

EVALUATION OF REVENUE RECOGNITION METHOD CONSTRUCTION CONTRACT PT. WAHANA MULTITRON

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<i>PAPER INFO</i>	<i>ABSTRACT</i>
Received: 14 th January 2023	Background: The completed contract method is a method that recognizes the company's revenue and gross profit only when the contract or work is completed. Contract revenue is recognized only to the extent that the costs incurred are expected to be recovered. After all expenses are recognized, profit is recognized. Aim: The purpose of the study was to evaluate the method of recognizing revenue for construction contracts at PT. Wahana Multitron whether the revenue recognition method used was in accordance with accounting standards and to find out when and how revenue from construction services was recognized. The purpose of the study was to evaluate the method of recognizing revenue for construction contracts at PT. Wahana Multitron whether the revenue recognition method used was in accordance with accounting standards and to find out when and how revenue from construction services was recognized. Method: The research was conducted by evaluating the parts related to construction income, project costs, receipt of payment terms according to the construction contract agreement and the completeness of the supporting letters in carrying out the project. Findings: The results of this study indicate that the company already has advantages such as a clear organizational structure and job description, systematic cost allocation. However, there are still some weaknesses such as errors in when to recognize construction revenue and errors in when to recognize project costs.
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INTRODUCTION

Profit is the goal of every company founded. Therefore, to achieve this goal, it is very necessary to have the expertise of company managers to carry out accurate calculations (Poernomo and Timur 2006).

By doing accurate calculations, the company's goals will be achieved. Within the company there is a policy consisting of important functions to support the smooth operation of the company (Arum Ardianingsih 2021). One of the important policy functions is how to recognize revenue in a company. For a trading company, profit recognition is not a complicated problem, but it is different from a service company in the construction sector. In a construction company whose activities take more than one accounting period, the revenue recognition method will be different (Halim et al. 2021). This is because the time for completing work is not due at the end of the period. or contracts that are not always completed in one accounting period.

Income is a very important element in a company. With income a company can continue to operate. Besides that, income is also one of the important elements in the financial statements because it is used as material to assess the success of the company (Hasan et al. 2022).

Definition of income according to (Lam and Lau 2009:329)

is as follows: "Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants."

Definition of income according to (Needles and Powers 1995:15) Is as follows: "Revenue are the increase in stockholder equity that results from operating business"

Based on the above definition, it can be concluded that income is an increase in gross inflows in owner's equity originating from economic benefits during the period that arise in normal activities or business activities to earn income.

According to PSAK 34 (Soraya n.d.)

Contract revenue consists of:

1. Revenue value agreed in the contract; and
2. irregularities in contract work, claims, incentive payments;
 - a. to the extent that it is possible to generate income and
 - b. Can be measured reliably"

According to (Stice and Stice 2013:15) the definition of cost is as follows:

"Costs it defined as an outflow or other property or the use of debt or a combination of both during the period resulting from the delivery or production of goods, delivery of services, or the implementation of other activities that make operations the main central continued from the business units"

According to PSAK 34 in (Pratiwi, Yuliandari, and Muslih 2016) contract costs include:

"Contract costs include costs that can be distributed to a contract during the period from the date the contract was obtained until the final completion of the contract. However, costs that are directly related to a contract and incurred to obtain a contract are also included as part of the contract costs if these costs can be identified separately and can be measured reliably and it is probable that the contract will be obtained. If costs incurred to acquire the contract are recognized as an expense in the period in which they occur, then these costs are not included in the contract costs when the contract is acquired in the following period."

A construction contract according to PSAK 34 (Faradiba and Rochayatun 2020) is as follows:

1. Contracts for the provision of services that are directly related to the construction of assets, for example the services of project managers and architects and
2. Contracts for the destruction or restoration of assets and restoration of the environment after the destruction of assets"

The revenue recognition principles according to Kieso, Weygandt, and Warfield (Kieso et al. 2019:955) are as follows:

"The revenue recognition principles indicate that revenue is recognized when it is probable that the economic benefits will flow the company and the benefits can be measured reliably"

The above definition describes the principle of revenue recognition to recognize revenue when it is probable that the economic benefits will flow to the enterprise if the benefits can be measured reliably.

According to Kieso, Weygandt, and Warfield (Kieso et al. 2019:976) there are two accounting methods that can be used to recognize revenue in a construction company, namely:

1. Contract method completed
2. Percentage of completion method

Based on information obtained from research conducted on PT. Wahana multitron, the authors know that the company has not used revenue calculation with revenue recognition methods in accordance with accounting standards due to lack of knowledge of construction contract

revenue recognition methods. There are two PT. Wahana multitron projects which started in 2011 with a completion period of 45 days for each project.

The definition of the completed contract method according to Kieso, Weygandt, and Warfield (Kieso et al. 2019:967) which is referred to as the cost recovery method is as follows:

"In some cases contract revenue is recognized only to extent of costs incurred that are expected to be recoverable. Once all costs are recognized, profit is recognized. The company accumulates constructions costs in an inventory account (construction in process) and it accumulates progress billings in a contra inventory account(Billing on construction in Process)"

The understanding of the percentage of completion method according to Kieso, Weygandt, and Warfield (Kieso et al. 2019:967) is as follows:

"Companies recognize revenues and gross profits each period based upon the progress of the constructions that is percentage of completion. The company accumulates constructions costs plus gross profit earned a date in a inventory account (Construction in Process) ,andi t accumulates progress billings in a contra inventory account (Billing on Construction in Progress)"

Based on the above definition, the completed contract method is a method that recognizes the company's revenue and gross profit only when the contract or work is completed. Contract revenue is recognized only to the extent that the costs incurred are expected to be recovered. After all expenses are recognized, profit is recognized.

The percentage of completion method is the company recognizes revenue and gross profit each period based on construction progress, which is a percentage of completion (Nugrahani 2017). The company accumulates construction costs plus gross profit earned to date in the inventory account (Construction in progress), and accumulates the terms in the contract inventory account (Billing for construction contracts). The completed contract method is used if a company has a short-term contract, while the percentage-of-completion method is used for long-term contracts.

METHOD

The method of this research used by author is Qualitative case study. The theoretical basis and framework used includes theories put forward by experts which are used as the basis for analyzing and finding answers to problems that occur such as income theory, revenue recognition methods, and theories related to the construction service company's income measurement method (Abdussamad and SIK 2021).

Research is a systematic investigation to increase the amount of knowledge and is also a systematic and organized effort to investigate certain problems that require answers (Machmud 2016). Research is also an activity that searches, collects, processes, and analyzes data a way that is done to learn new facts is expected to be useful for solving a problem. Based on the scope and research selected, the object of research in the preparation of this journal is the construction revenue owned by PT Wahana Multitron. recognized by PT Wahana Multitron.

Sources of information regarding the data needed in this journal are as follows:

1. Library research is everything that researchers do to gather information relevant to the topic or problem to be studied, the information is obtained from scientific books, research reports, scientific essays, theses and dissertations, regulations, statutes, yearbooks, encyclopedias, and other written and printed sources
2. Field research is an activity to collect data by conducting a direct review of the company that is the object of research.

The formulation of the problem in this research is:

1. How is the application of revenue recognition accounting for PT Wahana Multitron's construction services?
2. What method of revenue recognition is appropriate for the construction service company PT. Wahana Multitron?
3. How is the recording in the financial statements after using the appropriate revenue recognition method for PT Wahana multitron?

RESULTS AND DISCUSSION

The problem that occurs at PT Wahana Multitron lies in the revenue recognition and project cost recording system which is not systematic, PT Wahana Multitron has not used the revenue recognition method in accordance with applicable accounting standards. Revenue is recognized by PT Wahana Multitron every time it receives cash from a client. At the time of receipt of payment, the company's finance department records it by debiting the cash/bank estimate and crediting the estimated revenue. expenses and has not made an expense journal for expenses. All costs incurred are recorded when incurred. The calculation of costs for project work is carried out at the head office. If the branch office needs funds for project work, the head office will first calculate the funds needed for the branch office (Kurniadi 2020).

To focus more on the existing problems, the PT Wahana Multitron project will be discussed as follows:

The project of PT Wahana Multitron with PT Dayamitra Telekomunikasi which started on June 28, 2011 with a period of 45 days to build the Kubang Raya handsome site.

1. The first payment for the Kubang Raya handsome site is 40% of the price of the implementation work paid when the work progress reaches 50% or when the tower foundation work is completed, it is received on July 20, 2011.
2. The second payment for the Kubang Raya handsome site of 60% of the price of the implementation work when the progress of civil mechanical engineering (CME) has reached 100% received on August 19, 2011

Table 1 (Total costs for Kubang Raya Tampan per month)

Description	Jun-11	Jul-11	Agu-11
cost to date	Rp59.760.650	Rp134.461.463	Rp104.581.137
total costs June 2011- August 2011	Rp298.803.250		

Cost recording

1 Juni 2011

Voucher	description	total
bkk 1101021	bought 170 sacks of cement for the Kubang raya tampan site @ 49500	Rp8.415.000
bkk 1101022	buy sand qty 24 @ 120,000	Rp2.880.000

Source :PT Wahana Multitron

Calculation of payment for the project term of PT Dayamitra Telekomunikasi

The following is the calculation of the payment for the PT Dayamitra Telekomunikasi project term which is named the Kubang Raya handsome site:

1. The first payment of 40% of the implementation price of work progress reaches 50% or when the tower foundation work has been completed received on July 20, 2011 = 40% x Rp. 390.587.988 = Rp. 129,431,596 .

2. While the second payment was received when the progress of the CME work had reached 100% on August 19, 2011 at 60% of the implementation price = $60\% \times \text{Rp.}390.587.988 = \text{Rp.} 261.156.392$

The journal entry of PT Wahana Multitron when receiving 40% of the implementation price is as follows:

July 20, 2011:

Bank/ cash	Rp 129.431.596
Pendapatan	Rp 129.431.596

On August 19, 2011 at the time of receiving the second payment of 60% of the price of the implementation work is as follows

August 19, 2011 :

Bank/Cash	Rp 261.156.392
Piutang	Rp 261.156.392

On August 11, 2011, when the contract was completed, PT Wahana Multitron made a journal of acknowledgment of receivables for the second stage of payment that had not been received from PT Dayamitra Telekomunikasi amounting to 60% of the contract value, which was Rp. 261,156,392. So that on August 19, 2011 PT Wahana Multitron made a journal for the settlement of accounts receivable.

At the time the contract was completed on August 11, 2011, PT Wahana Multitron had not yet received the second payment of 60% of the implementation price of Rp 261,156,392. So PT Wahana Multitron makes a journal to record receivables of 60% of the implementation price. The journal that is made to record receivables is as follows:

August 11, 2011:

Account Receivable	Rp 261.156.392
Revenue	Rp 261.156.392

During the completion of the project, PT Wahana Multitron did not make a journal to acknowledge that the contract had been completed. At the time of project completion, PT Wahana Multitron will make a journal to acknowledge the receivables for the second stage of payment that have not been paid at the time the contract is completed. However, if the second payment has been paid by the time the contract is completed, PT Wahana Multitron will not make any entries during the completion of the contract.

Presentation of the project financial statements of PT Dayamitra Telekomunikasi

The calculation of revenue, costs, and gross profit for the Kubang Raya Tampan site by PT Wahana Multitron is as follows:

Description	2011
Revenue on june	Rp -
Expenses	-Rp 59.760.650
Gross profit/loss	-Rp 59.760.650
Revenue July	Rp 129.431.596
Expenses	-Rp 104.581.137
Gross profit/loss	Rp 24.850.459
Revenue on august	Rp 261.156.392
Expenses	-Rp 134.461.463

Evaluation Of Revenue Recognition Method Construction Contract

Description	2011
Gross profit/loss	Rp 126.694.929

The presentation of PT Wahana Multitron's financial report for the Kubang Raya Tampan site as of December 31, 2011 is as follows:

Income statement	PT Wahana multitron
Contract revenue	Rp390.587.988
Construction costs	Rp298.803.250
Gross profit/loss	Rp91.784.738

The project cost of PT Dayamitra Telekomunikasi during the project period consisted of 3 months, namely in June of Rp. 59,760,650, July of Rp. 104,581,137 and the cost for August of Rp. 134,461,463 . The total cost per month is IDR 298,803,350.

In recording the costs incurred during the PT Wahana Multitron project, they only recorded in the ordinary daily cash book and had not made an expense journal for costs. All costs incurred by PT Wahana Multitron are recorded when incurred. According to accounting standards in the completed contract method, costs are recognized when the contract has been completed. Costs incurred during project work are entered into the construction in progress account in cash, accounts, payable, material.

Journal to record expenses during project implementation

Juni 2011 :

Construction in Process	Rp 59.760.650
Cash,Account Payable,Materials	Rp 59.760.650

Juli 2011 :

Construction in Process	Rp 104.581.137
Cash,Account Payable,Materials	Rp. 104.581.137

August 2011:

Construction in Process	Rp. 134.461.463
Cash,Account Payable,Materials	Rp 134.461.463

Term payment calculation

PT Wahana multitron does not make journals for billing invoices, the journals that should be made for billing invoices for the payment of the first payment stage of 40% are as follows:

July 2011;

Account Receivable	Rp 129.431.596
Billing on Construction in Process	Rp 129.431.596

The invoice collection journal for the second stage of payment of 60% of the contract value of Rp. 261,156.392 is as follows:

July 2011;

Account Receivable	Rp . 261.156.392
Billing on Construction in Process	Rp . 261.156.392

Evaluation Of Revenue Recognition Method Construction Contract

On July 20, PT Wahana Multitron received an invoice for the payment of the first stage of 40% of the contract value of Rp. 129,431,596, it is necessary to record an invoice settlement journal for the payment of the first stage. The journal for payment of invoices for payment of 40% of the contract value is as follows:

July 20, 2011 :

Cash	Rp 129.431.596
Account receivable	Rp 129.431.596

On August 19, 2011 PT Wahana Multitron received an invoice for payment of the second stage of 60% of the contract value of Rp. 261.156,392, so it is necessary to record a payment invoice journal for the second stage of payment. The journal for settlement of invoices for the second stage of payment is as follows:

August 19,2011 :

Cash	Rp 261.156.392
Account receivable	Rp 261.156.392

Project completion

According to the completed contract method, the journal entries required when the contract is completed are the journal to recognize the costs and related costs incurred during the project and the journal to acknowledge that the contract has been completed.

On August 11, 2011 when the contract expired, PT Wahana Multitron did not make a journal entry to recognize costs and related costs incurred during the project and a journal entry for the completion of the contract. The journal entries that should be made at the end of the contract are as follows:

Journal to recognize costs and related expenses:

Construction in Process (Gross profit)	Rp 91.784.738	
Contruccion expenses	Rp 298.803.250	
Revenue from short term contract		Rp 390.587.988

Journal to record the completion of the contract:

Billings On Construction in Process	Rp.390.587.988	
Construction in Process		Rp.390.587.988

The project costs that are accumulated in the Construction in Process account if posted to the general ledger will be equal to the contract value which will become contract revenue. Furthermore, the Construction in process account will be closed to the Billing on Construction in process account for the amount of payment of the invoice received, which is the contract value.

Evaluation of PT Wahana Multitron's construction contract revenue recognition method

PT Wahana multitron recognizes contract revenue when it receives cash from the client. At the time of receipt of payment, the finance department credits the revenue. The records that have been made by the company are recognized and recorded as cash in the income. Then on August

19, 2011 when receiving a bill payment of 60% of the contract value, PT Wahana Multitron recorded a cash account in accounts receivable

From the journal entry, it can be seen that PT Wahana Multitron has recognized the payment of 40% of the contract value as revenue on July 20, 2011 amounting to Rp 129,431,596 while on August 19, 2011 PT Wahana Multitron recorded a cash/bank journal on receivables to recognize the settlement of receivables from PT Dayamitra Telekomunikasi on August 11, 2011 for the second payment of 60% of the contract value of Rp 261,156,391.

According to the completed contract method Revenue should be recognized when the project is completed on August 11, 2011. Should have received the first payment of 40% of the contract value of Rp 129,431,596 on July 20, 2011, PT Wahana Multitron had not made a journal entry to recognize its revenue, because on July 20, 2011 the contract had not yet expired.

CONCLUSION

The results of the research obtained show that the company already has advantages, such as a clear organizational structure and job description, as well as systematic financial distribution. However, there are still some weaknesses in the company, such as mistakes in when to admit construction revenue and mistakes when to recognize project costs.

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