, the median of 0.171. The minimum value is 0.0007 and the maximum value is 2.2545.

Table 6. Descriptive Statistics of Accounting Profit

Statistics

Accounting Profit

N	Valid	95
	Missing	0
Mean		2520,073152
Median		699,894700
Mode		,7236ᵃ
Std. Deviation		3573,2525643
Minimum		,7236
Maximum		13932,0300
Sum		239406,9494

a. Multiple modes exist. The smallest value is shown

Source: Data processed with SPSS 23.00

Based on the results of data processing in table 6. The accounting profit variable obtained has an average of 2520.073, the median is 699.894. The minimum value is 0.7236 and the maximum value is 13932,030.

B. Path Analysis

The initial image of the path analysis is as follows:

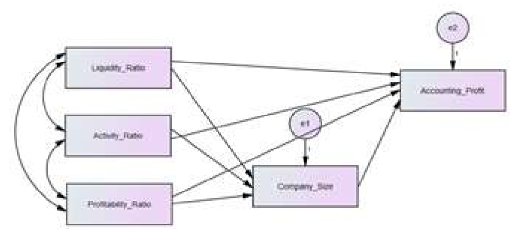

Figure 1. Initial Research Model

The results of the conformity test (goodness of fit) are based on the following table:

Table 7. Result of Conformity Level Measurement

Goodness of Fit	Admission Limit	Results	Conclusion
Chi – Square	The smaller, the better	0,000	Good Fit
RMSEA	0,05 <RMSEA<0,08	0,039	Good Fit
TLI	0,80<TLI<1	1,000	Good Fit
GFI	0,80<GFI<1	1,000	Good Fit
NFI	0,80<NFI<1	1,000	Good Fit

Source: Data processed with SPSS 23.00

From Table 7, chi square 0.000 (small), RMSEA value of 0.0039 (below 0.05), NFI 1,000 (> 0.8), TLI 1,000 (> 0.8) and NFI 1,000 (> 0.80) all criteria included in the good fit conclusion so that hypothesis testing can be continued.

Hypothesis testing from the results of data processing with AMOS 233, can briefly be seen in the following figure:

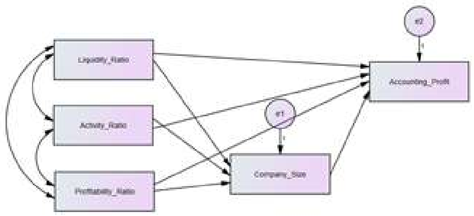

Figure 2. Final Research Model

To clarify the results of data processing in Figure 2, a summary table of path analysis is presented:

Table 8. Results of Regression Weight
Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Company_Size	<---	Profitability_Ratio	-,102	,435	-,234	,815	
Company_Size	<---	Activity_Ratio	,015	,285	,054	,957	
Company_Size	<---	Liquidity_Ratio	-,180	,087	-2,067	,039	
Accounting_Profit	<---	Liquidity_Ratio	178,159	101,416	1,757	,079	
Accounting_Profit	<---	Activity_Ratio	1615,932	324,893	4,974	***	
Accounting_Profit	<---	Profitability_Ratio	1614,700	495,937	3,256	,001	
Accounting_Profit	<---	Company_Size	1862,450	117,622	15,834	***	

Source: Processed Data (2021)

From the results of data processing in table 7, it can be seen the results of hypothesis testing as follows:

1. Effect of Liquidity Ratio on Accounting Profit
2. Based on table 7, the P Value is 0.079, greater than 0.05(0.079 > 0.05), thus it can be concluded that the Liquidity Ratio has no effect on Accounting Profit.
3. Effect of Activity Ratio on Accounting Profit
   Based on table 7, the P Value is 0.000, smaller than 0.05 (0.000 <0.05), thus it can be concluded that the Activity Ratio has a significant effect on Accounting Profit.
4. The Effect of Profitability Ratios on Accounting Profit
   Based on table 7, the P Value is 0.001, smaller than 0.05 (0.001 < 0.05), thus it can be concluded that the Profitability Ratio has a significant effect on Accounting Profit.

Furthermore, to test the hypothesis of the influence of firm size as a mediator of liquidity ratios, activity ratios, and profitability ratios to accounting profits, it can be calculated using the Sobel test, the results of which can be seen in the following table.

Table 9. Sobel Test Results

Variabel	Test Statistics	P-Value
X1 => Y => Z	2,051	0.0402
X2 => Y => Z	0.052	0.958
X3 => Y => Z	0.2344	0.814

Source: Processed Data (2021)

Based on calculations using the Sobel test, company size only significantly mediates the liquidity variable, because the p-value of 0.0402 is smaller than 0.05 (0.0402 <0.05) while in other variables the p-value is greater of 0.05.

5. DISCUSSION

1. Effect of Liquidity Ratio on Accounting Profit

Liquidity is the company's ability to meet short-term obligations that must be met immediately. Estimates in current assets, especially cash, short-term investments, receivables and inventories often affect the level of liquidity, where the greater the cash, short-term investments, inventories and receivables, the higher the company's ability to meet obligations that must be met (Rudikson et al., 2018). The results showed that the liquidity ratio had no effect on accounting profit. The results of this study are in accordance with the research of Syamsudin & Primayuta (2009), Rudikson et al., (2018) and Idawati (2017). This phenomenon is explained by Rudikson et al (2018) that liquidity indicators are related to current assets and current liabilities. To increase the number of current assets, especially cash, short-term investments, inventories and receivables, food and beverage companies must spend more capital invested, resulting in a higher cost of capital borne by the company and an impact on lowering profitability. Another reason is that increasing the number of current assets actually results in the company having to pay more for its short-term debt, so that it will affect the smaller the profitability obtained by the company.

2. Effect of Activity Ratio on Accounting Profit

The activity ratio proxied by total asset turnover measures the company's activity and ability to generate sales through the use of these assets and measures how efficiently these assets have been used to earn income (Puspasari et al., 2017). The results showed that the Activity Ratio had a significant effect on Accounting Profit. The results of this study are in accordance with the research of Syamsudin & Primayuta (2009), Handayani & Hadi (2019) and Puspasari et al., (2017). Total asset turnover has a significant effect in this study indicating the company is able to rotate its total assets effectively, in other words, the company has used all of its assets to create sales that can generate profits.

3. The Effect of Profitability Ratios on Accounting Profit

Profitability describes the company's ability to generate profits. Profitability is a factor that should receive important attention because to be able to carry on its life a company must be in a state of profitable (Lestari, 2020) The results show that the profitability ratio has a significant effect on accounting profit. The results of this study are in accordance with Usmar's research, (2018). The results of this study are in accordance with signaling theory, which states that a high level of profitability is a positive signal to the market, especially to investors to invest, because high profitability describes good company prospects. In addition, a high level of profitability illustrates that the company's performance is good. Good company performance will increase company profits (Lestari, 2020)

4. Effect of Liquidity Ratio, Activity Ratio, and Profitability Ratio on Accounting Profit

The results of the study show that company size only significantly mediates the liquidity variable, Lestari (2020) states that company size will strengthen the influence of company profitability in increasing company profits, large companies have reached the maturity stage and companies are relatively more stable so that they are able to generate greater profits than large companies. with small companies. companies with large sizes will be easier to generate profits, the company's profit level is high. Companies with a larger size have good performance and systems to manage, control and manage their assets. Therefore, the company will easily generate profits, and with a good system the company will generate increasing and stable profits.

6. CONCLUSIONS

The conclusions of this study are:

1. The liquidity ratio has no effect on accounting profit for issuers of the consumer goods sector on the Indonesia Stock Exchange.
2. The activity ratio has a significant effect on accounting profit for issuers of the consumer goods sector on the Indonesia Stock Exchange.
3. Profitability ratios have a significant influence on accounting profits for issuers of the consumer goods sector on the Indonesia Stock Exchange.
4. Company size mediates the effect of the liquidity ratio on accounting profit on issuers of the consumer goods sector on the Indonesia Stock Exchange.
5. Company size does not mediate the effect of activity ratio on accounting profit on issuers of the consumer goods sector on the Indonesia Stock Exchange
6. Company size does not mediate the effect of profitability ratios on accounting profit on issuers of the consumer goods sector on the Indonesia Stock Exchange.

6. SUGGESTION

The suggestions that can be given based on this research are:

1. Investors should pay attention to activity ratios and profitability ratios in investing funds, because based on research results, these variables are able to affect accounting profit, specifically the liquidity variable, in companies that have large company sizes, have a significant impact.
2. Further research, it is better to add variables that can affect accounting profit, such as solvency ratio, leverage, and so on.

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