

# GEOGRAPHIC AND PRODUCT SEGMENTATION PERFORMANCE ANALYSIS IN KIKIJAYA AIRCONINDO

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**Abstrak**– Disclosure of segment reports is needed to see the division of types of business in the company and divided according to the type of product or service and according to geographic location. The purpose of this study is to determine whether the determination of the reporting segment based on the ten percent test of income and profit and loss in the 2018 and 2019 financial statements is in accordance with PSAK No. 5, this is to find out what factors cause the percentage change in each of these tests. Another objective is also to find out the income, costs and profit and loss of each business segment or product owned by the company PT. Kikijaya Airconindo.

The form of this research used a qualitative case study method. Methods of data collection using interviews, observation and documentation study. Methods of data analysis using qualitative and quantitative analysis. The data analysis technique used is to use the ten percent income test and ten percent profit and loss test. The test is also based on revenue data taken from all branches of PT. Kikijaya Airconindo.

Based on the results of the analysis conducted by researchers, there are several business segments and geographical segments that do not comply with the provisions of PSAK No. 5. Determination of business segment reporting based on the income test and profit and loss test in 2018 and 2019, the application is not accurate according to PSAK No. 5. Judging from the income statement obtained from the spare parts division, it is very small compared to the sales which have a large nominal value

**Keyword:** Product Segmentation, Geographical Segmentation, Segmentation Report

## I. INTRODUCTION

### 1.1. Issues

In the increasingly fierce business competition in this era, companies are required to develop their business to be even bigger. A growing company will certainly continue to drive potential investment projects. Companies will definitely choose investments that are attractive and have a low failure rate.

Many companies offer different groups of products and services or operate in different geographic areas with different rates of profit, growth opportunities, prospects, and risks. Information about the types of products or services of a company and its operations in different geographic areas is called segment information. This information is needed to assess the risks and rewards of a company that has a diversified business or a multinational company, but this information may not be obtained from aggregate data. Therefore, segment information is deemed necessary to meet the needs

of users of financial statements.

Globally, many companies have flocked to offer their new products or flagship services, both from domestic companies and from foreign companies, by looking at the perspective of people's economic growth, market prospects, and internal and external risks that will be faced by each company. the.

The company implements a strategy to attract investors and potential investors to invest in the company. One of the strategies used by the company is business diversification. Business diversification is a corporate strategy policy by opening new business lines, expanding existing product lines, opening branch offices in various places, expanding product marketing areas, as well as mergers and acquisitions to increase the company's economies of scale or company value that has an impact on financial performance. (Sumendap et al, 2018).

Companies that have segmentation, for example, are Aqua. Aqua has its geographic segment by showing all the markets in Indonesia. Aqua is not only found in urban areas, but Aqua products are also very easy to find in rural areas. Moreover, demographically, Aqua targets people in all walks of life, from children, adolescents and adults. You can see the cute Aqua packaging that Aqua provides to attract children's interest.

Psychographically, Aqua is shown for the middle social class. But it can also be for the lower class because Aqua provides very affordable packaging at a price of Rp. 1000 and Rp. 3000. In addition, Aqua is very suitable for people with a practical and healthy lifestyle because Aqua packaging is easy to carry and easy to get. In the business segment, Aqua only produces one product, namely mineral water. Aqua does not try to develop business segmentation, namely adding new products other than mineral water, but that does not make Aqua's turnover decrease so that Aqua does not need to develop segmentation in its business segment. Another example is the cell phone company.

Cellphone companies will certainly issue types and types, therefore cellphone companies will segment. Among the segmentations carried out by cellphone companies, such as low end cellphones that are priced at affordable prices with limited features intended for lower middle class consumers. Meanwhile, cellphone companies will also produce flagship type phones that are produced with full features and are more sophisticated and are presented at a fairly high price for those from the middle to upper class. In cases like this, the mobile phone company has divided the heterogeneous mobile consumer market into a homogeneous market.

Promotions carried out by cellphone companies must be different, all of which will be adjusted to the product and also the consumer who is the main goal. For companies that have product types that are incorporated into several product segments. Companies need to provide reports on the operations of each product segment to reduce information asymmetry, this report is called a segmentation report. In the segment financial disclosure statements, the company discloses each segment separately. Disclosure of financial statements from segments is used by company management to make resource allocations and other decisions related to operating segments.

The segmentation report has an important role in making decisions for the operational activities of each segment. This report is also a form of accountability due to the delegation of authority in each product segment of the company. Operating segmentation is regulated in PSAK 5, this principle is that entities disclose information that enables users of financial statements to evaluate the nature and financial impact of the entity's business activities.

Financial reports provide very important information for the company itself. Limited Liability Company (PT) Kikijaya Airconindo, is a company that initially operated as an air conditioner for cars which only has one office in Central Jakarta. Along with its good development, PT. Kikijaya Airconindo has started selling spare parts or spare parts for Denso AC. Viewed from its business segment, PT. Kikijaya Airconindo developed a business segment from having only workshops (service products) and then starting to expand its business, namely selling AC spare parts and having four branches.

This company was chosen by the research sample because it has business segments, namely spare parts sales and services as well as a geographical segment, namely this company already has four branches to develop its business.

Based on this description, the authors are interested in conducting research with the title "Analysis of Product and Geographical Segmentation Performance at PT. Kikijaya Airconindo.

## **1.2. Problem Formulation**

Writing of this thesis is based on the problem which refers to the title of Product Segmentation and Geographical Performance Analysis at PT. Kikijaya Airconindo. The formulation of this

problem illustrates the rationale for the problems that must be resolved in this study, namely:

1. How is the performance of product segmentation at PT. Kikijaya Airconindo?
2. How is the performance of geographic segmentation at PT. Kikijaya Airconindo?

### **1.3. Research Purpose**

Based on the problem formulation that has been stated above, the objectives of this study are:

1. To examine the performance of the product segmentation of PT. Kikijaya Airconindo.
2. To examine the geographic segmentation performance of PT. Kikijaya Airconindo.

## **II. LITERATURE**

### **2.1. Financial Statement**

According to PSAK No. 1 (2017: 1), the financial report is a structured presentation of the financial position and financial performance of an entity. This report displays the history of the entity that is quantified in monetary value. According to (Sutrisno, 2012: 9) financial statements are the final result of the accounting process which includes two main reports, namely the balance sheet and the income statement.

Financial statements are prepared with the intention of providing financial information of a company to interested parties for consideration in making decisions. According to (Hans et al, 2016: 12) the notion of financial statements is the main medium for an ethics to communicate financial information by management to stakeholders. In addition to the financial statements mentioned above, there are specific types of reporting, either required by certain authorities or management initiatives.

For example, Regulation of the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) No. X.K.6, which requires issuers and public companies to submit annual reports. In this annual report, in addition to financial reports, various information is also included, for example management discussions and analyzes and other information deemed relevant to stakeholders. According to the Indonesian Accounting Association (2012: 5), financial statements are structures that present the financial position and financial performance in an entity.

The general purpose of this financial report for the public interest is the presentation of information regarding the financial position financial performance and cash flow of the entity which is very useful for making economic decisions for its users. Meanwhile, according to (Kieso et al, 2011: 5), it explains that the definition of financial statements is "statement of financial statement The financial most frequently provided are (1) the position, (2) the income statement or statement of comprehensive income, (3) the statement of cash flow, and (4) the statement of changes in equity. Note disclosures are in integral part of each financial statement."

### **2.2. Financial Report User**

The new segment reporting method created by the IASB, which emphasizes more on the management approach, wants to present segment information that is more relevant because it allows users to analyze company performance through management's view and supports better consistency between the segments of information presented in the financial statements and the information disclosed in internal management reports (Lucchese & Carlo, 2012).

In other words, preparers of financial statements, in order to identify operating segments, must first consider the operations of the internal organization and then, if the operating segments have been identified and do not fit with the business or geographical segments, it is necessary to reorganize the entity's complex activities so that they can identify a product / service or group of related products / services or a geographic area that is compatible with the same level of risk and rate of return. The segment reporting method is referred to as a management approach with a risks-and rewards safely net. By using this method, the IASB wants to introduce information that is adjusted based on the company's internal organization and at the same time can be compared with external information.

### **2.3. Characteristics of Financial Statement**

According to the Indonesian Accounting Association (2017: 54) financial statements are records of a company's financial information in a period accounting which is useful for knowing the performance of a company. This information can be used for internal parties such as management, employees and also external parties such as investors, creditors, and the government. In addition to knowing the company's past performance, financial statements are also used as the basis for making various decisions in the future. Because financial reports are very important, they must meet the characteristics of financial statements that have been determined by the Indonesian Institute of Accountants in making them, namely, understandable, relevant, reliability and comparable.

According to (Kieso, 2013: 12), in practice the nature of financial statements is historical and

comprehensive. Historical in nature means that financial statements are prepared and compiled from past or past data from the present. Then it is comprehensive, meaning that the financial statements are made as complete as possible, the financial statements are prepared in accordance with established standards.

#### **2.4. Types of Financial Statements According to SAK**

According to the Indonesian Institute of Accountants (2017: 126), complete financial statements usually include balance sheets, income statements, changes in equity, cash flow statements, and notes to financial statements. In this study, the authors use an income statement. In full, according to (Kieso, 2014: 28), there are five that are included in the elements or components of the financial statements, namely:

- 1) Balance Sheet
- 2) Income Statement
- 3) Change in Capital Report
- 4) Cash Flow Statement
- 5) Notes on Financial Statements

According to (Van Horne, 2013), a balance sheet is a summary of the company's financial position at a certain date showing total assets with total liabilities plus total owner's equity. To be able to describe the company's financial position at a certain time, the balance sheet has three elements of financial statements, namely assets, liabilities and equity. Each of these elements can as follows:

be sub-classified Assets, which are resources controlled by the company, can be further sub-classified into five sub-classifications of assets, namely:

1) Current assets, namely assets whose economic benefits are expected to be obtained within one year or less (or normal operating cycle), such as cash, marketable securities, inventory, accounts receivable, and cost estimates.

2) Long-term investment, namely investments, which are usually carried out with the aim of obtaining fixed income or controlling other companies and the maturity is more than one year, for example, investing in stocks, investing in bonds.

3) Fixed assets, namely assets that have physical substance, are used in the normal operations of the company (not intended for sale) and provide economic benefits for more than one year. Included in this sub-classification of assets include land, buildings, vehicles and machinery and equipment.

4) Intangible assets, namely assets that have no physical substance and are usually in the form of rights or special rights that provide economic benefits to the company for a period of more than one year. Included in this sub-classification of assets are patents, goodwill, royalties, copyright (copyright), tradename / trademark (trademark / trade name), franchise and license (license).

5) Other assets, namely assets that cannot be included in one of the four sub-classifications, for example deferred expenses, receivables from directors, deposits, loan and employee loans.

Liabilities, which are current corporate debt can be further sub-classified into three sub-classifications, namely:

a. Current liabilities, namely liabilities whose completion is expected to result in an outflow of company resources (which have economic benefits) within one year or less (or the normal operating cycle). Included in this category of liabilities are accounts payable, notes payable, payroll payable and wages payable, tax payable, and outstanding expenses or other expenses payable.

b. Long-term liabilities, namely those whose completion is expected to result in an outflow of company resources (which have economic benefits) in a period of more than one year. Included in this category of liabilities are, for example, bonds payable, mortgage debt and bank loans or investment loans.

c. Other liabilities, namely liabilities that cannot be categorized into one of the sub-classifications of these liabilities, for example debt owed to the Board of Directors, debt owed to shareholders. Equity, which is part of the owner's rights in the company, which is the difference between existing assets and liabilities. This element of equity can be further sub-classified into two sub-classifications, namely:

1. Equity that comes from payments from the owners, for example, share capital.
2. Equity that comes from the results of operations, namely profits that are not distributed to owners, for example in the form of dividends (retained).

In the balance sheet, each of these elements is presented by adhering to certain provisions. Assets are presented in order of liquidity, liabilities at maturity, while equity is presented according to permanence. Income statement According to (Kasmir, 2013: 45), the income statement is a report

that shows the amount of income or income earned and costs incurred and profit and loss in a certain period. According to (Van Horne, 2013), the income statement is a summary of the company's revenue and expenses during a certain period ending with a profit or loss in that period.

According to (Munawir, 2010: 26), the income statement is a systematic report on the income, expenses, profit and loss earned by a company during a certain period. Although there is no uniformity in the composition of the income statement for each company, the principles that are generally applied are as follows:

- a. The first part shows the income derived from the company's main business (selling merchandise or providing services) followed by cost of goods sold, in order to obtain gross profit.
- b. The second part shows operating expenses which consist of selling expenses and general / administrative (expenses operating expenses).
- c. The third section shows the results obtained outside the company's main operations, followed by expenses incurred outside the company's main business (non-operating / financial income and expenses).
- d. The fourth section shows an incidental profit or loss (extra ordinary gain or loss) so that ultimately the net profit is obtained before income tax.

To be able to describe information regarding the potential (ability) of a company to generate profits during a certain period (performance), the income statement has two elements, namely income and expenses, which are described as follows:

- a. Income which is defined as increases in economic benefits in the form of income or an increase in assets or decrease in liabilities (which led to increases in equity other than those derived from the contribution of the owner) of the company for a certain period can in sub classification be:
  1. Revenues, which is income arises in the course of ordinary activities known by different names, such as the sale of merchandise, fees, interest income, dividend income, royalties and rent.
  2. Gains, which is another post that meet the definition of income and may arise in the implementation of the company's activities are routine for example post penglihan arising in current assets, revaluation of securities, an increase in the number of long-term assets.
  3. Expense, which is defined as a decrease in economic benefits in the form of outflows, loss of assets or liabilities (which causes economic decline which does not involve distribution to owners) of the company during a certain period can be sub-classified into:
    - a. Expenses, which are incurred in the normal course of the company's activities (which usually take the form of outflows or reduced assets such as cash supplies, fixed assets), which include, for example, cost of goods sold, salaries and wages, depreciation.
    - b. Losses, which represent other items that meet expenses that arise or do not arise from company activities that rarely occur, such as losses due to fire, flood or disposal of non-current assets.

The difference between total income (revenue) and expense is called net income (profit). In the income statement, gains and losses are usually presented separately, so as to provide better information for making economic decisions. In the income statement, often income and expenses are presented in accordance with the company's activities. Based on the nature of these activities, income and expenses can be presented as income and operating expenses from ordinary and routine activities and become income and constitute the main business / activity; income and expenses outside the business (from routine activities but not the company's main business / activity). The income statement can be presented using two forms, namely the single-step form and the multiple-step form, which can be explained as follows:

1) Single-Step

In this form all income obtained from various activities / activities is grouped into one group called income group. , while all loads are grouped into one group called loads. Net income (profit) is the difference between income group and total expense group.

2) Multiple-Step

In this form, net income (profit) is calculated in stages according to the company's activities. Accordingly, all income and expenses are presented in accordance with the activities / activities, namely business activities and outside of business.

## **2.5. Purpose of Financial Report**

According to (Kieso, 2013: 10) in general, financial statements aim to provide financial information on a company, either at a certain time or for a certain period. What is clear is that financial statements are able to provide financial information to parties inside and outside the company who have an interest in the company. The following are some of the objectives of making or preparing financial statements, namely:

1. Provide information about the types and amounts of assets (assets) currently owned by the company.
2. Provides information about the types and amounts of liabilities and capital the company currently has.
3. Provides information about the type and amount of income earned during a certain period.
4. Provides information about the amount of costs and types of costs incurred by the company in a certain period.
5. Provide information about the changes that occur in the company's assets, liabilities and capital.
6. Provides information about the performance of company management in a period.
7. Provide information about notes to financial statements;
8. Other financial information.

According to the Indonesian Accounting Association (2017: 3), the purpose of financial statements is to provide information regarding the financial position, performance, and changes in the financial position of a company that is useful for a large number of users in making economic decisions.

According to (Purba, 2010: 27), financial statements are prepared with the aim of providing information related to the financial position, performance and changes in the financial position of an entity that is useful for making decisions by the users. Decisions taken by users of financial statements vary widely, depending on their interests. Financial information contained in financial statements must have certain characteristics in order to meet the needs of its users. The characteristics that must be met by the information contained in the financial statements are specified in the basic framework for the preparation and presentation of financial statements or the IFRS Framework.

Meanwhile, according to (Fahmi, 2011: 28), the main purpose of financial statements is to provide financial information that includes changes to the elements of financial statements aimed at other parties with an interest in assessing the financial performance of the company in addition to the company's management.

Users of the report will use it to predict, compare and assess the financial impact arising from the economic decisions they make. Information about the financial impact that arises is very useful for users to predict, compare and assess finances. If the value of money is unstable, this will be explained in the financial statements. Financial reports will be more useful if not only the quantitative aspects are reported, but include other explanations that are deemed necessary. And this information must be factual and can be objectively measured. Complete financial statements usually include balance sheets (describing information on financial position), income statements (describing performance information), statements of changes in financial position (which can be presented in various ways), notes, and other reports as well as explanatory material that is an integral part of the report. finance.

## **2.6. Segments Report**

In order to know the definition of "Affiliate", it is no longer necessary to cross-reference the Capital Market Law because in POJK 42/2020 that definition has been included. POJK 42/2020 also defines Affiliated Transactions to be broader than before. Not only activities and / or transactions carried out directly with affiliated parties, every activity and / or transaction carried out for the benefit of an Affiliate can also be categorized as an Affiliated Transaction.

BAPEPAM further tightened the regulations with the issuance of an attachment to Decree Number: Kep-431 / BL / 2012 which states that the annual financial report accompanied by an accountant's report with the usual opinion must be submitted to BAPEPAM no later than the end of the third month (90 days) after the date of the report annual finance.

According to BAPEPAM, the limit for late submission of a company in its financial statements is March 31. The delay in the publication of financial reports indicates that there are problems in the issuer's financial reporting, so that it requires a longer settlement time.

According to the book Financial Accounting Standards (SAK) (2017: 5.1) entities disclose information that enables users of financial statements to evaluate the nature and financial impact of the business activities in which the entity is involved and the economic environment in which the entity operates.

This PSAK is applied to the financial statements of entities and consolidated financial statements of business groups with parent entities:

1. Which debt instruments or equity instruments are traded on the public market (domestic or foreign or *over-the-counter* capital markets, including local and regional capital markets)

2. Those who have submitted registration statements, or are in the process of filing registration statements, to the capital market regulators or other regulators for the purpose of issuing all classes of instruments in the public market.

If an entity that is not required to apply this Statement chooses to disclose information about segments that do not comply with this Statement, that entity does not describe that information as segment information. If the financial statements consist of consolidated financial statements or separate financial statements as an attachment to the consolidated financial statements of a leader within the scope of this PSAK, then segment information is required only in the consolidated financial statements.

An operating segment is a component of an entity:

1. It is involved in business activities for which it generates revenue and incurs expenses including income and expenses related to transactions with other components of the same entity.
2. The results of its operations are regularly reviewed by making operating decisions to make a decision. make decisions about the resources allocated to the segment and assess its performance
3. Separate financial information is available

An operating segment may be involved in a business activity that has not yet generated revenue, for example a *start-up* operation could become an operating segment before acquiring income. this statement describes the reporting of financial information by segment of an enterprise especially those operating in the industry and the different geographical areas. the purpose of presenting information by segment is providing information for users of financial statements on a relative scale, contributing and the growth trends of the various industries and geographic areas of the company were diversified to enable users of financial statements to:

1. Better understand the company's past performance.
2. Better assess the company's risks and rewards.
3. Making better consideration of the company as a whole.

## **2.7. Business Segments and Geographical Segments**

Company is generally diversified in operation and geographic. Diversification of operations or those in PSAK No. 5 The 2018 revision referred to as business segments is a company component that can be differentiated in producing products or services, both individual products or services or groups of related products or services that have different risks and rewards from other segments. Meanwhile, geographic diversification or geographic segmentation is a component of a company that can be differentiated in producing products or services in certain environmental or economic areas with different levels of risk and reward in each economic environment or area.

Companies with operational or geographic diversification are required to make disclosures if the segments meet the criteria for sales, assets and operating profits that meet certain requirements in accordance with PSAK No. 05 Revision 2018. According to PSAK No. 5 Revision 2018 Geographical diversification or geographic segments are components of companies that can be differentiated in producing products or services in certain environments or economic areas and these components have risks and rewards that are different from the risks and rewards of components operating in other environmental or economic areas. A geographic segment can represent a country, a group of countries, or a region within a country.

A business segment is a company component that can be differentiated in producing a product or service (either an individual product or service or a group of related products or services) and that component has different risks and rewards from the risks and rewards of other segments.

Geographical segments are components of the company that can be distinguished in producing products or services in a particular economic environment (region) and components it has different risks and rewards with risks and rewards on components operating on other economic environments.

## **2.8. Factors for Identifying a Business and Geographical Segments**

1. Factors to consider in identifying a Business Segment:
  - a. Characteristics of a product or service.
  - b. Production process characteristics.
  - c. Type or class of customers (products or services).
  - d. Methods of distributing products or providing services.
  - e. If practical, the characteristics of the regulatory climate, for example in banking, insurance, or public utilities.
2. Factors to Consider in Identifying Geographical Segments:
  - a. Similarities of economic and political conditions.
  - b. The relationships between operations in different geographic areas.

- c. The geographic proximity of the operation.
- d. The special risks involved in operating in a particular area.
- e. Currency control regulations.
- f. Currency risk.

## **2.9. Segment Income and Expenses**

Segment revenue is revenue that is reported in the company's profit / loss statement that can be directly attributed to a segment and a relevant portion of the company's revenue that can be allocated rationally to a segment, either from sales to external customers or from transactions with other segments in the segment. the same company. Segment income does not include:

1. Extraordinary items,
2. Interest income or dividends, including interest earned on advances or loans to other segments, unless the segment's primary operation is financial services; or
3. Gain on sale of investment or gain on debt settlement, unless the main operation of the segment is financial services.

In addition, segment revenue includes the company's share in the profits / losses of associated companies, joint ventures, or other investments which are reported under the equity method, only if these items are included in consolidated income or overall company revenues.

Segment revenue includes revenue section participants joint venture in jointly controlled entities are reported based on the proportional consolidation method in accordance with IAS 12: Financial Reporting regarding Interests in Jointly Controlled Operations and Assets.

Segment expenses are expenses for the operating activities of a segment that are directly attributable to that segment and the relevant portion of expenses that can be allocated rationally to that segment, including expenses relating to sales to external customers and expenses relating to transactions to other segments within the company. same. Segment expenses do not include:

1. Extraordinary items;
2. Interest, including on advances or loans from other segments, unless the primary operation of the segment is financial services;
3. Loss on sale of investment or loss on debt settlement, unless the primary operation of the segment is financial services;
4. The company's share in the loss of an associated company, joint venture, or other investment reported under the equity method;
5. Income tax expense; or
6. General and administrative expenses, head office expenses, and other expenses incurred at the company level and relating to the company as a whole. However, sometimes the company's expenses are incurred for the benefit of the segment. These expenses are segment expenses if they relate to segment operations and these costs can be attributed directly to the segment or allocated to segments on a rational basis.

Load segment covers the joint venture participants(jointventure)in the load on the jointly controlled entities are reported based on proportional consolidation method in accordance with IAS 12: Financial Reporting regarding Interests in Jointly Controlled Operations and Assets..

## **2.10. Purpose of Segment Reporting**

The purpose of presenting segment reports is to provide financial statement users with information regarding the relative scale, profit contribution and growth trends of various industries and geographic areas of the company which are diversified to enable users of financial statements to make better judgment on the company as a whole. In addition, the purpose of presenting segment reports - as part of the annual financial statements - is to assist users of financial statements in analyzing and understanding the past performance and future prospects of a business entity.

## **2.11. Segment Report Users**

Specifically, segment financial report users can be identified as follows.

1. Investors and Creditors.

In principle, data separation is needed by investors and creditors to compare the success of individual segments with other similar companies.

2. Government.

The government as the controlling function in the country's economy can also use segmented information (segment financial statements) of a company or entity to oversee the implementation of policies and regulations that it enacted, for example in the case of capital markets and tax regulations.

3. Management.



Management is an internal party with a strong interest in the disclosure of financial statements (by) segment, because management performance in product segments and geographic area segments is measured based on the level of profitability and supported by growth trends that represent competitive opportunities and future prospects for each segment. Management is responsible for disclosure of segmented reports.

4. Employees.

Employees need segment financial reports to motivate work in order to improve work quality.

5. Public Accountant.

Public accountants are independent parties with an interest in the financial statements of a segment of a company in assessing the fairness of the presentation of financial statements consisting of statements of financial position, results of operations and cash flows. Public accountants can audit and report financial statements that include segment information of a company to meet requirements for conformity with generally accepted accounting principles (GAAP).

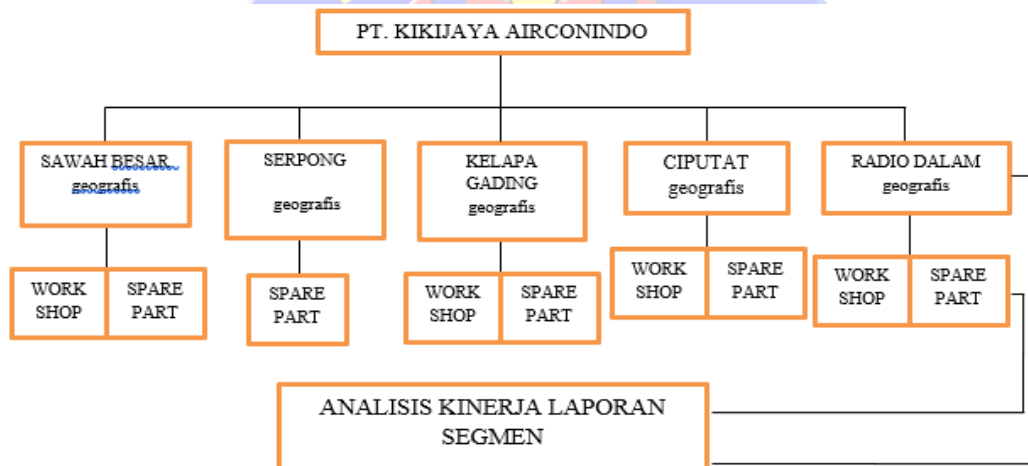
### **2.12. Advantages of Segment Reporting**

In capital market research there is evidence that segmental disclosure, both in line of business and in the geographical segment, can reduce risk or error in market assessment of the companies being disclosed.

The use of segmental reporting has the following advantages:

1. It is more accurate in predicting future earnings.
2. More accurate in determining the level of stock prices.

**Figure 2.1. Conceptual Framework**



### **III. METHODOLOGY**

This research uses a qualitative case study method at PT. Kikijaya Airconindo, no generalization is taken and is related to the segmentation of the company concerned. Qualitative research is a research method to explore and understand the meaning that a number of individuals or groups of people think comes from social or humanitarian problems (Creswell, 2013). The final report of qualitative research has a flexible structure or framework.

This research was conducted at PT. Kikijaya Airconindo, which is located at Rukan Sentra Bisnis A7B / 16, Jl. Boulevard Artha Gading, Kelapa Gading Barat, Kelapa Gading, RT.18 / RW.8, Klp. Gading Barat Kec. Klp. Gading, Kota Jkt Utara, Special Capital Region of Jakarta 14350. The researcher decided to research at PT. Kikijaya Airconindo Kelapa Gading because the company is based at that address. This research was conducted in September 2019 to February 2020 or for three months where the sample used by the researcher was the sampling technique used in this study with purposive sampling, which means that the sample determination technique with certain considerations Sugiyono (2018: 131), the sample taken In this study, the sample data from the financial statements of PT. Kikijaya Airconindo in 2018 and 2019.

To achieve the goals expected by researchers, the data collected will be analyzed by means of qualitative analysis, with the following steps:

1. Researchers collect data at PT. Kikijaya Airconindo through interviews, then analyzes the results of interviews with informants to find out which branches generate profits or sales results that are more dominant than the results of service and spare parts sales.
2. After the data is collected then the researcher will analyze it further and then it will be presented

## **IV. RESULTS**

### **4.1 Description of the Research Objects**

PT. Kikijaya Airconindo was founded in 1975 by Mr. Anton Halim. PT. Kikijaya Airconindo started its business as installing air conditioners for vehicles. Initially this company only had one office located in the Sawah Besar area of Central Jakarta. Along with the development of PT. Kikijaya Airconindo started selling spare parts or spare parts for Denso AC.

PT. Denso Indonesia itself is a foreign investment company between Japan and Indonesia which is a pioneer in the manufacture of automotive components such as air conditioners, spark plugs, filters and other components. This company was founded on May 12, 1975. After experiencing rapid progress, the Japanese Denso Corporation appointed PT. Kikijaya Airconindo as an authorized Indonesian dealer.

Until now, PT. Kikijaya Airconindo already has five branches located at:

1. Jl. Boulevard Artha Gading Ruko business center No. A7B. 16 North Jakarta. The location of this office is the head office of PT. Kikijaya Airconindo. This location is used as the head office because of its strategic location compared to the PT. Kikijaya Airconindo was first established in the Sawah Besar area of Central Jakarta. The head office is divided into two divisions, namely the division of sales of spare parts or spare parts for Denso brand cars and buses and a service workshop division that provides regular air conditioning services for vehicles.
2. The second branch is located in the area of Sawah Besar. This branch has a spare parts and workshop division, it's just that the two divisions are not combined into one office, the spare parts division has a complete address at Jl. Sukoharjo Wiryopranoto No. 22A, Central Jakarta while the workshop division is located not far from the spare parts division which is on Jl. Sukarjo Wiryopranoto No. 37, Central Jakarta. This branch is specifically for the workshop or workshop division, in contrast to other branches, the workshop and spare parts divisions are located separately because the place is not large enough for two divisions at once.
3. The third branch is located at Jl. Radio in No. 37 south Jakarta. This branch is the same as the Kelapa Gading branch which has two divisions, namely the spare parts division and the workshop division.
4. The fourth branch is located at Jl. Ki Hajar Dewantara, Ruko Crystal 2 No. 8 ivory Serpong Tangerang Banten. This branch only sells spare parts or sells spare parts. Compared to other branches, the location in Serpong is one of the smallest branches, therefore this branch only sells spare parts without a workshop division.
5. The fifth branch is the largest branch located on Jl. RE Martadinata No. 39 Iputat South Tangerang. In addition to the workshop and spare parts division, this branch is the largest branch and has the largest area of land among other branches. The advantage of this branch is that it can receive service for all types of car brands that feel that the service warranty at the official repair shop has run out. Usually, new car owners will take advantage of free service at authorized workshops. This Pit & Go workshop targets cars that are 4 to 25 years old that no longer have free service. The workshop, which is a collaboration with Denso, Aisin and Toyota Tsusho, occupies an area of 2,600 m<sup>2</sup>. Services in this workshop include car air conditioning, salon and car wash services, spooling, balancing and car maintenance such as oil changes and periodic maintenance. There is checking 35 items of car components, checking 39 items on the bottom of the car and checking 24 items on the car AC system. PT. Kikijaya Airconindo has the following vision and mission:

#### **1. Vision**

To support the automotive business in Indonesia, and strive to serve direct customers and authorized or general workshops with the best products and experiences in meeting the needs of after-sales spare parts.

#### **2. Mission**

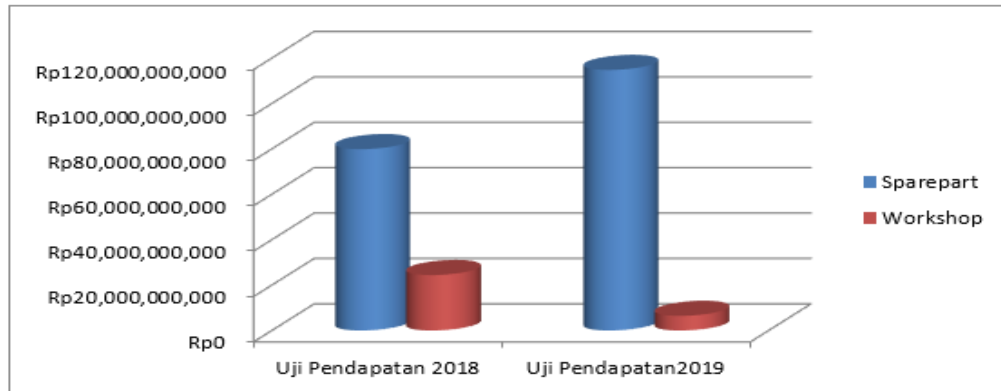
mission is to increase the level of service to customers and workshops / suppliers in Jakarta and its surroundings as well as to increase the availability of spare parts and deliveries in order to create sustainable profits in expanding more branches in Indonesia.

In this case the researcher will examine geographic segments and business segments or product segments at PT. Kikijaya Airconindo based on financial reports for 2018 and 2019. Geographical segments are taken based on the branches owned by the company, business segments or products are taken based on what products are provided by the company PT. Kikijaya Airconindo to serve customers or consumers of PT. Kikijaya Airconindo. The following is a test of business segments in 2018 which can be seen in the table below.

**Table 4.1** ADDITIONAL SEGMENT DETERMINATION TEST OF BUSINESS SEGMENT 2018

No.	Segment	Income Test 2018	Percentage	Income Test 2019	Percentage
1	<i>Sparepart</i>	Rp79.889.838.249	77%	Rp114.780.112.152	95%
2	<i>Workshop</i>	Rp24.418.602.261	23%	Rp6.449.562.075	5%
<b>Total</b>		<b>Rp104.308.440.510</b>	<b>100%</b>	<b>Rp121.229.674.226</b>	<b>100%</b>

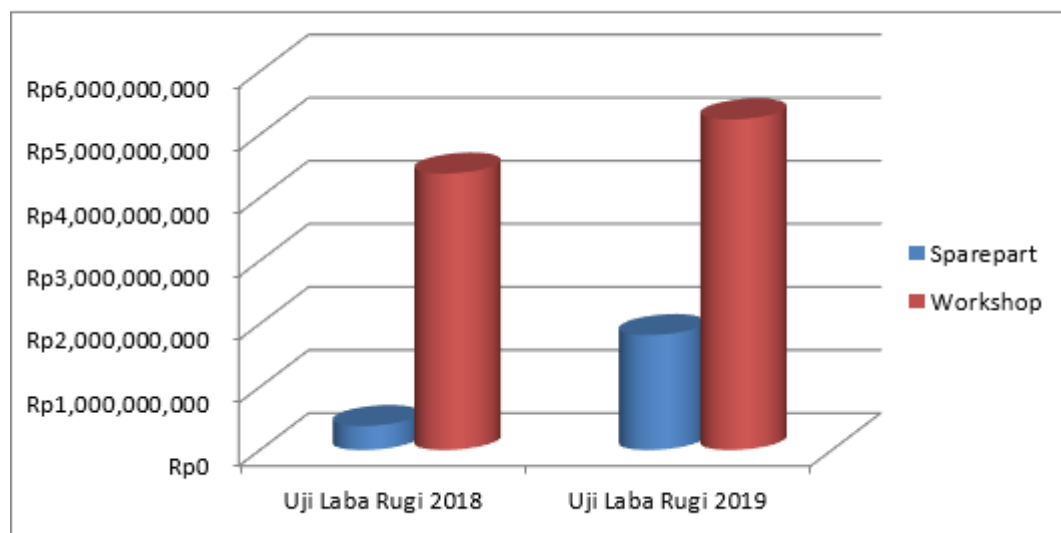
**GRAFIK 1**



**Table 4.2** TEST OF ADDITIONAL SEGMENT DETERMINATION OF BUSINESS SEGMENT 2019

No.	Segment	Income Statement Test 2018	Percentage	Income Statement Test 2019	Percentage
1	<i>Sparepart</i>	Rp381.751.347	8%	Rp1.822.350.711	26%
2	<i>Workshop</i>	Rp4.381.751.405	92%	Rp5.238.812.706	74%
<b>Total</b>		<b>Rp4.763.502.752</b>	<b>100%</b>	<b>Rp7.061.163.417</b>	<b>100%</b>

**GRAFIK 2**



Judging from table 1 in the same ten percent test segment or more than ten percent for the income test that fulfills as segment reporting is the spare parts and workshop segment in 2018. But in 2019 from the income test that fulfills as reporting the segment is only spare parts, this is because the workshop segment has decreased sales so that it does not reach ten percent.

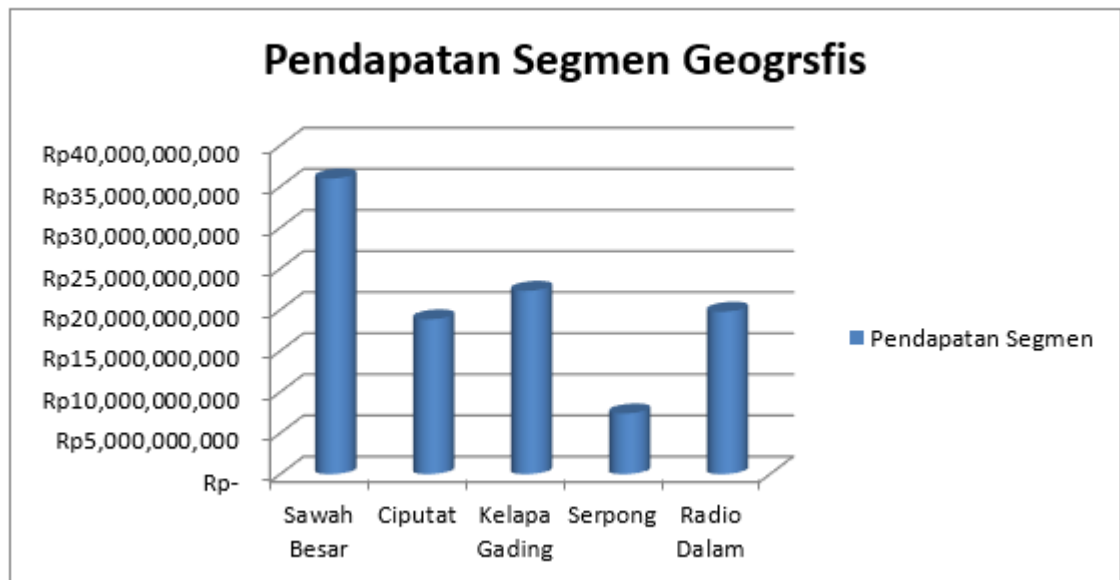
In contrast to table 2 in the ten percent test for the same segment or more than ten percent for the profit and loss test that fulfills as segment reporting in 2018 is the workshop segment. However, in 2019 that fulfilled as segment reporting was the workshop and spare parts segment. It can be seen here that the spare part income is more than the workshop income, but in the profit and loss, the spare

part will get less profit from the workshop. This is due to the costs incurred by the spare parts division more than the costs incurred by the workshop division. Therefore, even though the spare part income is more than the workshop, the profit generated by the spare parts will always be smaller than the profit generated by the workshop division. Recapitulation of 2018 geographical segment testing can be seen in the table below.

**Table 4.3** TEN PERCENT REVENUE TEST OF GEOGRAPHIC SEGMENT 2018

No.	Segment	Income Segmen	Percentage	Segment Report
1	Sawah Besar	Rp 35.984.025.005	34%	Yes
2	Ciputat	Rp 18.845.433.188	18%	Yes
3	Kelapa Gading	Rp 22.317.096.200	21%	Yes
4	Serpong	Rp 7.389.832.431	7%	No
5	Radio Dalam	Rp 19.772.054.505	19%	Yes
<b>Total</b>		<b>Rp 104.308.441.328</b>	<b>100%</b>	

**GRAFIK 3**



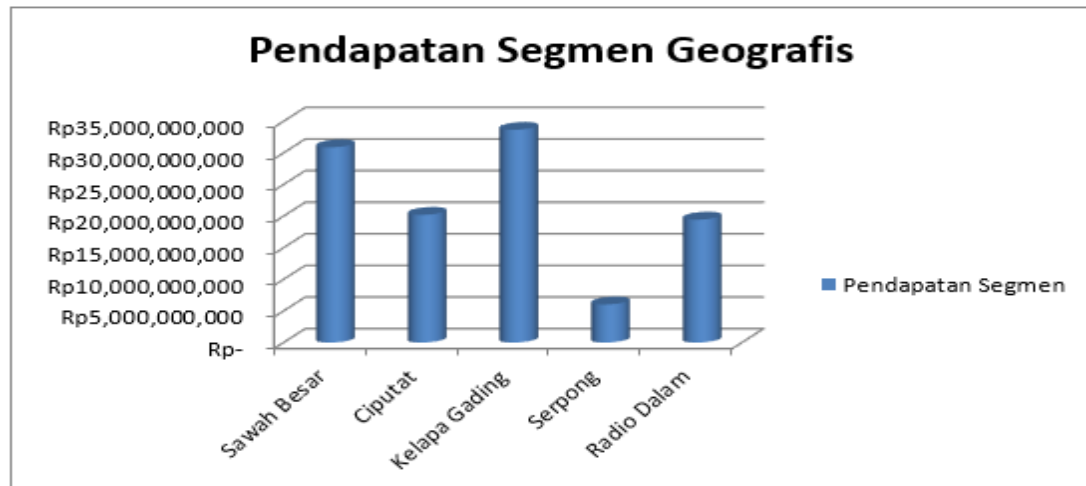
Based on table 3 and graph 3, it can be seen that the percentage of revenue from the geographical segment is only the Serpong branch which does not need to be reported because it does not meet the ten percent revenue test, so the Serpong branch is included in other segments that are not reported in 2018. This revenue is the income of two divisions, namely spare parts division income and workshop division income. The serpong branch is the only branch in PT. Kikijaya Airconindo does not have a workshop division, so all of its income is obtained from the spare parts division only.

A recapitulation of geographic segment testing and 2019 can be seen in the table below.

**Table 4.4** TEN PERCENTREVENUE TEST IN GEOGRAPHIC SEGMENT 2019

No.	Segment	Income Segment	Percentage	Report
1	Sawah Besar	Rp 30.882.424.485	28%	Yes
2	Ciputat	Rp 20.207.379.667	18%	Yes
3	Kelapa Gading	Rp 33.655.065.028	31%	Yes
4	Serpong	Rp 6.027.307.348	5%	No
5	Radio Dalam	Rp 19.444.650.801	18%	Yes
<b>Total</b>		<b>Rp 110.216.827.330</b>	<b>100%</b>	

**GRAFIK 4**



Based on table 4 and graph 4, it is still the same as the 2018 segment report seen from the geographical segment revenue, only the Serpong branch is not a segment that needs to be reported because it does not meet the ten percent revenue test. There is a difference from 2018 and 2019, namely the revenue in 2018 was mostly obtained by the Sawah Besar branch, but in 2019 there was an increase in sales at the Kelapa Gading branch so that this branch was the branch with the highest revenue among other branches.

The reason why the Serpong branch has less revenue than other branches is that the Serpong branch is the smallest branch among other branches, has the least employees consisting of one sales counter, one warehouse staff, two couriers and one OB. Another cause is the area of Serpong, there are not many car repair shops that receive ac service and not many shops that sell car ac spare parts.

In 2018 it can be seen that the most revenue earned in the Sawah Besar branch for its spare parts division. This is because PT. Kikijaya Airconindo was first established in Sawah Besar. In this area, there are many spare part shops that are subscribed to the Sawah Besar branch, then there are quite a lot of workshops for car AC service in this area. The employees at this branch are also more employees than other branches. On this basis, PT. Kikijaya started to open other branches besides Sawah Besar.

Based on interviews with the general manager of PT. Kikijaya Airconindo Hendra Salim said that the sales of spare parts were more than the sales of the workshop because the price of spare parts was cheaper than the price of the spare parts sold in the workshop. Purchasing spare parts only has a profit of about 9 to 10%, while the sale of spare parts in workshops has a higher price due to additional service fees for replacing damaged spare parts and must be replaced for every car that comes in to perform service.

Based on the results of the promotion analysis is a partial mediation between promotion and customer satisfaction. This is based on the value of the direct effect of promotion on customer satisfaction with a value of 0.287 and a p-value of 0.01.

## **V. CONCLUSIONS AND SUGGEST**

### **5.1 Conclusions**

Based on the results of this study about the disclosure of financial statements segment of PT. Kikijaya Airconindo, the researchers can conclude as follows:

1. Determination of business segment reporting based on the income test and profit and loss test in 2018 and 2019, the application is not correct according to PSAK No. 5 because revenue from the workshop segment in 2019 did not reach ten percent of total revenue. the entire segment. Meanwhile, the determination of geographical segments based on revenue tests in 2018 and 2019 is also inappropriate according to PSAK No. 5 because the percentage of the Serpong segment does not reach the test of ten percent of the total revenue of all segments, so it is not a reporting segment. From the research above, there is no need for additional segments in business segment reporting in 2018 and 2019, this is because the external sales value of the reporting segments is still less than 75 percent of the total sales of all segments.
2. Judging from the income statement obtained from the spare parts division, it is very small compared to sales which have a large nominal. This is because there are many costs incurred by the spare parts division. These costs include the salaries of spare parts employees who have more human resources than workshop employees.

3. Based on the results of geographic segment research, it can be concluded that in 2018 the Sawah Besar branch had the largest revenue among other branches, the results of this income were obtained from the accumulation of the spare parts division and workshop division. Whereas in 2019 the branch that has the largest revenue among other branches is the Kelapa Gading branch, the results of this income are also obtained from the accumulation of the spare parts division and workshop division.

## **5.2 Suggest**

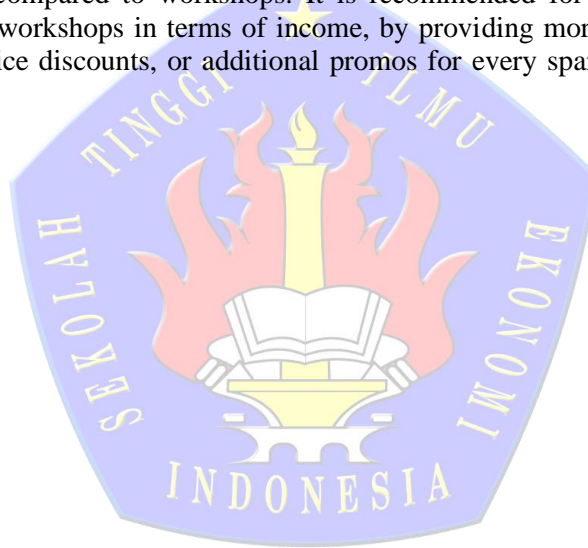
In connection with this, the researcher provides several suggestions, namely:

1. Geographical segment

Due to the initial business of PT. Kikijaya Airconindo, which is located in Sawah Besar, has an impact on Sawah Besar's revenue being higher than other branches in the 2018 period. Therefore, PT. Kikijaya Airconindo must consider several aspects, among others, to further increase the supply of spare parts and workshops in other branches, so that there is even distribution of income from each branch, or increase in terms of marketing.

2. Business or product segment

In this case spare parts play a more important role in terms of sales, because selling spare parts is easier to meet profits compared to workshops. It is recommended for PT. Kikijaya pays more attention to the role of workshops in terms of income, by providing more benefits for consumers, such as increasing service discounts, or additional promos for every spare part replacement when servicing.



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