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THE ROLE OF ACCOUNTING FOR INCOME AND EXPENSES ON THE FAIRNESS OF FINANCIAL STATEMENTS AT PT HANIL JAYA STEEL IN SIDOARJO

Enny Istanti[1], Achmad Daengs GS[2]
Faculty of Economics and Business, Bhayangkara University Surabaya[1]
E-mail: ennyistanti@ubhara.ac.id
Faculty of Economics, University of 45 Surabaya[2]

Abstract

To maintain business continuity, a company must be able to increase profitability and performance and a good management is needed, so management has a great responsibility for the preparation and presentation of financial statements because it involves information that will be used by related parties for decision making. This study aims to determine how the application of accounting treatment of income and expenses to the fairness of financial statements at PT Hanil Jaya Steel in Sidoarjo. The approach used in this study is a qualitative descriptive approach. In this study, the researcher uses the accrual basis method where revenue is recognized when a sale occurs. The results of this study indicate that there is still a lack of internal control carried outPT Hanil Jaya Steel in Sidoarjo in managing income and expenses

Keywords : *The Role of Accounting, Income, Expenses and Fairness of Financial Statements*

1. PRELIMINARY

To maintain business continuity, a company must be able to increase profitability and performance and a good management is needed, so management has a great responsibility for the preparation and presentation of financial statements because it involves information that will be used by related parties for decision making. Therefore, every company's income or expenditure is always recorded in the company's financial statements. Financial statements can be said to be fair if the financial statements are presented and prepared in accordance with the Statement of Financial Accounting Standards (PSAK).

Fair financial statements are prepared by being influenced by several factors, where one of the components is a comprehensive income statement where the report is an important basic part in knowing the company's financial performance which includes revenues and expenses. Revenue is an indicator in the formation of profit, therefore revenue is measured fairly based on the revenue recognition principle to be applied in measuring the actual revenue received by the company. Revenue is one component that can be compared in the financial statements and is presented in accordance with Financial Accounting Standards (SAK). Income is also one of the most liquid working capital because events that cause an increase in asset value make income the easiest target to abuse.

Expenses are factors that also affect the fairness of financial statements. Expenses are also recognized in the income statement in relation to the economic benefits associated with a decrease in an asset or an increase in a liability that has been incurred and can be measured reliably. The company's expenses must be recorded properly because it affects the determination of company profits. Accuracy in recording expenses depends on the accuracy in classifying expenses applied by the company. The center of attention in the income statement is income, expenses and profit. Therefore, financial statements must be presented properly, so that the position and consistent income can be known in a certain period in order to be able to provide a fair assessment in presenting financial statements. A company can be said to be feasible if: 1). No items are declared too large or too small in the material amounts report. 2). Sufficient disclosure. The purpose of the study was to determine the role of accounting for income and expenses and its relation to the fairness of the presentation of the company's financial statements.

Accounting bySumarsan (2017)is an art to collect, identify, classify, record transactions and events related to finance, so as to produce financial information or a financial report that can be used by interested parties.

Definition of income according to(Hans Kartikahadi, Rosita Uli Sinaga, Merliyana Syamsul 2012), Income is an increase in economic benefits during an accounting period in the form of income or an increase in assets or a decrease in liabilities resulting in an increase in equity that does not come from the contribution of investors.

Definition of cost or cost according to (Mulyadi 2015), cost is the sacrifice of economic resources, measured in units of money, that has occurred or is likely to occur for a particular purpose. In this definition there are 4 main elements regarding costs, namely: 1. Cost is a sacrifice of economic resources. 2. Measured in units of money. 3. What has happened or is potentially going to happen.
4. The sacrifice is for a specific purpose.

according toHarry (2016) "Financial reports are the end product of a series of processes for recording and summarizing business transaction data

Companies that have competence in the fileds of marketing, manufacturing and innovation can make its as a sourch to achieve competitive advantage (Daengs, Istanti, Negoro, & Sanusi, 2020: 1419).

To find out the results of the data, the technique of data analysis is also use to test to the hypotheses put forward by the researchers, because the analysis of the data collected to determine of the effect of the independent variables on the related variables is use multiple linear statistical tests. (Istanti, Sanusi, & Daeng GS, 2020: 113).

The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question(Soemantri & Daengs GS, 2020: 5).

Time management skills can facilitate the implementation of the work and plans outlined(Dewi, Daengs GS, Khusniyah, & Qomariah, 2020: 14).

Standard of the company demands regarding the results or output produced are intended to develop the company(Istanti, Negoro, & Daengs GS, 2021: 560).

2. RESEARCH METHODS

The type of data collected is in the form of qualitative data, namely data that is not quantified. Types of data used in the form of documents, frameworks both oral and written, thoughts, results of interpretation and others.(Sugiyono 2019)

In research there are limitations, the limitations of this study are 1). Research subjects: only done in one company. 2). The object of the research: for the analysis, it only focuses on the income statement for a period of 1 year, especially on income and expenses.

The unit of analysis in this study is the application of revenue and expense recognition as an effort to assess the fairness of financial statements. The revenue and expense recognition method is a method used in recognizing revenues and expenses that have occurred in the company's operational activities. The fairness of financial statements is a report that concerns financial information from the main activities of a company in its business for profit, where the existing financial statements must present information that is useful for decision making. The fairness criteria in the financial statements must include consideration of accounting principles in accordance with generally accepted standards and selected accounting principles according to the circumstances concerned and the financial statements are presented consistently.

3. DISCUSSION RESULT

3.1 Research result

The problems faced by PT. HANIL JAYA STEEL where the revenue recognition method is not applied consistently with the previous period or period. At one time the company recognizes revenue at the time of the sale. On the other hand, the company recognizes revenue when payment is received. And the company has not been able to apply the revenue recognition method to comply with its own accounting policies.

As for efforts to overcome a problem, so that the way of solving that will be applied by the company to achieve the goals and objectives in accordance with what is expected, it must first be determined exactly what causes the problem to arise in the company. Because without knowing for sure the problems that arise, then we will have difficulty in determining a good solution.

The reasons that cause problems in the company, namely:

1. Inconsistency in applying the revenue recognition method to the income statement is an element of accident.
2. There is a delay in recording income, due to the possibility of a return of goods (sales return) that may occur.

Where the researchers obtained data regarding it, that in December 2011 there was still a credit of Rp. 18,800,000,000 which had not been recorded by the company. So that the sales estimate is only credited for Rp 19,876,866,139, this shows a shift in revenue recognition from the period in which it occurred. This is shown as follows:

Table 1
PT. HANIL JAYA STEEL
Sales overview for december 2011

Transaction date	**Cash**	**Credit**	
		Noted	**Not recorded**
5 december 2011	11,929,859,433	3,567,867,000	-
12 december 2011	7,211,425,675	2,800,475,215	8,500,000,000
December 19, 2011	8,300,250,400	2,470,125,000	-
23 december 2011	8,352,450,251	3,800,675,155	4,049,600,000
December 25, 2011	9,251,077,261	3,000,415,000	6,250,400,000
December 30, 2011	10,461,400,551	4,237,308,769	-
Sub-Total	**55,506,463,571**	**19,876,866.139**	**18,800,000,000**
Total credit sales		**38,676,866.139**	
Total sales	**94,193,329,710**		

The application of the revenue recognition method to the income statement is not in accordance with the Statement of Financial Accounting Standards and is inconsistent with the previous period or period, so that the financial statements presented cannot be compared and are misleading for users or readers.

By delaying the recording of credit sales by the company as a result, the estimated balance of income on the income statement will appear too low.

3.2 Discussion

Based on financial accounting standards, that financial statements, that financial statements must be presented fairly so that there is no material misstatement so that it is not affected by errors in decision making in the future. That to achieve fairness in the preparation of financial statements, companies must understand and recognize revenue on an accrual basis. Under this basis, the effects of these transactions are recognized when they occur and not when cash or cash equivalents are paid. Furthermore, it is recorded in accounting and reported in the financial statements in the period concerned.

The steps that must be done are 1). The company must use a method to recognize revenue, namely the method at the time of sale so that there will be no more delays in recording which can later affect the financial statements presented by the company, 2). Apply the revenue recognition method to the profit and loss statement in accordance with the Statement of Financial Accounting Standards and must be consistent in its accounting records and 3). The company applies the method at the time of sale to recognize revenue for sales transactions, this situation causes understated records in the period concerned.

Table 2
PT. HANIL JAYA STEEL
Overview of sales calculations for the month of December 2011

Cash sale =	Rp 55,506,463,571
Credit sales	
Noted =	Rp 19.876.866.139
Not recorded =	IDR 18,800,000,000
Sales revenue should be =	Rp 94,193,329,710
Cash income =	IDR 55,506,463,571
Recorded credit income =	Rp 19.876.866.139
Recorded sales revenue =	(Rp 75,383,329,710)
Revenue is understated =	**IDR 18,800,000,000**

Source :

Below is the sales adjustment table for January – December 2011:

Table 3
PT. HANIL JAYA STEEL
Adjusted sales overview for 2011

No	Month	Amount	
		Cash	**Credit**
1	January	80,243,476,300	18,777,534,515
2	February	70,339,289,612	16,527,197,700
3	March	90,467,835,212	19,627,106,603
4	April	45,787,5000	10,150,159,200
5	May	70,000,000,000	11,240,356,200
6	June	60,278,500,750	8,325,784,311
7	July	60,250,800,325	5,827,634,362
8	August	90,347,500,000	6,695,283,375
9	September	45,350,000,000	19,198,583,620
10	October	63,600,150,000	17,402,534,339
11	November	71,300,900,000	13,777,484,450
12	December	55,506,463,571	**38,676,866.139**
Total		**803,483,415,770**	**179,736,206.284**
			983,218,622,054

Table 4
PT. HANIL JAYA STEEL
INCOME STATEMENT
Period January – December 2011

information	Before adjustment	After adjustment
Sale	964,418,622,054	983,218,622,054
Cost of goods sold	(871,152,033,304)	(871,152,033,304)
Gross profit	93,266,588,750	112,066,588,750
Operating expenses :		
Sale	(5,352,669,405)	(5,352,669,405)
General and administration	(16,320,658,454)	(16,320,658,454)
Total operating expenses	(21,673,327,859)	(21,673,327,859)
Operating profit	71.593.260.891	90,393,260,891
Other income (expenses) :		
Loss on foreign exchange-net	(7,533,961,189)	(7,533,961,189)
Current account interest income	240,662,036	240,662,036
Interest expense and finance	(65,381,573,198)	(65,381,573,198)
Others are clean	1,669,014,799	1,669,014,799
Miscellaneous expenses	(71.005.857.549)	(71.005.857.549)
Profit before income tax	587,403,343	19,387,403,342
Income tax expense	(257,891,000)	(257,891,000)
Net profit	**329.512.343**	**19,129,512,342**

Estimated sales in January 2012 period will appear too high (over stated) Rp. 18,800,000,000,- this amount represents a shift from credit sales in December 2011 which were recorded by the company in the period concerned.

From the details above, using the assumption that all sales in January 2012 have been recorded correctly, applying the current method of sales consistently.

4. CONCLUSION

Based on the results of the analysis and discussion, the researcher will draw conclusions related to the results of his research as follows:

1. The unfairness in preparing financial statements is due to the imposition of income and costs that are not in accordance with the method that should be applied so that there is still income that is too low from the actual income and costs, in this case it also affects accounts receivable and payable.
2. After being analyzed, the unrecorded income and expenses have been recorded so that it affects the financial statements made by the company PT Hanil Jaya Steel, and according to the method used by PT. Hanil Jaya Steel. This greatly affects the profit earned by the company, including the recognition of revenue when the sale occurs, whether cash has been received or is still recognized as a receivable.

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