



ANALYSIS OF INCOME RECOGNITION METHODS

Maizur Maharani Putri¹, Haliah², Nirwana³

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Universitas Hasanuddin, Makassar, Indonesia,

Correspondence E-mail: mmaizurpuput@gmail.com¹, haliah@fe.unhas.ac.id², nirwana_ni@yahoo.com².

Abstract

The main problem that usually arises in revenue accounting is when revenue is recognized and measured, whether the revenue has been measured and recognized in accordance with generally accepted financial accounting standards. Because revenue recognition needs to be done at the right time for economic events that generate revenue, the amount recognized must also be measured precisely and precisely so that the company can present financial statements fairly. This research is in qualitative form, so the data taken is descriptive in the form of written or spoken words obtained from interviews, field notes and other materials so that it can be easily understood and informed by others. This research aims to determine the revenue recognition method used at PT. Indonesian Credit Insurance Makassar Branch. The research results show that revenue recognition at PT. Indonesian Credit Insurance Makassar Branch is carried out when the policy is issued and the Principal makes payment at the finance/cashier section with payment and is made if the Insured pays the premium in full to PT. Indonesian Credit Insurance Makassar Branch.

Keywords: *Revenue Recognition Method.*

1. INTRODUCTION

Companies are generally established with the aim of obtaining optimal profits, this is done so that operational activities within the company can run smoothly so that the company can develop its business, in order to maintain the existence of the company itself amidst tight economic competition, especially between similar companies. To obtain optimal profits, this can be done by increasing the difference between total income and expenses. Applying an incorrect revenue recognition method will result in an incorrect presentation of the profit and loss statement that has been prepared, because the revenue presented will be greater (overstated) or smaller (understated). The main problem that usually arises in revenue accounting is when revenue is recognized and measured, whether the revenue has been measured and recognized in accordance with generally accepted financial accounting standards. Because revenue recognition needs to be done at the right time for economic events that generate revenue, the amount recognized must also be measured precisely and precisely so that the company can present financial statements fairly. PT. Indonesian Credit Insurance Makassar Branch is a company operating in the insurance sector which uses its income to support the company's operational activities. Financial transactions made from the company's operational activities require revenue recognition to determine the financial position, for this reason a method is needed that is in accordance with the company's characteristics. In determining this, we need financial accounting standards as generally applicable guidelines so that companies can know the profits obtained from operational activities. In accordance with this background, the problem formulation in this research is how to recognize revenue at PT. Indonesian Credit Insurance Makassar Branch.

2. LITERATURE REVIEW

According to Kieso (2008:515), "recognition is the process of recording or including an item in an entity's accounts and financial reports". This acknowledgment includes an explanation of an item both in words and figures, and the amount is included in the total figure of the financial statements. Meanwhile, according to Suwardjono (2014: 362), "income recognition is the official recording of the amount of rupiah into the accounting system so that the amount is reflected in the financial statements".

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According to Belkoi (2013:281) there are two methods for recognizing income in the accounting period, namely:

1) Critical Event Basis (Cash Basis)

This criterion refers to important events regarding income at a certain point in the profit process, namely when assets are sold or services are rendered.

2) Accrual Basis (Accrual Basis)

According to the accrual basis, revenue is recognized if the sale of goods or services has been made when it occurs regardless of the period in which it was received. Thus, the accrual basis method takes into account income when sales occur. The accrual basis for revenue recognition states that revenue must be reported during production, so in this case if profits can be calculated in proportion to the tasks performed or services performed at the end of production, then revenue is recognized in goods or when sales proceeds are collected.

Stages of revenue recognition According to PSAK No. 72 consists of:

- 1) Identifying contracts with customers, revenue records contracts with customers only if all of the following criteria are met:
 - a) The parties to the contract have agreed to the contract (in writing, orally or in accordance with general business practices) and committed to carrying out their respective obligations.
 - b) Revenue/entity identifies each party's rights regarding the goods or services to be transferred.
 - c) Revenue/entity can identify payment terms for goods or services to be transferred.
 - d) The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract)
 - e) It is likely that the revenue/entity will collect the consideration it will be entitled to in exchange for goods or services that will be transferred to the customer.
- 2) Identifying Implementation Obligations, contractual promises with customers consist of:
 - a) Contracts generally explicitly state the goods or services promised to be transferred to the customer
 - b) The obligation to perform is not limited to goods or services that are explicitly stated in the contract

The goods or services promised to customers can be distinguished:

- a) Sales of goods produced; purchased
 - b) Execution of tasks
 - c) Provision of services; regulatory services
 - d) Distribution of rights to goods and services, etc.
- 3) Determine the transaction price

The transaction price is the amount of consideration the entity expects to be entitled to in exchange for transferring goods or services to the customer, excluding amounts billed on behalf of third parties.

Measurement of the transaction price occurs when (or during) the performance obligation is settled, the entity recognizes revenue over the amount of the transaction price (which does not include estimates of restricted variable consideration) to which the performance obligation is allocated.

4) Completion of implementation obligations

- a) An entity recognizes revenue when (or during) the entity fulfills its performance obligations by transferring promised goods or services (assets) to customers.
- b) Assets are transferred When (or during) the customer obtains control of the assets.
- c) At the start of the contract the entity determines whether the entity will complete the performance obligation over time or at a specific time.

5) Recognize revenue when (when) the entity has completed the performance obligation.



3. IMPLEMENTATION METHOD

The variable in this research is the income recognition method where income is recognized when the entity has completed its implementation obligations. The data collection technique in this research is by using documentation and interview techniques. The data analysis technique that researchers use in this research is descriptive analysis technique, namely an analysis procedure that uses descriptive data in the form of written or spoken words from people related to the research. This research is qualitative in form, so the data taken is descriptive in the form of written or spoken words obtained from interviews, field notes and other materials so that it can be easily understood and informed to other people.

4. RESULTS AND DISCUSSION

Revenue recognition is carried out by identifying contracts with customers, identifying performance obligations, determining the transaction price, allocating the transaction price to the obligation to complete the performance obligation, and recognizing revenue when (when) the entity has completed the performance obligation. Recognition of income on surety bonds at PT. Indonesian Credit Insurance Makassar Branch is carried out when the policy is issued and the Principal makes payment at the finance/cashier section with payment in the form of:

- 1) Service Charge is the amount of premium paid by the Principal in accordance with the rate that has become PT policy. Indonesian Credit Insurance Makassar Branch.
- 2) Policy Administration Fees
- 3) Mattress Fees

The income of PT Asuransi Kredit Indonesia Makassar Branch is recorded in the following journal:

1. When the premium receivable occurs

Table 1. Example of journal entries when Surety Insurance premium receivables occur Bond at PT. Indonesian Credit Insurance Makassar Branch

Information	Debit	Credit
Premium Receivables	Rp. XXX	
Premium Income		Rp. XXX

2. At the time of the transaction and paid in cash

Table 2. Example of journal entry when a transaction occurs at AsuransiSurety Bond and paid in cash to PT. Indonesian Credit Insurance Makassar Branch

Information	Debit	Credit
Cash	Rp. XXX	
Receivables		Rp. XXX

Recognition of fire insurance income at PT. Indonesian Credit Insurance Makassar Branch is carried out at the time the policy is issued and the Insured pays the premium in full to PT. Indonesian Credit Insurance Makassar Branch. The recognition method applied by PT Asuransi Kredi. t Indonesia Makassar Branch is accrual basis. The accrual basis of accounting recognizes the effect of transactions and other events when the transactions and events occur without regard to when cash or cash equivalents are received or paid. In the accrual basis method, the company records all income that must be received regardless of when the payment or income is received in cash, and charges all costs in the period in which these costs are paid regardless of when the cash is paid out. Revenue is recognized as receipt of income after rights arise and costs are recognized as expenses after the obligation to pay arises without any reason whether the implementation of the receipt of income or expenditure has occurred or not. To adjust the income that is actually

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realized with the income that has been recorded, the company must make corrections towards him. This income must be managed effectively and efficiently in accordance with applicable regulations, because this income is a source of funds or financing for the government to carry out government and community services (Muzammil, 2023). The following is a comparison of revenue recognition between PT companies. Indonesian Credit Insurance Makassar Branch with PSAK No. 72 can be seen in the following table:

Table 5. Comparison of accounting treatment between companies with PSAK No. 72

Information	PSAK	PT. Indonesian Credit Insurance Makassar Branch	Evaluation
Premium Recognition	According to PSAK No.72, revenue recognition is made when (when) the entity has completed its Implementation Obligations	Recognition of surety bond insurance premium income at PT. Indonesian Credit Insurance Makassar Branch is carried out when the policy is issued and the Principal makes payment at the finance/cashier section and Recognition of income from fire insurance at PT. Indonesian Credit Insurance Makassar Branch is carried out if the policy is issued and the Insured pays the premium in full to PT. Indonesian Credit Insurance Makassar Branch.	In accordance

This is in line with PSAK 72 which states that revenue recognition is recognized when (at the time) the entity has completed its Implementation Obligations and is also in line with research conducted by Budiarmo (2017) which shows that recording revenue recognition at PT. Tri Pakarta Insurance uses the Accrual Basis method, namely income is recognized based on an effective contract or calculated according to its useful life. Recognition of income from insurance sales will be legally recognized after the period when the main activities carried out from the service have been completed.

5. CONCLUSION

Based on the results of research and discussions that have been carried out, it can be concluded that revenue recognition at PT. Indonesian Credit Insurance Makassar Branch is carried out when the policy is issued and the Principal makes payment at the finance/cashier section with payment and is made if the Insured pays the premium in full to PT. Indonesian Credit Insurance Makassar Branch.



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