

The Effect of Recognition of Revenue, Contract Liabilities and Contract Assets Under Psak 72 on Financial Performance of Telecommunication Companies Listed on The Idx for The 2015-2020 Period

Masril¹, Muhammad Yusuf², Dian Novianti³

^{1,2,3} STIE Mahaputra Riau, Indonesia, KotaPekanbaru Provinsi Riau
masril.official@gmail.com

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Abstract

PSAK 72 has been established as the single accounting standard for revenue recognition from contracts with customers which officially replaces all standards related to revenue recognition. Recognition of revenue under PSAK 72 will also result in the recognition of contract liabilities and contract assets. PSAK 72 can now be applied early with the active year January 1, 2020. The financial performance of telecommunications companies is calculated using financial ratios, namely the activity ratio (total asset turnover). Researchers used secondary data sources in the form of financial reports with data collection techniques, namely documentation. The population of this research is 11 companies using purposive sampling technique so that the research sample becomes 7 telecommunications companies listed on the Indonesia Stock Exchange (IDX) in 2015-2020. The analytical technique used is descriptive statistical analysis and analyzed through multiple linear regression to test the effect of the independent variable on the dependent variable. The results of the study partially recognize contract liabilities have no effect on the financial performance total asset turn over, while the income variable has a partial and significant effect on the financial performance of total asset turnover and contract asset variable has a partial but no significant effect on the total asset turn over. The results of the study show that simultaneous revenue recognition, contract liabilities and contract assets simultaneously and significantly affect the financial performance of total asset turnover.

Introduction

Accounting is a business language that produces information that describes the financial performance of the entity in a certain period and the financial condition of the entity on a certain date (Martini, 2019:4). Accounting can also be defined as an information system that provides reports to users of accounting information or to parties who have an interest in the results of the performance and financial condition of the company (Hery, 2015:2). Financial reports are useful for internal parties such as managers, directors, commissioners, shareholders (capital owners) and external parties such as governments, investors, creditors, suppliers, and others. Based on the importance of financial statements for interested parties, in preparing financial statements,

accountants need to refer to a framework of procedures called Statements of Financial Accounting Standards (PSAK).

SAK is a Statement of Financial Accounting Standards (PSAK) and Interpretation of Financial Accounting Standards (ISAK) issued by the Standards Board of the Indonesian Institute of Accountants (DSAK IAI) and the Sharia Standards Board of the Indonesian Institute of Accountants (DSAS IAI) as well as capital market regulator regulations for entities located in Indonesia. under his supervision (IAI, 2015). PSAK is also used as the main guideline in preparing accounting financial statements. PSAK is designed universally to be understood in every country, so in 2015 it was officially adopted as part of the International Financial Reporting Standards (IFRS). The convergence of PSAK with IFRS is one of the commitments of the Indonesian Institute of Accountants (IAI) which has joined the International Federation of Accountants (IFAC). It is hoped that the convergence of PSAK to IFRS will improve the functioning of global capital markets by providing investors with more comparable and better quality information. In addition, IFRS aims to facilitate comparable financial information, competitive analysis and good relations with customers, suppliers, investors and creditors worldwide.

From time to time, PSAK continues to undergo continuous improvement. One of them is PSAK 72 which is the single standard for revenue recognition that applies to contracts with customers which officially replaces all standards related to revenue recognition at this time, namely PSAK 23 regarding Revenue, PSAK 44 concerning Accounting for Development Activities, PSAK 34 concerning Construction Contracts, ISAK 21 regarding Construction Agreements, ISAK 27 regarding Transfer of Assets from Customers and ISAK 10 regarding Customer Loyalty Programs. PSAK 72 is effective starting January 1, 2020, but early application is allowed since 2018. PSAK 72 was enacted because the old PSAK standard provisions related to income made it difficult for investors and other users to understand and compare income information between companies. This is especially the case when recipients of financial statements compare service companies with production or trading companies. In the end, this will make it difficult for investors to decide whether to invest in the company. This condition is also one of the reasons behind the collaboration between the IASB and the FASB to create a new standard that regulates income.

According to the International Accounting Standards Board (IASB), this standard change will have an impact on companies that have contract revenues with customers, especially on the recognition of long-term customer contract revenues. Therefore, it is necessary to simulate the application of PSAK 72 so that the company can take the right policy to balance the application of the new standard that regulates income which will also affect the company's financial performance. PSAK 72 is a major breakthrough in accounting rules for recognizing revenue from contracts with customers (investment, 2019) in addition, PSAK 72 has a special point, namely revenue recognition can only occur after the handover has been carried out and meets the five criteria specified in the new standard that enforced. PSAK 72 also requires entities to identify all contracts with customers that they have before recognizing the acquisition of their revenue and this is also a requirement that must be met before recognizing revenue. This is also the main difference between PSAK 72 and the previous PSAK which lies in the principle of revenue recognition. Several types of companies that will be affected by the application of PSAK 72 include telecommunication companies, construction industry companies, retail companies, and manufacturing companies ([Veronica et al, 2019](#)) ([Wisnantiasri, 2018](#)). This is also in line with

what was stated by [Ghaniy \(2018\)](#) that based on the IASB this standard change will have a significant impact on companies whose transactions and revenues are in the form of long-term contracts, including telecommunications companies. Revenue is the company's main priority in running its business where if the income is large, the company's profit will also be large, but if the income is small, the profit earned will be small as well ([Masril, 2017](#)). Thus the profit earned by the company is influenced by the amount of income earned by the company and of course this will also affect the company's financial performance.

The application of the new PSAK standard, namely PSAK 72 regarding the recognition of contract revenue from customers will have a major impact on revenue recognition because most of the revenues of telecommunications companies are contracts with customers, and with the establishment of new accounting standards, the company must adjust revenue recognition by retracing various There are various types of contracts with customers that are owned and the company must also make changes to the recording of revenues that cannot be recognized in the contra account, namely contract liabilities and contract assets.

Survey Diagram of the Application of PSAK 72 to the Top 100 Compass Index Companies for the August 2020 Period.

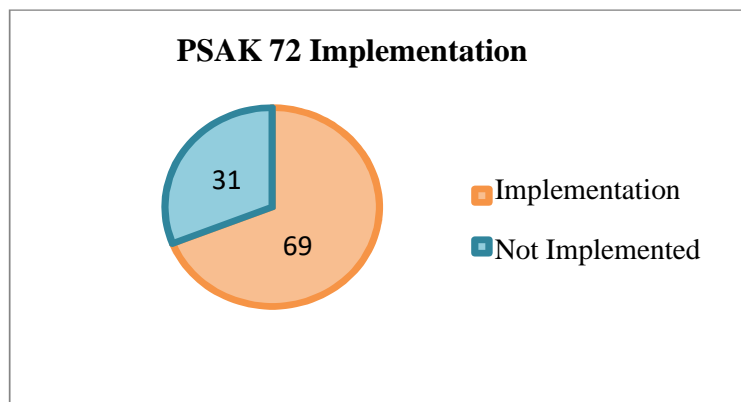


Figure 1. Survey PSAK 72 Implemetati

Source: Processed Data (2022)

Based on a survey conducted by Pwc in 2020 of companies included in the top 100 list of Kompas stock indexes for the August 2020 period regarding the company's readiness status in the application of PSAK 72, 69% of companies that have implemented and reported their financial statements based on PSAK 72 and 31% of companies have not implemented the PSAK 72 standard. This is quite worrying to see one third of companies have not complied with PSAK in their financial statements. The approach taken regarding the transition chosen by 99% of companies implementing PSAK 72 chose to use a modified retrospective approach for the initial application of the standard.

In essence, PSAK 72 changes the method of recognizing contract revenue from a rule based to a principle based basis. In PSAK 72 revenue recognition is carried out in stages according to the age of the contract (over the time) or at a certain point (at a point of time). In PSAK 72, to recognize revenue, one must analyze 5 stages of the model, namely; identify contracts; identify implementation obligations; determine the transaction price; allocates transaction prices to

performance obligations and recognizes revenue when (when) the company has completed the performance obligations.

Revenue is an important part of a presentation of accounting information in the form of financial statements. Revenues arise in the usual business activities of the company, such as sales, fees, interest, dividends, royalties and rent. Revenue is the main account in financial statements whose information is very useful for users related to the statement of financial position and a review of the performance of a company (IASB, 2018). Income is also a reference in calculating the performance of a company (Kieso, 2018), therefore it is important if income can display actual numbers so that it can produce reliable financial reports. Presentation of income that produces reliable financial statements is also inseparable from the process of recording, measuring and recognizing the right income.

Revenue Recognition is one of the main factors in determining the company's revenue, with revenue recognized at the right time and at the right time, revenue will be able to show its true value and there will be no misstatements in reporting financial information and will lead to more accurate decision making (Veronica, 2007). 2019) (Rahayu, 2020). Revenue recognition according to PSAK 72 "Recognition of contract revenue can be done slowly according to the age of the contract (over the time) or at one time, at a point". However, the recognition of contract revenue in this way does not apply to all types of contracts. Some aspects of the requirements that need to be considered are the benefits from the customer, the benefits of increasing customer assets, to the stage of payment of the mutually agreed contract. If the three elements of the aspects of the requirements are not met, then revenue recognition cannot take place from time to time, but selectively or at a certain point in time.

In terms of revenue recognition as regulated in PSAK 72, revenue can be recognized if the company has completed its performance obligations, but in practice there are two conditions that will be experienced by the company which causes differences in the recording of the delivery of goods or services to customers. These two conditions will result in the recording of the contract liability and contract assets accounts.

A contractual obligation is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount of consideration due) from the customer, if the customer pays the consideration, or the entity has a right to an unconditional amount of consideration (i.e. receivable), before an entity transfers goods or services to a customer, the entity presents the contract as a contractual obligation when payment is made or payment is due (whichever is earlier) (PSAK 72:72.20).

Contract assets are the entity's share of the consideration for goods or services that the entity transfers to customers. If the entity fulfills a performance obligation for one of two goods or services that must be performed and has not received payment from the customer, the entity shall recognize the contract as a contract asset in the statement of financial position, with the exception of amounts shown as receivables (PSAK 72:72.20).

It is relatively difficult for telecommunications companies to identify implementation obligations in the initial process of implementing new regulations or standards, because companies must classify all service revenues marketed as bundles (combined products). The next process determines the transaction price of goods based on the number of obligations that are fulfilled and obtains the right to the settlement of these obligations from the customer to the company (Casnila and Nurfitriana, 2020).

Furthermore, in recognizing revenue when the company has fulfilled its performance obligations, the process illustrates that if the performance obligations have been fulfilled, then revenue can be recognized based on the provisions of applicable accounting standards and derecognize contract liabilities and contract assets. Previous research on the impact of the application of PSAK 72 has been carried out, including [Veronica et al \(2019\)](#) in their research entitled "Analysis of the Impact of Application of Revenue Recognition Based on PSAK 72.

Regarding the Financial Performance of Real Estate Companies in Indonesia Listed on the Indonesia Stock Exchange in 2018" which states that the application of revenue recognition based on PSAK 72 makes the financial performance of real estate companies look not very good if a comparison is mad using the previous standard, this is also in line with what was stated by [Wisnantiasri \(2018\)](#) in his research entitled "The Effect of PSAK 72: Revenue from Contracts with Customers on Shareholder Value (Study on Property, Real Estate and Building Construction Sector Companies)" which states that PSAK 72 has a significant positive effect on the value of shareholder ownership in real estate, property and construction companies.

Meanwhile, the research conducted by [Halim \(2020\)](#) in his research entitled "The Effect of PSAK 72 Revenue Recognition Implementation on Financial Performance (Empirical Study on Real Estate Companies in 2018-2019)" which states that the implementation of PSAK 72 on the company's financial performance is measured using the ratio activity, solvency, profitability and market have no effect, meaning that PSAK 72 has a low influence on these ratios, this is also supported by research by [Casnila and Nurfitriana \(2020\)](#) in their research entitled "Analysis of the Impact of Financial Performance Before and After the Implementation of PSAK 72 In Telecommunication Companies Listed on the IDX for the Period 2017-2018" which states that there is not entirely a difference in the impact of changes in the company's financial performance assessment before and after the implementation of PSAK 72 on telecommunications companies listed on the Indonesia Stock Exchange in 2017-2018. Financial performance is the work performance carried out by corporate entities and can be seen in the financial statements (Gate, 2020). Financial performance is an analysis used to measure the company's ability to manage finances based on existing provisions ([Fahmi, 2012](#)) (Hidayatullah, 2017).

Based on the phenomena and inconsistencies of several previous studies as well as to develop research, the authors are interested in examining more deeply considering the importance of recognizing revenue, contract liabilities and contract assets in accordance with applicable regulations and the problems that will arise if the company is misrepresented in its financial statements. This will not only affect financial performance, it will also mislead users of financial statements in making decisions or to attract investors.

Research Method

The object in this study is a telecommunications company listed on the Indonesia Stock Exchange (IDX) for a period of 6 years from 2015 to 2020. The research time for data collection is 5 months, namely November 2021-March 2022. The population in this study is all companies. There are 11 telecommunications companies listed on the Indonesia Stock Exchange with purposive sampling technique. The research method used in this study is a quantitative research method with a quantitative descriptive approach. Secondary data collection techniques in this study use the method of documentation or documents.

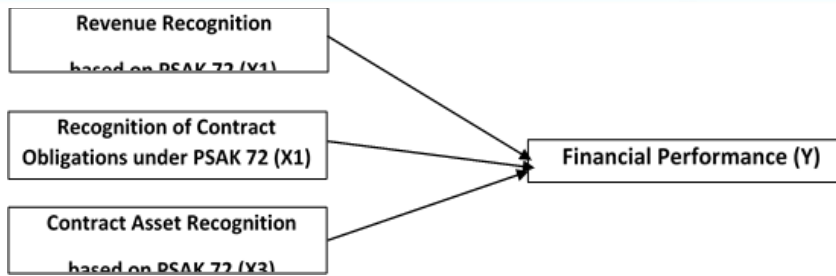


Figure 2. Research Model

Source: Processed Data (2022)

Results And Discussions

Revenue recognition based on PSAK 72 is carried out in five stages, namely identifying contracts, determining performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue. The five stages must be carried out either to recognize revenue for goods, services, or combined products. Revenue that has not been recognized will be recorded by the company into the contract liability account (customer advances) or contract assets (receivables).

Multiple Regression Analysis

Regression analysis used in this research is multiple regression equation model. This equation model was chosen because this study examines the effect of an independent variable on the dependent variable and has more than one independent variable. This analysis will prove the effect of income variable, contract liability variable and contract asset variable based on PSAK 72 on financial performance which is measured using total asset turnover of telecommunications companies listed on the Indonesia Stock Exchange in the 2015-2020 period. The following table describes whether or not there is an effect of the independent variable on the dependent variable.

Multiple Regression Test Results

The results of using the hypothesis in the research model are as follows:

Table 1. The Results Of Linear Regression Analysis Are Mixed

Variabel		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Independen	Dependen	B	Std.Error	Beta		
(Constant)		0.177	0.011		16.078	0.000
Income		9,329	0.000	0.818	4.504	0.000
Contract obligations		-5,414	0.000	-0.072	-0.585	0.564
Contract assets		2,602	0.000	0.225	1.768	0.089

Source: Processed Data (2022)

From table 5.13 it can be seen that the multiple regression equation model in this study will be used to measure the effect of income variables, contract liabilities and contract assets on financial performance as measured using total asset turnover as follows:

$$TATO = 0.177 + 9,329 PDP - 5,414 KK + 2,602 AK + e$$

Effect of Revenue Recognition Based on PSAK 72 on Financial Performance

Revenue is an important part of a presentation of accounting information in the form of financial statements. Revenues arise in the usual business activities of the company, such as sales, fees, interest, dividends, royalties and rent. Recognition of revenue in PSAK 72, there are 5 stages in order to perform transaction analysis based on contracts with customers. The level of income of a company will affect several ratios of the company's financial performance, in this study the ratio which is the measurement indicator is the activity ratio. The activity ratio is measured using total asset turnover (TATO).

Based on table 3, it can be seen that the income variable has a significant value of income in the measurement indicator of total asset turnover of 0.00 which is smaller than 0.05 and the tcount value of 4,504 is greater than ttable which is 1,706. This shows that the income variable has a partial and significant effect on the financial performance of total asset turnover (TATO). This is because telecommunication companies can still recognize revenue from product sales in a bundled manner. owned efficiently so that the ratio of activities measured using total asset turnover also increased. This is in line with research conducted by Rahayu (2021) which states that the implementation of PSAK 72 affects the company's activity ratio.

The Effect of Recognition of Contract Obligations Based on PSAK 72 on Financial Performance

In PSAK 72 a contractual obligation is recognized when the entity receives an advance from the customer. An entity recognizes a contractual obligation for an advance for a performance obligation to transfer, or is prepared to transfer, goods or services in the future. An entity derecognizes a contractual obligation (and recognizes revenue) when it transfers the goods or services and fulfills the performance obligation. Before the performance obligations are fulfilled, the advances received by the entity are still payables to customers. The level of contractual obligations of a company will affect several ratios of the company's financial performance, in this study the ratio which is the measurement indicator is the activity ratio which is measured using total asset turnover (TATO).

Based on table 3, it can be seen that the contract liability variable has a significance value greater than 0.05, which is 0.564 and a tcount value of -0.585, which is smaller than ttable 1.706 for the indicator for measuring total asset turnover. This shows that the contract liability variable has no partial effect on the financial performance of total asset turnover (TATO). This can happen because the number of contractual obligations under PSAK 72 owned by the company does not have a significant impact on the telecommunications company because the telecommunications company has met one of the criteria for revenue to be recognized so that the value of contractual obligations does not increase. The criteria are that customers simultaneously receive and consume the benefits provided by the company's performance when the company carries out its implementation obligations and the company has enforceable rights for performance payments that are completed until a certain date, so that it does not affect financial performance with indicators of total asset turn over (TATO). In theory, contractual obligations are not directly related to the total asset turnover ratio activity, but are related to the measurement indicator of the total asset turnover ratio, namely income. Contract obligations (customer advances) relate to revenues through transactions that result in the recording of unearned revenues. If the company has not completed its implementation obligations, the company has not been able to recognize its

revenue so that it will increase the number of contract obligations. This is in line with research conducted by [Halim \(2020\)](#) which states that the implementation of PSAK 72 does not partially affect the liquidity ratio, solvency ratio, activity ratio, profitability ratio and market ratio.

The Effect of Recognition of Contract Assets Based on PSAK 72 on Financial Performance

Under PSAK 72 contract assets are recognized when one of the parties to the contract has performed a performance obligation, the entity presents the contract in the statement of financial position as a contract asset if the entity performs by transferring goods or services to the customer before the customer pays the fees or before the payment is due. An entity derecognizes a contract asset when it has received payment from the customer. Before payment from customers is received by the entity, performance obligations that have been fulfilled are presented as receivables in the entity's financial statements.

Based on table 3, it can be seen that the contract asset variable has a significance value greater than 0.05, which is 0.089 and a tcount value of 1.768, which is greater than ttable 1.706 for the indicator for measuring total asset turnover. This shows that the contract asset variable has a partial and insignificant effect on the financial performance of total asset turnover (TATO). This can happen because in the transaction process that occurs in telecommunications companies, transactions related to receivables are very rare because generally customers will make advance payments for the type of service desired, so that the recording of contract assets based on PSAK 72 is very rarely done, therefore it is not have a significant impact on the financial performance of telecommunications companies, including those measured using total asset turnover (TATO). This is in line with research conducted by [Rahayu \(2021\)](#) which states that the implementation of PSAK 72 has an effect on the company's activity ratio.

Conclusion

Based on the results of the research and discussion in the previous chapter, in answering the problem, it can be concluded that the financial performance generated based on the recognition of revenue, contract liabilities and contract assets based on PSAK 72 is as follows:

1. Partially, revenue recognition based on PSAK 72 has a significant effect on financial performance using total asset turnover because in this study the results showed that the activity ratio had a significant increase and $tcount > ttable$, where the tcount value of 4,504 was greater than ttable which was 1,706 with sig. $0.00 < 0.05$.
2. Partially the recognition of contractual obligations has no effect on financial performance using total asset turnover because in this study the results showed that the activity ratio decreased and $tcount < ttable$ where the tcount value was -0.585 smaller than ttable 1.706 with sig $0.564 > 0.05$.
3. Partially, the recognition of contract assets has an effect and is not significant on financial performance using total asset turnover because in this study the results showed that the activity ratio had increased but was not significant and $tcount > ttable$ where the tcount value of 1.768 was greater than ttable 1.706 with sig $0.089 > 0.05$.

Acknowledgements

After conducting research and discussing the effect of revenue recognition, contract liabilities and contract assets based on PSAK 72 on the financial performance of telecommunications companies for the 2015-2020 period at the seven companies that were sampled in this study, the suggestions for further research are:

1. For further research to conduct research on other sector companies that are more dominantly affected by the implementation of the new PSAK, especially PSAK 72.
2. For further research, especially related to the analysis of financial performance in order to add variations to other financial performance ratios and the addition of variables that can further strengthen the research results, thus providing better research results.

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