ANALYSIS OF IMPLEMENTATION PSAK NO. 7 TO RELATED PARTIES ACCOUNTING

(Case study on a manufacturing company at PT. Triari Elektrindo Nusantara and CV. Triari Guna Industries)

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***Abstract* -** This study aims to determine the analysis of the implementation of PSAK 07 on the accounting of related parties at PT. Triari Elektrindo Nusantara and CV. Triari Guna Industries.

The data collection technique used in this research is field research conducted by observation and interviews. The data analysis used is descriptive qualitative analysis technique.

Based on the results of the analysis and discussion, the authors conclude that the disclosures made by PT Triari Elektrindo Nusantara and CV. Triari Guna Industries regarding related party receivables is not in accordance with applicable accounting regulations.

Keywords: Related Parties, Related Receivables

I. Introduction

Transactions with related parties in the company's operational activities include sales, purchases, debts, receivables, loans, both short-term and long-term loans. Parties that have a related relationship can make an agreement on transactions where parties who are not related (Third Parties) cannot do it (Handayani, 2011).

The following is the company's financial statement which shows the existence of PT. Triari Elektrindo Nusantara in having a relationship with related parties including debt with the company CV. Triari Guna Industries in 2017 and 2018.

Table 1.1

List of Cash and Cash Equivalents, Receivables and Amount of Related Companies

Information	2017	2018
Cash and cash equivalents	65,965,400, -	333,170,448, -
Other receivables	1,376,977,445, -	1,528,224,994, -

Number of Companies Related to PT.TEN	23

Source: Financial Position Report of PT. Triari Elektrino Nusantara

Table 1.2
List of Doubtful Accounts for Two Years

Related Parties	2017	2018
PT. Rahmi Ida Nusantara	1,187,752,145, -	1,492,968,994, -
CV. Anugrah Multi Solusi Teknik	189,225,300, -	35,256,000, -

Source: Notes to the Financial Statements of PT. Triari Elektrindo Nusantara

Table 1.3
List of Accounts Payable for Two Years

Related Parties	2017	2018
CV. Triari Guna Industries	1,700,000,000, -	1,700,000,000, -

Source: Notes to the Financial Statements of PT. Triari Elektrindo Nusantara

Based on table 1.1 it can be seen that there are 23 companies that are related to PT. Triari Elektrindo Nusantara decreased cash and cash equivalents from 2017 to 2018, while other related party receivables increased from 2017 to 2018. This means that an increase in receivables means that the company does not receive cash which causes potential cash. is delayed. That way there are company receivables that are not effective and cause financial statements and financial cash ratios are not good, from table 1.2 it can be seen that there are two companies that are related to PT. Triari Elektrindo Nusantara, which has passed the stipulated conditions for repayment of receivables for one period. According to Reeves and Warren (2009: 455), "All receivables that are expected to be realized into cash within one year are presented in the current assets section of the balance sheet". Of the two related companies, there is one company that does not show any progress on the receivables that have been collected during a period of one year, this receivable indicates a special relationship between the management of the company and the related customer From table 1.3, it can be seen that PT.TEN's debt to CV.TGI has exceeded the debt repayment limit which causes cash in the company to be not good. These receivables indicate a special relationship between the company's management and related customers. From table 1.3, it can be seen that PT.TEN's debt to CV.TGI has exceeded the debt repayment limit which causes cash in the company to be not good. These receivables indicate a special relationship between the company's management and related customers. From table 1.3, it can be seen that PT.TEN's debt to CV.TGI has exceeded the debt repayment limit which causes cash in the company to be not good.

Internal control in accounts receivable also affects the performance of the company's receivables, it can be seen from the Down Payment or payment terms that the company has received regardless of whether the company is a close relative or not an interested party in receiving projects within the company.

II. THEORETICAL BASIS

Related Parties

What is meant by related parties according to PSAK 7 (revised 2015) is a person or entity that prepares its financial statements (reporting entity), namely:

- A person or immediate family member is related to the reporting entity if that person:
  - i) Has control or joint control over the reporting entity
  - ii) Has significant influence over the reporting entity; or
  - iii) The key management personnel of the reporting entity.
- An entity is related to a reporting entity if it satisfies any of the following:
  - a) The entity and the reporting entity are members of the same group of companies (meaning that the parent, subsidiary and subsequent subsidiaries are related to the other entity).
  - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - c) The two entities are joint ventures of the same third party.
  - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e) The entity is a post-employment benefit plan for the benefit of employees of one of the reporting entities. If the reporting entity is itself such a plan, the sponsoring companies are also related to the reporting entity.

f) An entity that is controlled or jointly controlled by the person identified in (a).

g) The person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).

The following is an example of a transaction situation between related parties that may require disclosure by a reporting company (PSAK 7, Paragraph 20):

a. buying or selling of goods (finished or semi-finished goods)
b. the purchase or sale of another asset property
c. giving or receiving services
d. rent
e. transfer of research and development
f. transfer under a license agreement
g. transfer under a financing agreement
h. provision or guarantee or collateral
i. commitment to do something if a special event occurs or does not occur in the future
j. settlement of a liability on the entity or related party

Related Party Disclosures

Some researchers argue that in a group structure, related party transactions can reduce transaction costs and experience difficulties in contracts that are important in production (Fishman and Khanna, 1998: Fan and Goyal, 2002; Khanna and Palepu, 1997; Shin and Park 1999). However, in developing countries with the characteristics of a low level of investor protection, a low level of law enforcement, and a group structure, related transactions have the potential to benefit group members and damage company value (Khanna and Palepu, 2000).

Disclosures related to related parties are regulated in PSAK No. 7/2010. The statement requires disclosure of related party relationships, transactions and balances, including commitments in the financial statements. The quality of disclosure is important as a basis for decision making by users of financial statements.

To ensure that the entity's financial statements contain the necessary disclosures to bring to mind the possibility that the financial position and profit or loss have been affected by the existence of related parties and by transactions and balances, including commitments, with related parties.

The disclosures include:

a. The relationship between a parent and a subsidiary is disclosed regardless of whether there has been a transaction between them.
b. An entity must disclose the nature of its relationship with related parties and information about transactions and balances, including commitments, allowance for doubtful accounts and expenses for bad debts or write-offs.
c. When there is a transaction, it is disclosed separately based on the categories: parent entity, entity with joint control or significant influence, subsidiary, joint venture, key management personnel, other related parties.
d. Key management personnel compensation is disclosed in total for each of: short-term benefits, post-employment benefits, other long-term employee benefits, severance pay and share-based payments.
e. An entity need not disclose transactions, commitments and balances on affiliated transactions with:
   - Governments that have control, or joint control or significant influence over the reporting entity and
   - Another entity that is a related party because it is controlled or jointly controlled, or is significantly influenced by the same government over the reporting entity and the other entity

   The reporting entity simply discloses:

   a. Name of government department or agency and nature of relationship with the reporting entity.
   b. Information contains the nature and amount of transactions that are individually significant and collectively significant.

Abusive Related Party Transactions

Chang and Hong (2000) found that affiliated companies in a business group can use tangible and intangible resources together so that they can benefit from economies of scale and economies of scope. This shows that related party transactions are efficient because they provide benefits for shareholders. On the other hand, abusive related party transactions are transactions carried out by majority shareholders to take profits or cash from minority shareholders through tunneling activities.

Several related party transactions are aimed at efficiency and to improve the welfare of the group. However, under certain conditions transactions between related parties may provide an opportunity for controlling shareholders or company executives to tunnel or take personal gain at the expense of the interests of controlling shareholders.

Transfer Pricing

Darussalam and Sepriadi (2008) term transfer pricing manipulation with an activity to increase costs or lower invoices aimed at reducing the amount of tax owed. Price manipulation that is usually carried out in transfer pricing, namely:

- Sales Price
- Purchase Price
- Allocation of Administrative and General Costs or Overhead Costs
- Charging Interest on Lending by shareholders (shareholder loan)
- Payment of commissions, licenses, franchises, leases, royalties, fees for management services, fees for technical services, and fees for other services
- Purchase of company assets by shareholders (owners) or related parties
- Sales to foreign parties through third parties that do not have business substance.

Hadi Setiawan (2019) Transfer pricing is a company policy in determining the transfer price of a transaction, be it goods, services, intangible assets or financial transactions carried out by the company. There are two transactions in transfer pricing, namely intra-company and inter-company transfer pricing. Intra-company transfer pricing is transfer pricing carried out between divisions within a company. Meanwhile, inter-company transfer pricing is transfer pricing between two companies that have a related relationship. Transactions themselves can be carried out in one country (domestic transfer pricing) or with different countries (international transfer pricing) according to Gunadi (2007) the practice of transfer pricing occurs in the context of transactions of selling tangible assets, transfer of intangible assets, delivery of services,

In a loan transaction conducted by a related party, the fairness of the transaction must be known. In transfer pricing transactions for intercompany, there are three approaches that must be taken to determine the fairness of a loan transaction (Darussalam, 2013), namely (i) analyzing the credit worthiness of the borrowing company, including determining the credit rating of the loan, (ii) evaluate the terms and conditions associated with the transaction, such as the active date of the loan, term, loan amount, and others. And (iii) estimating the fairness of interest rates based on credit ratings and other major comparability factors that have been considered.

Funds Collection Scheme (Cash Pooling) in Transfer Pricing Transactions

Internal funding from affiliates is generally carried out through a loan scheme, while independent funding can be done by applying for loans from independent banks, conducting initial public offerings (IPO), or issuing financial instruments such as bonds. Apart from this scheme, there is a funding scheme that can be an alternative funding, especially for companies in one business group. This scheme is a cash pooling scheme according to (Muhammad Putrawal Utama, 2019). The purpose of cash pooling is as a business group fund management tool, especially to ensure the availability of funds related to the working capital needs of cash pool participants. In practice, this scheme involves an independent bank as a facilitator, one member of the business group as the person in charge or cash pool leader, and other members as cash pool participants. The application of fairness and business practice principles in this scheme has not been regulated in the official guidelines. Even so, the organization for economic co-operation and development (OECD) in the public discussion draft BEPS action 8-10 financial transaction has provided signs that need to be considered when implementing a cash pooling scheme.

There are two main factors that often become problems in cash pooling activities, especially from a transfer pricing perspective. The two focuses are the determination of remuneration for cash pool leaders and procedures for allocating benefits to cash pool participants. (Marta Pankiv, 2017) in general, there are two variations of functions that can be performed by cash pool leaders. Namely as an in-house bank or service provider. When the cash pool leader acts as an in-house bank, the functions carried out and the risks borne are similar to that of an independent bank. In this scheme the cash pool leader will not be exposed to a risk as appropriate if it acts as an in-house bank so that the remuneration obtained is similar to that of an independent bank, namely based on actual costs added by a margin. The second focus is the procedures for allocating benefits to cash pool participants. The benefits that arise are reduced costs and a more favorable interest rate. (Anuschka Baker, 2013) there is one additional aspect that needs attention, namely the reasonableness of interest rates and how often adjustments are made to both credit and credit interest rates.

III. RESEARCH METHODS

Research Strategy

Strategy is a way of implementing a project or a way to achieve goals. Judging from the problems raised, the techniques and tools used, a fixed case study research strategy can be used because in this study the objectives to be studied have been determined before the researcher goes into the field. (Sutopo, 2002) explains that in fixed research, the researcher in his proposal has selected and determined the variables that are the main focus before entering the field. the type of research strategy undertaken is using descriptive research. "Descriptive research is research conducted to determine the existence of an independent variable, either only on one or more variables without making comparisons or connecting with other variables (independent variables are independent variables,

1. The place

   This research was conducted at the address of PT. Triari Elektrindo Nusantara at JL. Kali Abang Tengah Ruko Panorama Blok R 16 Bekasi Officers, and at the address CV. Triari Guna Industries at Jl. Inspection of Kali Malang, Ruko and Warehouse of Puri Tirta Blok B 4 Tambun Bekasi.

2. Time

   When this research was carried out from July 2020 to completion.

Type of data

In this study, qualitative data, the type of qualitative data is an approach that focuses on the logic of thinking, choosing between problem formulations, objectives, techniques, and paradigms, or the concept of thinking to find out the meaning of a phenomenon. The type of data in this study is data that displays related transactions between PT. Triari Elektrindo Nusantara with CV. Triari Guna Industries either in the form of accounts payable which are interrelated.

A qualitative approach is research that is intended to understand the phenomena experienced by the object of research (Saputra & Efendi, 2013).

Data source

What is meant by data sources in this research is the subject from which data can be obtained. In this study, researchers used two data sources, namely:

1. Primary Data Sources

   Namely data obtained directly from the first source through field research, observation, and interviews. As for the primary data sources in this study are the Manager and Accounting and Finance Staff.

2. Secondary Data Sources

   Namely, the data collected directly by the researcher as a support from the first source. It can also be said that the data is arranged in the form of documents. In this study, company financial documents, such as: statements of financial position, income statements, notes on financial statements, and other company documents related to the research objectives.

Data collection technique

In obtaining data for this writing research, it is necessary to carry out a data collection process which consists of information received by the researcher in both oral and written form, the researcher uses several data collection methods that are relevant to analyzing the problem, namely:

1. Observation

   The observation method is a data collection technique that is carried out by observing and recording systematically to determine the internal control of accounts receivable and the write-off of related party accounts.

2. Documentation

   In this study, the data collection technique used in this study was the documentation technique. According to Bungrin (2008: 121) the documentation technique is a data collection technique used in social research to trace historical data. Extracting data sources through document study complements the qualitative research process. even according to Guba & Lincoln (2005) the level of credibility of a qualitative research result is more or less determined by the use and utilization of existing documents. In this study, the researcher will use the financial statement documents of the two companies to observe how the systematic presentation of the elements of the financial statements is in accordance with PSAK 7.

3. Interview

   The interview is a data collection technique that is carried out through face-to-face and direct questions and answers between researchers and informants. The interview that the researcher will do is an unstructured interview. That is, the researcher did not use an interview guide which contained specific questions to be asked, and only contained important points of the problem that the respondent wanted to explore.

The data analysis method used by researchers in this study is descriptive analysis. Descriptive analysis is a method of analysis by first collecting data, classifying and interpreting the data so that it can provide a clear picture of the results studied.

The analytical method that the researcher will use to solve the question number 1 (one) problem formulation regarding the internal control of accounts receivable at PT Triari Elektrindo Nusantara and CV Triari Guna Industries. The stages that the researchers will do are as follows:

a) Studying the existing organizational structure at PT.TEN and CV.TGI
b) Learn sales and accounts receivable collection strategies
c) Studying the control of accounts receivable between PT.TEN and CV.TGI

After studying the control then the researcher will study how the accounts receivable between PT.TEN and CV.TGI by collecting documents and interviews conducted with the company's finances. This technique is to answer problem number 2 (two)

For the last problem formulation regarding the disclosure of related parties between PT.TEN and CV.TGI with the data that has been obtained. Researchers will conduct interviews with accounting parties in both companies according to the standards in PSAK 7. The following is an unstructured interview that researchers will conduct in research at PT. Triari Elektrindo Nusantara and CV. Triari Guna Industries.

Table 3.1

Unstructured List of Questions

No.	Question Items	A list of questions
1.	Recognition	If there are receivables related to PT TEN, then what will CV TGI acknowledge as? Vice versa.
2.	Recording	How does PT TEN record the uncollectible accounts receivable from related parties with CV TGI and vice versa
3.	Presentation	Has PT TEN presented these receivables in the financial statements?
4.	Disclosure	Have PT TEN and CV TGI disclosed any related transactions in CALK?

The transactions that are disclosed if carried out with related parties according to the Indonesian Institute of Accountants (IAI) in PSAK No. 07:

1. Purchase or sale of goods (finished or semi-finished goods)
2. Purchase or sale of property and other assets
3. Provision or acceptance of services
4. Rent
5. Transfer of research and development
6. Transfer under a license agreement
7. Transfers under financing agreements (including loans and equity contributions in cash and in kind)
8. Provision for guarantee or collateral

9. Commitment to do something if a special event occurs or does not occur in the future, including executory contracts (acknowledged or not recognized)
10. Settlement of liabilities on behalf of the entity or related parties

IV. RESULTS AND DISCUSSION

The accounting implementation of the disclosure of related parties PSAK 7 which has been applied in the two companies.

1. Recognition.

The recognition of trade receivables occurs when a company sells products on credit or provides services but no payment has been made to the company. According to the Indonesian Institute of Accountants, the term recognition itself means the process of forming an item that meets the definition of elements and the recognition criteria in the statement of financial position or income statement.

Based on the interviews that researchers have conducted regarding the related party accounting implementation at PT. Triari Elektrindo Nusantara and CV. Triari Guna Industries shows the results of research that the two companies recognize receivables in each sales transaction, including sales of merchandise and other receivables that do not include sales of merchandise produced by the company.

2. Recording.

From the results of interviews conducted in this study, namely in recording the losses on uncollectible accounts. In theory, the balance of the allowance for losses on accounts receivable (sometimes also known as allowance for doubtful accounts, allowance for doubtful accounts) is presented in the balance sheet as a deduction against the balance in the accounts receivable account to state the net realizable value.

From the theory above, the fact that the company records are presented in the statement of financial position of CV. Triari Guna Industries does not reserve its uncollectible accounts for a period of two years. Uncollectible receivables continue to be accounts for other parties.

Table 4.8

List of Accounts Receivable for Two Years

CV. Triari Guna Industries

Related Parties	2017	2018
PT. Triari Elektrindo Nusantara	1,700,000,000	1,700,000,000
PT. Fors Fortis Indonesia	778,567,000	35,000,000
PT. LeuRitel Indonesia	35,550,000	-.

Source: Notes on the Financial Statements of CV. Triari Guna Industries

In table 4.8 above, CV.TGI still recognizes PT.TEN's receivables as receivables contained in the statement of financial position, there is no reduction due to allowance for uncollectible receivables for a period of two years. From interviews conducted with CV.TGI, the company does not provide allowance for accounts receivable losses because it will have an impact on the credit lending process at the bank, to get funds from the bank the company must have assets both machines and receivables that are collateral to the bank. This clearly can harm the bank by presenting irrelevant reports on assets owned by CV.TGI.

3. Presentation

From the results of interviews with the financial managers of the two companies, PT.TEN and CV.TGI have presented trade and trade receivables. However, it is not in a position that complies with the provisions for losses on receivables from both companies due to uncollectible receivables for more than one financial reporting period. CV.TGI especially corresponds to the discussion in recording its receivables with PT. TEN does not provide for its receivables losses in the statement of financial position. The receivables are presented as current assets, not presented as long-term receivables of non-current assets in the statement of financial position.

4. Disclosure

From some of the research above, it starts from recognition, recording, to presentation. This disclosure is an indication of whether the company has implemented PSAK 7 in its financial statements in the notes to its financial statements.

The transactions that are disclosed if carried out with related parties according to the Indonesian Institute of Accountants (IAI) in PSAK No. 07:

1. Purchase or sale of goods (finished or semi-finished goods)
2. Purchase or sale of property and other assets
3. Provision or acceptance of services
4. Rent
5. Transfer of research and development
6. Transfer under a license agreement
7. Transfers under financing agreements (including loans and equity contributions in cash and in kind)
8. Provision for guarantee or collateral
9. Commitment to do something if a special event occurs or does not occur in the future, including executory contracts (acknowledged or not recognized)
10. Settlement of liabilities on behalf of the entity or related parties

Included in this case are receivables between PT.TEN and CV. TGI includes in point 7 "transfer under a financing agreement (including loans and equity contributions in cash and in kind)" of the theory, receivables between CV.TGI and PT.TEN must be disclosed in the financial statements in the notes to the financial statements. The realization of this theory has been carried out by CV.TGI and PT.TEN. the company has disclosed its receivables in the notes to financial statements.

Suggestion

from the results of the analysis and explanation regarding the analysis of the implementation of PSAK 07 on related party accounting. So the following suggestions can be given by researchers:

1. For the company

   PT. Triari Elektrindo Nusantara is good at internal control, but for CV. Triari Guna Industries should better pay attention to internal control of its receivables. For the implementation of PSAK 07 PT. Triari Elektrindo Nusantara and CV. Triari Guna Industries has presented and disclosed well. However, it is better if the company should improve the presentation and disclosure of related party transactions that comply with the provisions of PSAK 07, so as to produce more relevant and reliable financial reports so as not to cause misinformation for users of financial statements.

2. For Researchers

   Understand the Financial Accounting Standards applicable in Indonesia and increase accuracy so that there are no errors in presenting and disclosing financial statements. In addition, it is necessary to re-research with a different research object so that it is useful for readers in the future. Thus, it will be seen that the PSAK conducted by PT. Triari Elektrindo Nusantara with CV. Triari Guna Industries (manufacturing company) with companies engaged in other fields.

3. For the community

   Public and investors who wish to invest their shares in a company are expected to be more careful and thorough in seeing the condition of the company to be selected. It is not only seen from the condition of the profits to be obtained, but in terms of company performance and the presentation and disclosure of its financial statements based on the applicable Financial Accounting Standards in Indonesia.

4. For Further Researchers

   For further researchers, it is hoped that the researcher will conduct a study of selecting the object of research to conduct research that has a complete financial statement component so that most of the chapters in Financial Accounting Standards can be applied.

beforehand in order to compare the suitability of the presentation and disclosure of financial statements based on the applicable Financial Accounting Standards in Indonesia.

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