FINDING COMPANY WITH DURABLE COMPETITIVE ADVANTAGE THROUGH INTERPRET INCOME STATEMENT

(A CASE STUDY OF GO PUBLIC POULTRY FEED’S COMPANIES IN INDONESIA)

Abstract

One big problem of investor or trader in the stock market is how to search companies that have a competitive advantage? Warren Buffet is the greatest investor in the world, one of his unique characteristics as an investor is He could interpret financial statement to find companies that are not only have a competitive advantage, but have a durable competitive advantage. Marry buffet says that: “In Warren Buffet search for the magic company with a durable competitive advantage, Warren Buffet always starts with the firm’s income statement. Income statements tell the investor the results of the company’s operation for a set period of time” (Buffett & Clark, 2008, p. 26). In this research, Researcher will focus to use or interpret an income statement only to find or make first screening to search companies with durable competitive advantage, even though income statement is not independent tool or the only tool to find companies with durable competitive advantage.

For this case study, The researcher will use an income statement from go public poultry feed’s companies in Indonesia.

Keywords: investor, income statement, durable competitive advantage

1. Research BackGround

Many of the investors, especially in the stock market have the main purpose is to find the best companies, One of characteristic of the best companies is to have a durable competitive advantage. One tool that investor use to find a durable competitive advantage is financial statement or annual report, but many of people read financial statement or annual report cannot interpret financial statement to find company with durable competitive advantage. Financial statement commonly consists Income statement, Balance sheet, cash flow statement, changes in stockholder’s equity statements. In this research, we will concern to interpret an income statement only to find or make first screening to search companies with durable competitive advantage, the researcher will use an income statement from go public poultry feed’s companies in Indonesia.

2. Income statements

One of financial statements is income statement, Income statement is “laporan yang sistematis tentang penghasilan, biaya, rugi-laba yang diperoleh oleh suatu perusahaan selama periode tertentu”. (Munawir, 2007, p. 26). An income statement has three basic components: first, there is he revenue of the business. Then there are the firm’s expenses, which are subtracted from the firm’s revenue and tell us whether the company earned a profit or had a loss”. (Buffett & Clark, 2008, p. 26).