

## Changes in Accounting Estimates for Disclosure Discrepancy in The Useful Life of Pot Reduction: Study Case in PT. XYZ (Persero) Indonesia

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#### ABSTRACT

This study aims to obtain empirical evidence of the application of changes in accounting estimates to change the useful life of the reduction pot at PT. XYZ (Persero) based on PSAK 25. Data collection techniques used in this study included interviews, observation, and documentation techniques. After the data and information were obtained, data analysis was carried out using qualitative analysis techniques using the Milles K. Huberman model. The results show that the application of changes to the estimated useful lives of reduction pots results in an increase in depreciation expense in 2021 of USD 2,025,260, and a total of 44 reduction pots will be written off in full at net book value because they have experienced depreciation for or more than 5 (five) years, amounting to USD 1,004,663. The implementation of PSAK 25 has an impact on profit for the year and asset impairment in 2021.

**Keywords:** Changes in Accounting Estimates| PSAK 25; Fixed Assets

## **INTRODUCTION**

The primary purpose of a company's activity is to maximize profits, but in order to achieve this goal, the company must deal with the phenomena of uncertainty, which can either threaten or present an opportunity for the continuation of the company's operations. According to Nee Ang & Pinnuck (2011) state that uncertainty is a state brought on by a person's or a group of people's lack of comprehension or awareness of the reasons and effects of an event. The use of estimations in creating a company's financial statements is one effect of uncertainty.

According to the IASB regarding the Conceptual Framework for Financial Reporting (KKPK), measurement uncertainty occurs when monetary values in financial statement items cannot be observed directly, so they must be estimated (IASB, 2018). As according paragraph 32 of the Statement of Financial Accounting Standards (PSAK) No. 25, certain accounts in the financial statements, such as uncollectible receivables, obsolete inventories, fair value of financial assets or liabilities, the useful lives of depreciated assets, and liabilities warranty, can only be estimated due to the uncertainty inherent in business operations (Ikatan Akuntan Indonesia, 2022). Accounting estimates need to be used with a certain amount of expertise, subjectivity, and judgment acquired through years of education and experience (Ayunku & Eweke, 2019; Ding, Peng, & Vasarhelyi, 2020). It is natural and fundamental to utilize estimations while creating financial reports. However, in order to employ estimates to guarantee the accuracy and reliability of the data provided in the financial statements, they must reflect the most recent information that is reasonable, realistic, and reliable in line with the underlying accounting rules.

The accounting standards quoted from PSAK No. 25 in paragraph 34 states that the estimates that have been set by the company's management can be revised if there is new information or developments that affect the related accounts. In this condition, the company can apply changes in accounting estimates to the financial statement items that experience changes. Changes in accounting estimates are defined in PSAK No. 25 as the process of adjusting the book values of assets and liabilities, or the amount of usage of assets, caused by the assessment of the current condition and the estimated future benefits and liabilities related to the assets and liabilities. Accounting estimates may change when there are new developments and knowledge that impact related accounts (Ikatan Akuntan Indonesia, 2022:02). Changes in accounting estimates are applied to create financial reports that are more reliable, relevant and comparable because they are based on the latest information (Lugovsky, & Kuter, 2020; Menzefricke, & Smieliauskas, 2019).

Research related to changes in accounting estimates (change in accounting estimate) has been carried out by several researchers including Efeeloo, and Anichebe (2021) to test the effect of accounting estimates on misstatements in the financial statements of small and medium enterprises in Nigeria using survey methods, the findings describe that there is a positive correlation between estimated depreciation and estimated goodwill on misstatements in reports finance. Belsoi, Gathii, & Ragama., (2017) investigated the impact of estimates on financial performance at microfinance institutions in the city of Nakuru. The research used ninety-three (93) people in three strata (accounting officers, internal auditors and management) from 14 microfinance institutions. The results show that there is a significant positive relationship between the accuracy of estimation techniques and financial performance, and there is a significant negative relationship between the estimated useful lives of assets and financial performance. Additionally, Staszal and Holda (2019) show that small reported changes in the estimated discount rate ultimately have a large impact on the amount of long-term provision for pension benefits and may have a significant impact on gross profit. Furthermore, Glendening (2017) shows that the predictive value of income with respect to future cash flows is negatively related to disclosure Critical Accounting Estimate

(CAE). Beaulieu, Hayyes, and Timoshenko, (2017), and Smieliauskas, Bewley, Gronewold, and Menzefricke, (2016) indicates that there is a significant and positive relationship between changes in accounting estimates and restatements supported by changes in accounting estimates associated with an increased likelihood of restatements in correcting intentional misstatements.

This study is relevant to the stakeholder theory because of this theory can provide an explanation of accountability to shareholders (Laan, 2014). This study tries to explain the application of changes in estimates that have an impact on the performance of the company's financial statements, which will ultimately be used by stakeholder as a basis for making decisions. The quality of financial reports is a need for users to be able to help them assess entity performance as a whole and be able to make useful decisions, users also need credible financial information, for that financial reports must have basic qualities, namely relevance and reliability (Oyewo, Emebinah, & Savage, 2020). This statement is in line with Efeelo and Anichebe (2021), and Abdallah, and Salameh (2019) in their research which also argues that the relevance of applying the stakeholder theory with the application of changes in accounting estimates is that entities must pay attention to the needs of their stakeholders, including the credibility or information content contained in the company's financial statements that can have a negative impact or vice versa in terms of corporate decision making.

Research related to changes in accounting estimates is not new research. However, research on this topic is still quite rare by researchers, especially in Indonesia. In addition, research on changes in accounting estimates in changing the useful life of fixed assets has not been discussed in previous studies. This research is new and different from other previous studies. The difference between this research is that this research focuses on implementing changes in accounting estimates to change the useful lives of fixed assets owned by aluminum smelting companies.

The subject of this study is PT. XYZ (Persero) which is the first manufacturing company engaged in aluminum smelting which produces 3 (three) main products namely alloy, billet, and ingot. PT. XYZ (Persero) is a pseudonym used for research objects at the request of the company. This company was chosen as the object of research because researchers found the inaccuracy of applying accounting standards in reporting the company's fixed assets. The observation results show that there are items of company fixed assets whose useful lives do not match the actual age in the field. According to Budiman, Pangemanan, and Tangkuman (2014) Fixed assets are one of the most important components of company assets that are depreciated in one accounting period. In line with Sumiati and Ainniyya (2021) stated that fixed assets will be depreciated into depreciation expense in the company's financial statements. The greater the value of the company's asset ownership, the higher the depreciation costs. The type of fixed asset that is the focus of this research is the reduction pot.

Reduction pot is a means used in smelting (reduction) of alumina into liquid aluminum (aluminum molten), which consists of several parts of the main material, namely pot shell, lining material, cathode block and cathode bar. This reduction pot has an economic useful life of 6 (six) years which is determined based on the intention of the company's management. However, based on the conditions in the field, it was shown that as much as 73% of the reduction pots experienced abnormal conditions at the age of under 1,825 days (5 years). Thus, the useful life of 6 (six) years is no longer relevant to the actual conditions, therefore it is necessary to change the accounting estimate, in this case, by changing the estimated useful life of pot reduction from the previous 6 (six) years to 5 (five) years.

The issues raised in this research are PT. XYZ (Persero) does not apply accounting procedures in accordance with PSAK 25 to disclose and report pot reduction conditions whose actual age does not match the useful life determined by the company. There are several accounting procedures implemented by PT. XYZ (Persero) which are not in accordance with PSAK 25 are as follows: 1) PT. XYZ (Persero) did not make changes to the accounting estimate for the useful life of reduced pot which can only be used at the age of 1,825 days or 5 (five) years, 2) The basis for estimating the useful life of reduced pot is no longer relevant to its actual age in the field, based on the condition of the discrepancy, PT. XYZ (Persero) does not change the useful life of its fixed assets, 3) PT. XYZ (Persero) did not disclose the nature and amount of changes in the estimated useful life of the reduced pot in the 2021 financial statements, 4) PT. XYZ (Persero) did not make adjustments or corrections to the pot reduction account during the change period, 5) PT. XYZ (Persero) did not provide information about their reasons for not implementing changes in accounting estimates in their financial statements, 6) PT. XYZ (Persero) does not recognize the implementation of the changes in kind prospective, 7) PT. XYZ (Persero) has not completely derecognized its fixed assets, where reduction pots that have expired are not written off in the financial statements, and reduction pots that are damaged are still charged/depreciated in the current period.

This study aims to reveal in depth about the application of accounting carried out by PT. XYZ (Persero) in reporting the discrepancy between the useful life and the actual life of the reduction pot. Then, this study also describes in detail the application of appropriate accounting standards, namely changes in accounting estimates of the reduced useful life of the pot from the previous 6 (six) years to 5 (five) years based on PSAK 25. The application of changes in accounting estimates is prospective which means it will affect the period of change and future periods. The company will make corrections and adjustments to a total of 356 reduction pots using a depreciation basis of 5 (five) years for each pot using the straight-line method with no residual value.

## **LITERATURE REVIEW**

Stakeholder theory is one of the theories commonly used to underlie research that explains the relationship and responsibility of companies with stakeholders. Stakeholder theory first developed by Freeman (1984). Growing awareness and understanding that the company has a stakeholder which has an important role in business development is the trigger for the birth of this theory. Freeman (1984) in (Tarigan & Samuel, 2014) defines stakeholder as a group that significantly influences the success or failure of an organization. Efeelloo and Anichebe (2021) argue that stakeholder are groups or people who are affected by the activities of the company or who affect the entity either directly or indirectly.

This study tries to explain the application of changes in estimates that have an impact on the performance of the company's financial statements. The quality of financial reports can be affected by accounting estimates (Ayunku & Owekee 2019; Ivana, Sanja, & Ivana, 2016; Ghos, & Siriviriyakul, 2019) which will eventually be used by stakeholder as a basis for making decisions. Fuadah and Hakimi (2020) state that financial performance is an economic indicator that represents the form of a company's response to stakeholder, bearing in mind that the benefits desired by stakeholders are determined by how the company acts to meet their satisfaction. The quality of financial reports is a necessity for users to be able to help them assess the overall performance of the entity and be able to make useful decisions. Users also need credible financial information, for that financial reports must have basic qualities, namely relevance and reliability (Lau, 2020 ; Nangih, Wali, & Anyanwu, 2021). This statement is in line with Efeelloo and Anichebe (2021), and Clarkson (1995) in their research which also argues that the relevance of applying stakeholder theory with the application of changes in accounting estimates is that entities

must pay attention to the needs of their stakeholders, including the credibility or information content contained in the company's financial statements that can have a negative impact or vice versa, in terms of corporate decision making. Valentin, Cristina, and Daniel (2019) also state the importance of higher financial transparency that must be carried out by Managers, especially in the area of increasing financial disclosure, which aims to present a clearer picture to users of financial statements (stakeholder) about the reasons used in the accounting and reporting process.

In establishing accounting principles or standards, the conceptual framework acts as a guide and foundation. The conceptual framework is a concept that serves as a guide and basis in the preparation of accounting principles or standards. Deep conceptual framework Statement of Financial Accounting Concept No. 8 which is described by the FASB (1980) as "a coherent system of interrelated objectives and basic concepts that are expected to produce consistent standards and provide guidance on the types, functions, and limitations of financial accounting and financial reporting". The conceptual framework can be used as a guide in resolving disagreements that arise during the standard setting process by focusing on whether or not a set of standards conforms to the conceptual framework. Therefore, the established accounting standards are derived from the concepts contained in the conceptual framework (Nahar, 2004; Harrison, & Wicks, 2013)

The accounting conceptual framework is influenced by the environment in which it is developed. The accounting conceptual framework can be divided into three levels namely; 1) basic objective level, 2) level of accounting information characteristics and definition of financial statement elements, and 3) level of recognition and measurement concept. This study tries to relate the concepts in the accounting conceptual framework to the problems discussed in this study which are related to the qualitative characteristics of financial statements, namely relevance and reliability.

Presentation of relevant and reliable information in financial reports is the main objective of preparing financial reports. This study describes the application of changes in accounting estimates that aim to improve the quality of the financial statements of PT. XYZ (Persero) which is guided by Standard Financial Accounting Commisions No 2. Relevant concepts can be described with usage feedback value which can help correct past expectations, in this study it is associated with the correction of the useful life of the reduction pot which is deemed inappropriate, while predictive value used to predict what will happen in the future, in this study it is related to the standard setting of a reduction pot age of 5 (five) years based on experience and current information. Timeliness in this research illustrates that information regarding changes in accounting estimates must be presented in a timely manner before it loses its capacity to influence decision making, so that the relevant characteristics can be fulfilled. The application of changes in the accounting estimate for the useful life of the reduced pot is expected to represent actual conditions, verifiable truth, and neutrality to the governing standards so that the reliability characteristics can be met.

Statement of Financial Accounting Standards (PSAK) 25 explains accounting policies as certain principles, bases, conventions, regulations and practices applied by entities in the preparation and presentation of financial statements (Indonesian Institute of Accountants, 2022: 08). A change in accounting policy is a change from one generally accepted accounting policy to another generally accepted accounting policy. An entity is allowed to make changes to accounting policies if the changes: a) Required by a PSAK. b) Present financial reports that include accurate and more relevant information about how transactions and other circumstances affect an entity's financial situation, performance or cash flows.

Kieso, Weygandt, and Warfield (2018: 538) stated that there are three possible approaches to reporting changes in accounting policies, there are a). The cumulative reporting method

indicates that the entity records the cumulative impact resulting from changes in the income statement in the current year. The difference between last period's profit based on the new accounting policy and the previous accounting policy is a cumulative effect. With this approach, the effect of adjustments to prior period earnings is only presented in the current period's income statement and the entity does not make corrections in the previous period's financial statements. b) The retrospective reporting method of changes refers to the application of new accounting principles to restate previously issued financial statements. In other words, the company "repeats" and modifies the previous year's report according to the new principles. c) The prospective change reporting method explains that the results of previously published financial statements are usually not changed, so an entity does not update opening balances to account for changes in accounting principles.

The retrospective approach offers more valuable information to users of financial statements than the cumulative and prospective approaches (Wehrfritz, & Haller, 2014). The International Financial Accounting Standards (IFRS) mandate that companies use a retrospective approach when making changes to accounting policies. This is because updating previous financial statements in accordance with the new policy will improve consistency throughout the accounting period. Users will be able to compare the improved results between different time periods.

Based on the Indonesian Institute of Accountants (2022:09) states changes in accounting estimates are adjustments to the carrying amount of assets or liabilities, or the amount of periodic usage of assets, which originate from assessing the current status and expectations of future benefits and liabilities related to assets and liabilities. Changes in accounting estimates result from new information or new developments and therefore, not from corrections of errors.

According to International Accounting Standards Board (2018) explained that an estimate may provide relevant information, even if the estimate has a high degree of measurement uncertainty. However, when measurement uncertainty is high, estimates become less relevant than when measurement uncertainty is low. Measurement uncertainty arises when the size of an asset or liability cannot be directly observed and must be estimated (Stuber & Hogan (2020).

Based on the definition presented above, it can be concluded that every company cannot see conditions and events in the future. Therefore, every company needs an estimate in terms of its financial recording and reporting, because estimation requires a fair assessment so that it can provide relevant information for the company. Accounting estimates may change as new events arise, as an entity gains experience, or as it learns more recent information. The estimate involves judgment based on the most recent available and reliable information. For example, estimates are needed for Uncollectible accounts receivable, Damaged inventory, Fair value of financial assets or financial liabilities, the expected useful life or pattern of consumption of the future economic benefits attached to the depreciated asset, and the Guarantee obligation.

Statement of Financial Accounting Standards (PSAK) No. 25 in paragraph 36 according to the Indonesian Institute of Accountants (2022:14) describes that the effect of changes in accounting estimates is applied prospective in the income statement during the current period is if the change only affects the period of the change, and current period and subsequent periods, if changes affect both.

No business big or small is error free. When errors are found in the presentation of financial statements, the company can make corrections retrospective on the first complete financial statements after the error were discovered. There are two ways that companies can do to

correct errors automatically retrospective that is; 1) make a restatement of comparative values for the previous period in which the error occurred; or 2) If the error occurs before the earliest presentation of the past period, the company can restate the initial balance of assets, liabilities, and equity for the previous period at the earliest presentation (Indonesian Institute of Accountants, 2022:15)

## **RESEARCH METHOD**

This study used qualitative approach with a case study type of research. The data used in this research is qualitative and quantitative data. Source of data consists of primary data and secondary data. Primary data obtained from interviews and observations, while secondary data obtained from documentation such as 2021 financial reports, reduction pot list reports, asset impairment list reports, asset review reports and data regarding company profiles.

Data collection techniques using interviews, observation and documentation. After the data and information were obtained, data analysis was carried out using qualitative analysis techniques using the Milles K. Hubertman model, namely by using 3 (three) techniques including data reduction, data presentation and drawing conclusions, then tested the validity of the data using triangulation.

## **RESULTS**

Based on interviews, observation, and documentation, it is known that there is an inaccuracy in the use of accounting estimates for one of the fixed asset accounts, namely the reduction pot owned by PT. XYZ (Persero). Based on the results of field observations, it was shown that as much as 73% of the reduction pots had experienced abnormal conditions at the age of 1,825 days (5 years) as evidenced by several conditions that occurred in the field, there are (a). The reduction pot experienced an increase in erosion from 1,825 days (5 years) to 2,190 days (6 years). (b). As much as 73% of the pot wins treatment cooling at the age of less than 5 years (1,825 days). (c). During the period January 2019 to July 19 2021, an average of 12 pots were damaged and 81% of them were aged  $\geq$  5 years. (d). Entering the age of 2190 days, the cathode was eroded  $>$  280 mm. (e). Potential risk distrupsion high due to damage to the busbar due to leaking metal at the age of the pot  $\geq$  5 years. (f). The increase in cathode erosion at the age of 1,825 days to 2,190 days increased dramatically inrange 31.79-52.03 mm. (g). The flop and potential pot flop will dopartial repair with an average value of failure during 2017- June 2021 of 14.29% of the total pot partial.

The observation results are in line with the results of the financial statement documentation of PT. XYZ which shows that in 2021, PT. XYZ recorded an increase in repair and maintenance costs with a percentage of 55% amounting to USD 5,871,000. The increase in costs is due to usage mechanical part of pot reduction. Based on the observation and interview activities and supported by the above documentation activities, it shows that the condition of pot reduction in a period of more than 5 (five) years has mostly experienced conditions that are not normal and cannot be used in the company's operational activities, resulting in an increase in repair costs and maintenance.

After the researchers reviewed the description of the problems in this study, the researchers then explained how the application of PSAK 25 accounting at PT. XYZ (Persero). The accounting treatment applied by PT. XYZ (Persero) in disclosing and reporting pot reduction problems is by recognizing the impairment of a number of non-recoverable asset values. Recording of impairment of fixed assets can be seen in table 1.

**Table 1.** Recording of Impairment in Asset Value

Account	Debet	Creedit
<i>Loss on Impairment Aset</i>	4.002.756,94	
<i>Accumulated Depreciation</i>		4.002.756,94

Based on table 1 explains that PT. XYZ (Persero) recorded an impairment loss of USD 4,002,756.94 by debiting an asset impairment loss account and crediting accumulated depreciation of assets. Impairment losses on assets will affect the profit and loss statement as a deduction from profit. Meanwhile, the accumulated depreciation of fixed assets will affect the statement of financial position as a deduction from fixed assets. In 2021, PT. XYZ recorded a decrease in profit of USD 4,002,756.94 and a decrease in asset value of USD. 4,002 756.94.

Based on the description of the problems in the research results, it can be concluded that PT. XYZ (Persero) should be more precise in applying changes in accounting estimates to the reduced pot useful life in accordance with PSAK 25. In supporting the statement that the application of PSAK 25 is more appropriate to be applied by PT. XYZ (Persero), the author summarizes several supporting theories and research that have relevance to the application of changes in accounting estimates.

**Table 2.** Supporting Theory in Research

PSAK	Information
PSAK No. 16 states “the useful life of an asset can bereview at least at the end of each financial year and if there is a significant change in the expected usage pattern of the asset, the useful life will be changed. These changes are recorded as changes in accounting estimates in accordance with the Statement of Financial Accounting Standards (PSAK) 25”	Results review reduction pot assets state that 73% of the pot has experienced abnormal conditions at the age of <sup>3</sup> 5 years therefore PT. XYZ (Persero) made changes to the useful life of the reduction pot.
PSAK No. 25 states that “Estimates may need to be revised if there is a change in the circumstances on which the estimate is based or due to new information or additional experience. By their nature, revised estimates are not related to prior periods and are not a correction of an error.”	The presentation of the company's financial statements cannot be separated from estimates. Therefore, there is a possibility that estimates can be said to be appropriate and incorrect. When an estimate is in practice imprecise, the company can revise the inaccuracy of the estimate.
PSAK No. 48 states that “an indication that an asset may be impaired may also indicate that the remaining useful life, method of depreciation (amortization) or the residual value of the asset needs to be reviewed and adjusted based on the Statement that applies to the asset”	From 2019 to 2021 many reduction pots have been damaged. This indicates that the useful life of 6 (six) years is not relevant to their actual age.



The scheme for implementing PSAK 25 describes a total of 356 reduction pots which still have useful lives along with their depreciation calculations. Researchers limit the period at the end of August 2021, and assumes implementation from September 2021 and beyond. The limitation of this application period was due to the issue regarding changes in useful life detected in August 2021 and at that time the company had already released its August 2021 financial report. So, the authors made restrictions on that period. Referring to PSAK 25 which states that changes in accounting estimates are recognized on an annual basis prospective, therefore the adjustment will affect the change period, namely September 2021 and the period after the change without making adjustments to the period before the change (past).

The accounting treatment for each reduction pot item is different, depending on the remaining useful life of the pot and how long the pot has been depreciated. The change in the age of the reduction pot from 6 (six) years to 5 (five) years resulted in an increase in depreciation expense from 1/6 to 1/5. Appendix I shows that 44 reduction pots obtained in 2016 will be derecognised as assets because their useful lives have expired or have been depreciated for 5 years. The remaining book value of the 44 pots is USD. 1,004,663 will be charged in full in 2021, namely the September 2021 reporting period with the aim of zeroing out the pot value which has expired.

Guided by Statement of Financial Accounting Standards No. 25 which states that companies implementing changes in accounting estimates must disclose their nature and number of changes in accounting estimates that have an impact on the current year and in future periods. Amount 356 reduction pots which will be disclosed with different treatments. The accounting disclosures are divided into 2 (two) parts, namely: Expired Reduction Pot, and Reducing Pots Having a Remaining Useful Life.

Based on the expired Reduction Pot, Sum of 44 reduction pots that will be derecognized because the useful life of the pots has expired. The derecognition of reduction pots is carried out by writing off the book values of the 44 pots whose useful lives will expire in September 2021 in full. The accounting treatment can be seen in table 3.

**Table 3.** Accounting Treatment for Derecognition of Fixed Assets

Account	Debet	Credit
<i>Accumulated Depreciation</i>	7.224.141	
<i>Loss on Disposal Asset</i>	1.004.663	
<i>Fixed Assets</i>		8.228.804

Table 3 shows that the disposal of reduced pot fixed assets is carried out by debiting the accumulated asset depreciation account in the amount of USD. 7,224,141. The accumulated depreciation figure for assets is generated from the total accumulated depreciation of the pot from the beginning of the depreciation year to the write-off period. The reduction pots, which amount to 44 pots, have an accumulated depreciation value of USD. 7,224,141 up to August 2021. Recording of Losses on disposal of assets is in the debit balance which affects the company's profit/loss statement as a deduction from profits, which is USD. 1,004,663. Meanwhile, fixed assets (reduction pot) were written off by crediting a fixed asset account of USD 8,228,804 where this value is the same as the acquisition value of 44 reduction pot.

Based on Reducing Pots Having a Remaining Useful Life. There are 312 pots that will be adjusted in the 2021 period. The basis for calculating the depreciation expense uses an estimate of 5 (five) years or 60 months.

**Table 4.** Recording of Pots with Remaining Useful Life

Account	September		October		November		December	
	Debet	Credit	Debet	Credit	Debet	Credit	Debet	Credit
<i>Depreciation Expense</i>	1.640.052		1.502.706		1.389.228		1.334.942	
<i>Accumulated Depreciation</i>		1.640.052		1.502.706		1.389.228		1.334.942

Journalizing for reduction pots that have a remaining useful life is by debiting the depreciation expense account and crediting the accumulated depreciation account in the amount of USD. 1,640,052 in the September 2021 period, amounting to USD 1,502,706 in the October 2021 period, amounting to USD. 1,389,228 in the November 2021 period and amounted to USD. 1,334,942 in the December 2021 period. The depreciation expense will affect the profit/loss report as a deduction from the company's operating/operating profit. Meanwhile, accumulated depreciation will affect the company's statement of financial position as a deduction from the value of fixed assets.

After the researcher discussed the application of PSAK 25 to 356 reduction pots, the researcher then conducted an analysis of the impacts and consequences arising from the application of PSAK 25, especially for PT. XYZ (Persero). The results of the calculation analysis above

explains that the impact of implementing PSAK 25 results in an increase in depreciation expenses. The increase in pot depreciation expense was due to the reduction in the useful life of the fixed assets in the reduction pot, which was originally the proportion of depreciation expense of 1/6 changed to 1/5 so that the value recognized will be even greater. The increase in reduction pot depreciation expense has occurred since the change period, namely September to December 2021, amounting to USD. 2,025,260. In full can be seen in table 5.

**Table 5.** Increase in Depreciation Expenses in 2021

Asset	Ammount					
		September	October	November	December	Total
Reduction Pot	356	679.635*	542.289*	428.811*	374.525*	2.025.260

\*USD. 679.635 = USD. 1.640.052 – USD. 960.417

\*USD. 542.289 = USD. 1.502.706 – USD. 960.417

\*USD. 428.811 = USD. 1.389.228 – USD. 960.417

\*USD. 374.525 = USD. 1.334.942 – USD. 960.417

Table 5 shows the magnitude of the increase in reduction pot depreciation expense when the change in useful life is applied. In the September 2021 period, the increase in depreciation expense was USD. 679,635, this figure is generated from the difference in USD. 1,640,052, which is the amount of depreciation for the September 2021 period after the change in the age of the pot with USD. 960,417, which is the amount of depreciation for the September 2021 period before the change in pot age. Likewise with the increase in the

October 2021 period, namely USD. 542,289 generated from the difference in USD. 1,502,706 which is the total depreciation for the October 2021 period after changing the pot age to USD. 960,417. In the November 2021 period, the increase in depreciation expense was USD. 428,811 resulted from the difference between USD. 1,389,228 which is the total depreciation for the November 2021 period after changing the pot age to USD. 960,417, as well as in the December 2021 period an increase in depreciation expense of USD. 374,575 which is the difference in depreciation value after and before the change, namely USD. 1,334,942 with USD. 960,417.

## **DISCUSSION**

The results and discussion in this study support the conceptual framework for accounting reporting which is included in the qualitative characteristics of financial information, meaning that the application of changes in accounting estimates at PT. XYZ (Persero) can increase the reliability of the financial statements presented by the company. This statement is in line with research by (Glendening, 2017) which states that disclosing accounting estimates can increase the reliability (reliability) financial statements. Relevant concepts can be described with usagefeedback value which can help correct past expectations, in this study it is associated with the correction of the useful life of the reduction pot which is deemed inappropriate, while predictive value used to predict what will happen in the future, in this study it is related to the standard setting of a reduction pot age of 5 (five) years based on experience and current information. Timeliness in this research illustrates that information regarding changes in accounting estimates must be presented in a timely manner before it loses its capacity to influence decision making, so that the relevant characteristics can be fulfilled. The application of changes in the accounting estimate for the useful life of the reduced pot is expected to represent actual conditions, verifiable truth, and neutrality to the governing standards so that the reliability characteristics can be fulfilled.

The implementation of changes in accounting estimates is expected to describe and represent actual conditions, so that the information presented in the financial statements does not lose its objectivity. Objective and reliable accounting information is a prerequisite for an appropriate decision-making process, as it reflects the financial position and business performance of the entity. Therefore, for financial reports to be relevant, reliable, understandable, and accurate, all figures must be factual while estimates and disclosures made by management must be reasonable, realistic, and reliable based on the underlying framework or accounting standards (Efeeloo, 2021).

This study supports the theory stakeholder where the basic assumption of this theory is that company growth is a function of the successful management of its relationship with stakeholders. Theorystakeholder argues that proper management of stakeholders can affect company performance (Efeeloo, 2021). Financial reports are instrumenting corporate responsibility to the stakeholder which is then used as a tool in decision making. Fuadah and Hakimi (2020) state that financial performance is an economic indicator that represents a form of corporate responsibility to its stakeholders, stakeholder satisfaction is determined by how the company acts to provide it. Accordign to Beaulieu et. al. (2017) stated that disclosing changes in accounting estimates is a clear and significant signal for stakeholders based on the latest norms.

The implementation of changes in accounting estimates is expected to increase confidence stakeholder such as investors, government, creditors and other interested parties to PT. XYZ (Persero) through the presentation of reliable financial reports, so that the relationship of trust between the company and its customersstakeholder can be well maintained.

## **CONCLUSION**

The implementing of PSAK 25 is carried out with the aim of disclosing and reporting the discrepancy between the estimated useful life of the reduction pot determined by the company's management and the actual age that occurs in the field. As a result, the presentation in the financial statements of PT. XYZ (Persero) is inaccurate because it does not describe the actual conditions. Discrepancies in the reduction pot age will be corrected and adjusted prospectively and will affect the current year's financial statements and the following period's financial statements. The impact of implementing the Statement of Financial Accounting Standards (PSAK) 25 is an increase in depreciation expense in 2021 of USD. 2,025,260 which will affect the increase in depreciation expense and accumulated depreciation of the company and impact on profits and impairment of assets in 2021. In addition, losses on disposal of fixed assets amounting to 44 pots which were derecognized because their useful lives had expired amounted to USD. 1,004,663 which will also affect current year's profit and impairment of assets in 2021.

## **SUGGESTION**

Suggestions that can be given related to the results of this study, there are (a). Suggestions for the Accounting Manager of PT. XYZ (Persero). (b). Carry out the application of PSAK 25 regarding changes in accounting estimates to revise the useful life of the reduced pot from 6 (six) years to 5 (five) years. (c). Carry out derecognition of the 44 pot reductions whose useful lives have expired. (d). Carry out discussions and coordination between parties related to pot reduction problems so that the application of changes in estimates can be applied to PT. XYZ (Persero). (e). Disclose the nature and number of changes in estimates in the 2021 financial statements. (f). If the application of changes in estimates is not implemented by PT. XYZ, the company needs to disclose the reasons for not implementing these changes in the notes to the financial statements.

Based on limitation, this study given advice to Further Research there are conduct a more in-depth analysis and review of the economic benefits both monetary and non-monetary obtained by the company when changes in accounting estimates have been applied, as well as carry out a comparative analysis of the performance of financial statements before and after changes in accounting estimates have been implemented.

## **LIMITATION**

The limitation in this study lies in the lack of information regarding the estimated monetary economic benefits that will be received by PT. XYZ (Persero) such as increasing production volume and saving on maintenance costs or repairing machines when changes to accounting estimates are applied. Estimated economic benefits can be used in analyzing cost-benefit to support the implementation of changes in accounting estimates. The inability of the company's management to estimate the economic benefits will affect the pros and cons between the parties involved in applying changes in accounting estimates in accordance with PSAK 25.

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