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Compliance Analysis of Inventory Accounting Treatment at PT Rapid Niaga International: Alignment with PSAK No. 14 of 2018

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Abstract

The objective of this research was to assess whether the recording, valuation, presentation, and disclosure of inventory at PT Rapid Niaga International complied with PSAK No. 14 of 2018. The study employed a Comparative Description Analysis method to evaluate the alignment of the company's inventory accounting practices with the applicable financial reporting standards. The findings revealed that the valuation and presentation of inventory in the company's financial reports adhered to PSAK No. 14 of 2018, indicating that PT Rapid Niaga International applied the appropriate inventory valuation methods and presented the inventory in accordance with the standard's requirements. However, the research also identified that the company's method of recording and disclosing inventory in its financial statements did not fully comply with PSAK No. 14 of 2018. This suggests potential inconsistencies in the application of inventory recognition principles or inadequate transparency in reporting inventory-related information. The non-compliance in recording and disclosure could lead to misinterpretations by stakeholders relying on the financial statements for decision-making. Therefore, improvements in these areas are necessary to enhance financial reporting accuracy and ensure full adherence to PSAK No. 14 of 2018. Implementing standardized recording practices and improving disclosure transparency could contribute to better financial accountability and reliability

1. Introduction

The primary objective of a business is generally to maximize profits. In achieving this goal, the sale of goods and services serves as the main source of business income, whether in service, trading, or manufacturing companies. Therefore, as a business entity, a company must effectively manage its resources that hold economic value. The role of company management is crucial in formulating policies to efficiently manage these resources and achieve business objectives.

One of the most essential resources in a company is inventory. Inventory is a critical asset for any entity, whether it operates in retail, manufacturing, services, or other industries (Martani, 2016:245). Inventory often constitutes a significant portion of current assets or even the company's total assets. In a trading company, inventory consists primarily of merchandise inventory and supply inventory, as the company purchases goods for resale. Meanwhile, in a manufacturing company, raw materials are processed into finished products, leading to inventory classifications such as raw material inventory, work-in-process inventory, finished goods inventory, and auxiliary material inventory.

Ensuring adequate inventory to meet customer demand or production needs is a key factor in maintaining business continuity. However, excessive inventory accumulation due to poor turnover can result in financial risks, such as constrained working capital, increased storage costs, maintenance expenses, opportunity costs, and the risk of inventory damage.

In general, it is almost inevitable that not all goods purchased or produced within an accounting period will be sold within the same period. This factor presents a major accounting challenge in inventory management. Companies must accurately distinguish between inventory costs that can be recognized as expenses (cost of goods sold) in the income statement and those that remain unsold and are recorded as assets in the balance sheet.

Given the significant role of inventory in financial reporting, accounting errors—whether in recording or valuation—can directly impact the presentation of financial statements, including both the income statement and the balance sheet for the current and subsequent periods. This is because ending inventory in one period serves as the beginning inventory for the next accounting period.

In Indonesia, both trading and manufacturing companies that prepare financial reports are required to adhere to applicable accounting standards, specifically PSAK No. 14 of 2018, in recording and reporting inventory. However, this regulation is not mandatory for immaterial elements. Therefore, it is essential for companies to implement an inventory accounting system that aligns with established standards for the following reasons:

1. To establish appropriate accounting treatment for inventory.
2. To determine the amount of costs recognized as assets.
3. To accurately determine revenue recognized as profit.
4. To provide guidelines for classifying costs as expenses.
5. To calculate inventory costs based on cost formulas stipulated in applicable accounting standards.

PT Rapid Niaga International, located in the Parangloe Indah Warehouse Area, Biringkanaya, Makassar, is a local company that has been supplying seaweed raw materials since 2002 and has extensive experience in seaweed cultivation. The company primarily engages in seaweed export activities.

Motivated by the importance of inventory management and inventory accounting systems as outlined above, the author was driven to conduct research on this subject. This study is presented in the form of a thesis titled: "Compliance Analysis of Inventory Accounting Treatment at PT Rapid Niaga International: Alignment with PSAK No. 14 of 2018."

2. Literature Review

2.1 Theoretical Framework

2.1.1 Accountancy

Accounting comes from the English word " *To Account* " which means calculating or being accountable for something related to the financial management of a company to its owner for the trust that has been given to the manager to carry out the company's activities. The following are some explanations regarding the definition of accounting according to experts:

The definition of accounting according to Hery (2015:6) is: "Accounting can be defined as an information system that provides reports to users of accounting information or parties who have an interest (*stakeholders*) in the performance results and financial condition of a company."

Wiratna (2016:1) states that "Accounting is a process of transactions that are proven by invoices, then from the transactions journals, ledgers, balance sheets are created, then information is produced in the form of financial reports that are used by certain parties."

American Accounting Association (AAA), accounting is the process of identifying, measuring, and reporting economic information to enable clear and firm assessments and decision-making for parties using the information. That accounting is analyzing financial data that is done in a certain way and monetary measures can be used in making economic or corporate decisions (Lily 2016:2).

According to Afwan (2016:2) "Accounting is often called the language of business, specifically the language for making corporate financial decisions. Almost all corporate activities cannot be separated from accounting practices . Therefore, accounting plays an important role in the progress and decline of a company."

According to Syaiful (2016:2) the term accounting is defined as follows:
Accounting is the art of recording, summarizing, and reporting a transaction in such a way, systematically in terms of content, and based on generally recognized standards. Therefore,

parties interested in the company can know the company's financial position and operating results at any time needed, so that they can make decisions or choose from various alternative actions in the economic field.

2.1.2 Supply

In general, the term inventory is used to indicate goods owned by a company to be resold or used in production activities, the results of which will certainly be resold after going through the production process. Inventory is the main element of a company's working capital, both trading and manufacturing companies. In trading companies, continuously obtaining inventory by purchasing goods ready for sale without going through the production process first, whereas in manufacturing companies it is continuous obtain supplies for further processing to become supplies or products ready for sale.

The definition of inventory in several literatures generally presents different definitions or understandings, although the intent contained therein is almost the same. To gain a better understanding of the definition or understanding of inventory, the following will present several opinions from several literatures obtained:

The term inventory is defined in PSAK No. 14 of 2018, inventory is an asset: “(1) available for sale in the ordinary course of business, (2) in the process of producing such sale, or (3) in the form of materials or in the form of equipment to be used in the production process or purchase of services.”

2.1.3 Inventory Accounting System

Accounting recording systems can be divided into two, namely: physical systems (periodic) and inventory systems that are carried out continuously (perpetual).

According to Supriyati (2016:241) "The physical (periodic) system is an inventory management system in which inventory determination is carried out through physical calculations which are generally carried out at the end of each accounting period in the context of preparing financial reports."

According to Sujarweni (2019:84) "the periodic system is a calculation by directly seeing the form/physical of the goods owned at that time. Inventory is not recorded at all times. This method is usually used for companies that sell many products and the price per unit is relatively cheap."

3. Research Methods

This research was conducted at PT Rapid Niaga International, located at Parangloe Indah Warehouse Block L5 No. 18, Makassar. The research was carried out over approximately three months, from December 2020 to February 2021. To obtain accurate research results, supporting data was collected using several research methods.

The first method was a literature study, where data was gathered by studying and reviewing expert opinions related to inventory, providing a theoretical framework that supports the research and discussion. The second method was a field study, which included observation, interviews, and documentation. Observations were conducted by directly examining records and relevant documents, such as stock reports and financial statements of PT Rapid Niaga International. Interviews were conducted with warehouse and accounting staff to obtain more detailed information about seaweed inventory. Meanwhile, documentation involved collecting data from documents and written reports related to inventory reports.

The types of data used in this research consisted of qualitative and quantitative data. Qualitative data included information obtained from the company in the form of words, schemes, and images, such as the company profile, organizational structure, job descriptions for each position, as well as the vision and mission of PT Rapid Niaga International. Meanwhile, quantitative data was obtained in numerical form that could be calculated, such as inventory recording reports and the company's financial statements.

The data sources in this research were divided into primary and secondary data. Primary data was obtained directly from original sources, such as interviews with warehouse and accounting staff related to inventory issues. Meanwhile, secondary data was obtained indirectly through intermediary media, such as the company profile, organizational structure, inventory recording reports, and financial statements of PT Rapid Niaga International.

In analyzing the data, this research employed a descriptive comparative analysis technique. This method was used to compare the recording and valuation methods, as well as the presentation and disclosure of inventory applied by PT Rapid Niaga International with the standards in accordance with PSAK No. 14.

The operational definitions in this study covered two main aspects. First, the recording and valuation methods analyzed in financial reports, particularly regarding the recording and valuation of inventory at PT Rapid Niaga International, to determine whether they comply with the applicable Financial Accounting Standards. Second, the presentation and disclosure of inventory analyzed in the company's financial statements to assess their conformity with the prevailing accounting standards.

4. Results and Discussion

4.1 Data analysis

4.1.1 Inventory Recording

At PT Rapid Niaga International, seaweed supplies are divided into two types, namely cottoni and spinosum . Each type of seaweed is then distinguished again according to the name and area of origin of the supplier and the water content contained in the seaweed.

Inventory recording is done using the perpetual recording method , namely the company records every time an inventory purchase and sale transaction occurs.

perpetual recording is used by the company because there are several benefits obtained, namely the amount of seaweed stock. can be known at any time because the recording is done continuously so that supervision of the physical goods can be continuously monitored and supervision of each physical inventory post of goods can be easier because this inventory estimate is recorded for each type of seaweed. However, the company also continues to carry out stock opname at the end of the month to match the calculation system and physical calculation, so that the difference in calculation of inventory can be known. The following are the types of seaweed inventory at PT Rapid Niaga International:

Table 4.1
Cottoni Seaweed Stock

NO	NAME SUPPLIER	CITY	COLLY	TONNAGE (KG)	PRICE	TOTAL PRICE
1.	H. ARIF	TUAL	213	20,500	23,500	481,750,000
2.	H. IWAN	BKBA	215	17,845	20,500	365,822,500
3.	H. JOKO	NNKN	281	20,513	19,800	406.157.400
4.	EMERALD	BBAU	340	27,880	22,200	618,936,000

5.	DANIEL	BNTG	258	22,446	19,700	442.186.200
TOTAL				109,184		2,314,852,100

Source: PT Rapid Niaga International

Table 4.2
Spinosum Seaweed Stock

NO	NAME SUPPLIER	CITY	COLLY	TONNAGE (KG)	PRICE	TOTAL PRICE
1.	H. IWAN	BKBA	300	25,200	5,500	138,600,000
2.	EMERALD	BBAU	328	28,536	6,000	171,216,000
3.	COME ON	SNJAI	279	24,552	5,000	122,760,000
TOTAL				78,288		432,576,000

Source: PT Rapid Niaga International

The following is an example of a journal entry in inventory recorded by the company in 2020 in the Perpetual system :

1. Recording in Purchase Transactions

Table 4.3
Purchase Recording Journal Example

Date	Information	Journal	
02/03/2020	Original Stock Cotton	481,750,000	
	Cash		481,750,000
02/06/2020	Original Stock Cotton	365,822,500	
	Cash		365,822,500
02/06/2020	Original Stock Spinosum	138,600,000	
	Cash		138,600,000
12/02/2020	Original Stock Spinosum	171,216,000	
	Cash		171,216,000

02/17/2020	Original Stock Cotton Cash	406.157.400 406.157.400
03/04/2020	Original Stock Cotton Cash	618,936,000 618,936,000
04/01/2020	Original Stock Cotton Cash	442.186.200 442.186.200
04/24/2020	Original Stock Spinosum Cash	122,760,000 122,760,000

Source: PT Rapid Niaga International

2. Recording in Sales Transactions

Table 4.4
Example of Sales Recording Journal

Date	Information	Journal
04/08/2020	Quanzhou Accounts Receivable Finished Goods Inventory Cotton	1,325,000,000 1,325,000,000
04/29/2020	Gelymar Trade Receivables Finished Goods Inventory Spinosum	500,000,000 500,000,000
04/05/2020	Quanzhou Accounts Receivable Finished Goods Inventory Cotton	1,325,000,000 1,325,000,000
05/16/2020	Gelymar Trade Receivables	250,000,000

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	Finished Goods Inventory Spinosum	250,000,000

Source: PT Rapid Niaga International

Cottoni Seaweed in the journal using the item name Original Inventory. Cottoni , and in the sale of Cottoni seaweed , it is journaled under the name Cottoni Finished Goods Inventory .

From the data above, it can be concluded that the recording made by PT Rapid Niaga International is not in accordance with PSAK NO.14 of 2018 because when a sales transaction occurs, the company only makes one recording, such as in the sale of Cottoni Finished Goods Inventory , the Company debits the Trade Receivables account and credits Cottoni Finished Goods Inventory, while in PSAK NO.14 when the company makes a sales transaction, two recordings are made, the first is the company debits the cash or trade receivables account and credits sales for the selling price of the goods and the second, the company debits the cost of goods sold account and credits the merchandise inventory account.

4.1.2 Inventory Valuation

Inventory valuation is determining the value of inventory to be presented in the financial statements. Inventory valuation has a significant influence on the income reported in the company's financial position. Therefore, inventory valuation must be in accordance with reality so that the inventory truly shows the amount or value that is reasonably stated in the financial statements. In relation to inventory, cost of goods sold is the sum of all direct or indirect expenses related to the acquisition, preparation and placement of the inventory so that it can be sold.

PT Rapid Niaga International as a manufacturing company is a profit-oriented company. Inventory valuation is very important because it can directly affect the amount of net profit/loss reported for a certain period .

PT Rapid Niaga International uses a perpetual recording system , if using this recording system then the weighted average unit cost is used. The weighted average method is usually considered objective, consistent and not easy to manipulate, because in the perpetual system, recording is done every time a transaction occurs and this method provides a cost current period average on a continuing basis.

The use of this moving average method is in accordance with PSAK No. 14 of 2018 which states the average method formula *, the* average cost method is based on the assumption that all goods are mixed so that it is impossible to determine which goods are sold and which goods are held in inventory .

4.1.3 Inventory Presentation

In financial statements, inventory accounts are presented in the income statement and balance sheet. At PT Rapid Niaga International, the inventory estimate presented in the balance sheet is placed in the current assets group, namely after the receivables estimate. While in the income statement, inventory is presented in order to determine the cost of goods sold. The presentation of this inventory must be recorded properly so that the function of financial reports as a tool to provide information to users of financial reports for decision-making purposes can be achieved.

PT Rapid Niaga International, a manufacturing company engaged in seaweed exports, has four types of inventory, namely raw material inventory, inventory in process, finished goods inventory and auxiliary goods inventory, which in the balance sheet presentation of inventory in this company are presented as a whole from all inventories owned without detailing one by one the four types of inventory. In this case, the presentation of PT Rapid Niaga International's financial statements is in accordance with Financial Accounting Standards.

4.1.4 Inventory Disclosure

Disclosure of inventory at PT Rapid Niaga International is:

1) At PT Rapid Niaga International, inventory measurement uses purchase costs. With the cost formula: Purchase = Number of Goods x Unit price.
2) At PT Rapid Niaga International, the total price of inventory by type is recorded.
3) At PT Rapid Niaga International, inventory amounts are recorded at their actual value.
4) At PT Rapid Niaga International, the amount of inventory recognized as an expense during the current period.
5) At PT Rapid Niaga International, if there is a decrease in the selling price of a product, the loss will be recognized as an expense in the current period .
6) At PT Rapid Niaga International, if there is damage to product quality, the product will be replaced with a new product.
7) At PT Rapid Niaga International the Company does not have any inventory value recovery.
8) At PT Rapid Niaga International, the Company does not have any inventory whose value is allocated as collateral for liabilities.

In this case, it can be concluded that the disclosure contained in PT Rapid Niaga International is not in accordance with PSAK NO. 14 of 2018.

Based on the results of the discussion, a comparison table can be made between the accounting treatment of inventory according to PSAK NO. 14 of 2018 with PT Rapid Niaga International as follows:

Closing

1.1 Conclusion

From the results of the research, analysis and discussion, it can be concluded from the writing of this thesis that the accounting treatment of the inventory valuation and presentation method in the financial statements at PT Rapid Niaga International is in accordance with PSAK NO. 14 of 2018, while the inventory recording and disclosure method in the financial statements at PT Rapid Niaga International is not in accordance with PSAK NO. 14 of 2018.

1.2 Suggestion

The author suggests that PT Rapid Niaga International make notes on its financial reports to clarify the intent of the financial reports and to describe the policies or important matters used by the company.

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