

# Analysis Of The Application Of Recording Methods And Assessment Of Inventories In Accordance With Psak No. 14 At Andrew Smith Urban Lifestyle Supermall Karawaci

Dwi Kartinah<sup>1</sup>, Tommy Kuncara<sup>2</sup>

Faculty of Economics Gunadarma University  
Jl. Margonda Raya No. 100, Depok 16424,  
West Java

\*Corresponding author:

Email: [tommy\\_kuncara@staff.gunadarma.ac.id](mailto:tommy_kuncara@staff.gunadarma.ac.id)

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## **Abstract.**

*Inventory is one of the assets that has an important role for the activities of a company. The problem that often occurs in inventory is when recording and evaluating inventory. Generally, recording is not detailed or even manually, thus making inventory reports unclear and not good. This makes the researcher want to compare the inventory treatment of Andrew Smith's Urban Lifestyle Supermall Karawaci store with PSAK No. 14. This research was conducted using a descriptive method with quantitative and qualitative data sourced from primary and secondary data. The data obtained are then processed, analyzed, and interpreted to determine the comparison with PSAK No. 14. Andrew Smith Urban Lifestyle is a manufacturing company engaged in the men's clothing industry such as: jackets, shirts, pants, chinos, sweaters, blazers, ties, accessories, shoes, and sneakers. The result of this research is that the store's inventory recording has not used a method that is in accordance with PSAK No. 14, there is only a partial recording referring to the perpetual method, namely when there is an entry and exit of goods that is directly recorded in a computerized manner. While the inventory valuation is also not in accordance with PSAK no. 14 because it does not use the FIFO method. Using the FIFO method will result in a clearer and better inventory valuation.*

**Keywords:** Recording, Valuation, Inventory, PSAK No. 14

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## **I. INTRODUCTION**

Nowadays, competition in the business world can no longer be avoided, be it in service, trading, and manufacturing companies. Indonesia has also entered into the competition, one of the causes of competition in the business world is the emergence of new companies that even issue new innovations. One of the company's goals is to achieve maximum profit by making the best possible use of all the resources and assets it has. One of the company's assets is inventory where a large number of funds are embedded and become a large element of the overall working capital and information required for decision making by management. Inventories are one part of the current assets of a company with the aim of being sold in the company's business activities, or materials/goods that will be used for the production of finished goods and then sold in the company's business activities (Kieso, Warfield, Weygandt, 2019: 499)

The use of the inventory accounting method has a considerable influence on the financial Trading companies have only one type of inventory, namely merchandise or finished goods inventory, while for manufacturing companies there are three types of inventory, namely: raw material inventory, work in process inventory, and finished goods inventory. Inventories of raw materials are basic materials/goods that have not been included in the production process but will be used in production. Work in progress is an inventory of production goods that have entered the production process but have not been completed. Inventories of finished goods are manufactured goods that have been processed and are ready to be marketed (Kieso, Kimmel, Weygandt, 2018: 296). statements, especially on the income statement and statement of financial

position. Therefore, the company must apply accounting policies and choose the right inventory accounting method in accordance with the accounting standards that apply to the type of company. In the method of recording and valuing inventories, the Indonesian Institute of Accountants (IAI) issued Statement of Financial Accounting Standards (PSAK) No. 14 which contains the inventory. PSAK No. 14 was first issued on September 7, 1994, in this PSAK there are three methods of cost formulation consisting of the First In First Out (MPKP) method or can be called First In *First Out* (FIFO), the Last In First Out (MTKP) method or can be called the Last In First Out (LIFO) and the average method. then on September 6, 2008, PSAK No. 14 was revised again into two methods, namely MTKP or FIFO and average or average, while MTKP or LIFO was abolished, after which the Financial Accounting Standards Board approved the adjustment to PSAK No. 14 regarding inventories on 27 August 2014.

Then there are two systems for recording and evaluating merchandise inventory, namely the perpetual inventory system and the periodic inventory system. The perpetual inventory system is a system where the company continuously checks and records changes in the inventory account such as when purchases and sales of direct goods occur, while the periodic inventory system is a system when the company determines the amount of inventory on a regular basis and records all inventory purchases by debiting the purchases account during accounting period, then totaled in the purchases account at the end of the accounting period for the cost of inventory on hand at the beginning of the period (Kieso, Warfield, Weyandt, 2019: 501). Andrew Smith Urban Lifestyle which is a contemporary urban menswear brand company founded in 2014, and one of its branches is Andrew Smith Urban Lifestyle Supermall Karawaci which was founded in October 2018 where this company has its main activity selling various products such as clothing, accessories, bags, shoes, and so on. Due to these activities, inventory must always be available and use appropriate inventory recording and valuation methods so that

The decisions made by the management are right in getting profits which is the main goal of the company. Therefore, the authors are interested in researching and discussing inventory accounting at this company and analyzing compliance with PSAK No. 14 in the form of scientific writing entitled: "ANALYSIS OF THE APPLICATION OF THE RECORDING METHOD AND ASSESSMENT OF INVENTORY IN ACCORDANCE WITH PSAK NO. 14 AT ANDREW SMITH URBAN LIFESTYLE SUPERMALL KARAWACI".

## II. LITERATURE REVIEW

### Definition of Inventory

Inventory is one of the most important assets for trading and manufacturing companies, because inventory is used as the main activity in the company's operations. According to Kieso et al. (2019:499) Inventories are company assets that aim to be sold in general business operations, or units that will be used in the production process that produces finished goods which will then be marketed. According to Samryn (2018: 265) inventory is the purchase of goods or materials with the intention of resale, as auxiliary materials, or as raw materials used in the production process to produce finished goods. Meanwhile, according to the Indonesian Accounting Association (IAI) in the Statement of Financial Accounting Standards (PSAK) No. 14 the definition of inventory is a current asset that:

- a. Available for sale in the ordinary course of business.
- b. In process production for the sale.
- c. In the form of materials or equipment for used in the production process or in the provision of services.

### Inventory Types

According to Weygandt et al. (2018:296) trading companies only have inventory of merchandise, the inventory is in a form that is ready to be sold to customers, while manufacturing companies have three types of inventory, namely:

- 1) Inventories of finished goods (finished goods inventory) are goods resulting from production that have been completed and ready to be marketed.

- 2) Goods in process (work in process) are goods that have not been completed but have entered the production process.
- 3) Raw materials are raw materials or basic materials that will be used in production but have not been included in the production process.

According to Kieso et al. (2019:499-500) Inventories at trading companies are purchased in ready-to-market form, in manufacturing companies there are three classifications of inventory types, including:

- 1) Inventory of raw materials (raw materials inventory) costs reported by the company for goods and materials that have been determined to exist, but have not been entered into the production process.
- 2) Work in process inventory is the cost of raw materials for unfinished goods, plus direct labor costs used specifically for these materials and an equal share with factory overhead costs.
- 3) Inventory of finished goods (finished good inventory) costs that are reported and identified company as finished goods or finished products, but not yet sold at the end of the fiscal period.

### **Inventory Costs**

According to PSAK No. 14, the measurement of inventories is at the lower of cost and net realizable value. Inventory costs consist of:

- 1) Purchase fee

Consists of the purchase price, import duties, transportation costs, handling fees, other taxes (except those that are refundable by the tax office), and other costs that can be directly attributed to and reduced by discounts, rebates and other forms.

- 2) Conversion fee

Costs that are directly related to items produced and fixed and variable manufacturing overhead costs that are allocated on a systematic basis.

- 3) other costs

Costs are recognized as an expense in the current period, taken from the cost of inventories, namely:

- a) Unusual amount of expense or waste.
- b) Storage costs which are not used for the production process.
- c) General and administrative expenses that have no effect on inventories in the current period.
- d) Cost for sales.

### **Inventory Recording System**

The opinion of Hery (2016: 244-252) that the inventory recording system has two methods, namely:

- 1) Perpetual recording system

Every time there is a sale of merchandise to consumers, the cost of goods sold will be recorded by debiting cost of goods sold account and credits the merchandise inventory account. Likewise, every purchase of merchandise from distributors will be recorded by the company by debiting the merchandise inventory account and crediting the cash or accounts payable account.

- 2) Periodic recording system

When the sale of merchandise occurs, only revenue will be recorded, no other journal entries are made to record the cost of goods sold. At the end of each accounting period, a physical count of inventory will be carried out to determine the amount of ending inventory and determine the cost of goods sold. Cost of goods sold is calculated by calculating the cost of goods available for sale minus the amount of ending inventory obtained through previous physical calculations. While the opinion of Kieso et al. (2019:501) companies in managing the right inventory records for costs will use one of the systems, namely:

- 3) Perpetual inventory system (perpetual inventory system)

a system that will continue to record changes in the inventory account means that the company will directly

record all purchases and sales (expenditures) of goods in the inventory account and cost of goods sold account while they are happening.

4) Periodic inventory system (periodic inventory system)

is a system where the company will calculate the amount of inventory periodically, the company records all purchases / entry of inventory during the accounting period by debiting the purchases account.

**Inventory Valuation Method**

The value of inventories is determined based on company policy, according to PSAK No. In general, costs for inventories cannot be replaced with other inventories (not ordinary interchangeable) and goods or services produced and separated for certain planning purposes will be calculated using special identification as the basis for their respective costs. As for other goods, it is calculated using the cost formula:

1) First In First Out (MPKP) or First In First Out (FIFO)

The value of ending inventory under the FIFO method is obtained from the cost of the most recent inventory because the first goods to arrive will be sold or marketed first.

2) Weighted Average

In the average method, the unit cost of inventory is calculated from the weighted average of similar inventories at the beginning of the period and the cost of similar inventories purchased or produced in a period.

**III. RESEARCH METHODS**

**Object of research**

The object of research used by the author is a company engaged in manufacturing, namely Andrew Smith Urban Lifestyle Supermall Karawaci. The main activity of the Andrew Smith Urban Lifestyle company is to produce and sell men's clothing such as shirts, t-shirts, pants, bags, and various accessories, while Andrew Smith Urban Lifestyle Supermall Karawaci is located at Supermall Karawaci, Jl. Diponegoro Boulevard No.105, Klp. Two, District. clp. Dua, Tangerang, Banten only focuses on product sales activities.

**Data Types and Sources**

In Scientific Writing, data is needed to be analyzed by the author, where there are several types of data used by the author, namely:

a) Quantitative data

Is data in the form of numbers that have generally been shaped as well as possible so that they are easy to understand, for example, such as financial reports, inventory cards, and others. This data can be used and redeveloped by the author so that it has relevance to the discussion in this study.

b) Qualitative data

Is data in the form of a description or description of an object or event that occurs, for example, such as company history, company goals, and so on. This data is fixed or cannot be changed unless it is done by the object that owns the data.

Sources of data obtained by the author consists of:

1) Primary data

Is data in the form of descriptions or opinions of an object individually or in groups obtained directly through interviews, discussions, and observations from the object of research, namely the Andrew Smith Urban Lifestyle Supermall Karawaci store, which is located at Supermall Karawaci, Jl. Boulevard Diponegoro No.105, Klp. Two, District. clp. Dua, Tangerang, Banten. This data still needs to be processed and further development with the author's own understanding.

2) Secondary Data

Is data obtained indirectly in forms such as records, documents or reports that have been processed and archived in the company, for example: company history, company organizational structure, company profile, company financial reports and other data. This can also be sourced from books, websites, and company social media that can complement the discussion in this research.

### **Data collection technique**

In this study, the authors need data and information to complement and support the discussion of this research. In obtaining data, the authors use data collection techniques, namely:

#### 1) Literature Study Techniques

It is a research technique by collecting, reading, and studying data through journals, books, and websites, where the data is related to the research discussion and can be used as a theoretical basis as a complement to the discussion.

#### 2) Field Study Techniques

This technique was carried out by the author by visiting the Andrew Smith Urban Lifestyle Supermall Karawaci store directly by doing several techniques, namely:

- a) Interview Techniques Are technique collection data by live, where generally done by asking responsible for the store responsible for obtaining the required information.
- b) Observation

Researcher To accompany data collection required for comparison with PSAK No. 14 as a discussion of the research content.

### **Data analysis technique**

The data that has been obtained is then analyzed by the researcher using descriptive analysis method, namely the method by compiling the data that has been obtained, after that it is interpreted, analyzed, and applied so as to produce information to answer the existing problem formulation. The technique applied by the researcher to the data is according to PSAK No. 14.

#### 1. Inventory Record

##### Perpetual Inventory Recording System

The perpetual inventory recording system is a recording system in which if there is a purchase or sale of merchandise, it will be directly recorded on the record/card inventory of merchandise. In this recording can be known the cost of ending inventory and cost of goods sold directly in the current recording period. If there is the discrepancy between the cost of inventory in the accounting records and the value of the inventory that is carried out by physical stock inspection in inventory storage, adjustments must be made to the accounting records with the amount of inventory in storage. If there is a purchase, the inventory account will be recorded on the debit side, while if there is a sale it will be recorded in the inventory account on the credit side. In addition there is a stock card or so-called stock card which is used to help recording inventory for each type of merchandise.

#### 2. Inventory Valuation

##### a. FIFO (First In First Out)/MPKP (Enter First Out First)

This method assumes that the goods sold are the goods that enter first. Thus, goods available in ending inventory are goods originating from the most recent purchases or production results, because goods originating from previous purchases or productions are considered to have been sold and will be counted as goods in the beginning inventory of the next period.

##### b. Average (Average)

This method assumes that inventory prices are based on the average cost of all similar items available during the period. The average method is divided by time, namely the weighted average method used in recording periodic. Meanwhile, there is a moving average method used in perpetual recording.

## **IV. DISCUSSION**

### **Overview of Research Objects**

Andrew Smith Urban Lifestyle is a manufacturing company engaged in the clothing industry. Andrew Smith Urban Lifestyle is a Smart Casual brand that provides a wide range of men's clothing with contemporary urban style designed to meet everyday essentials. The company that produces clothing needs for men was first established in Bandung in 2014. Changing a conservative style into a modern, smart, and attractive look. Andrew Smith's style provides freedom in styling and matching mixes allowing flexibility

with a variety of jackets, shirts, pants, chinos, sweaters, blazers, ties, matching leather accessories, shoes and sneakers.

The collection speaks of versatility in style, as this range can be worn from day to night, now the Andrew Smith Urban Lifestyle brand has ± 10 branch stores in several cities in Indonesia, one of the branch stores is Andrew Smith Urban Lifestyle Supermall Karawaci Tangerang which opened on October 19, 2018. The store is located at Supermall Karawaci, Jl. Boulevard Diponegoro No.105, Klp. Two, District. clp. Dua, Tangerang, Banten has a main activity, namely selling products from Andrew Smith Urban Lifestyle, in this activity besides aiming to get the maximum profit possible, there is another goal, namely to cover small profits or even losses from other branches that are still in the same area. Where this store will be the subject of the author regarding the recording and valuation of inventory.

**Inventory Recording Method Analysis**

Andrew Smith's Urban Lifestyle Supermall Karawaci store always records changes to inventory every time there is a computerized sale and receipt of product stock. Comparison of the company's inventory recording with PSAK no. 14

PSAK No. 14		Andrew Smith Urban Lifestyle Store	
<u>Cash Purchase Inventory</u>		<u>Inventory Inventory</u>	
Cash	1,099,800	Recorded On	Inventory Card
	1,099,800		
<u>Inventory Cash Sale</u>	Cash 1,099,800	<u>Inventory Cash Sale</u>	Cash 1,099,800
Sales	1,099,800	Point Of Sales	1,099,800
Cost of goods sold	1,099,800	Cost Of Goods Sold	1,099,800
Inventory	1,099,800	Stock	1,099,800
<u>Goods Inventory Credit Sales</u>	<u>Account</u>	<u>Goods Inventory Credit Sales</u>	<u>BCA-Credit</u>
receivable	1,099,800		1,099,800
Sales	1,099,800	Point Of Sales	1,099,800
Cost of goods sold	1,099,800	Cost Of Goods Sold	1,099,800
Inventory	1,099,800	Stock	1,099,800
<u>Discounts on Cash Sales</u>	<u>Cash</u>	<u>Discounts on Cash Sales</u>	<u>Cash</u>
	769,860		769,860
Sales discounts	329,940	Sales discounts	329,940
Sales	1,099,800	Point Of Sales	1,099,800
Cost of goods sold	1,099,800	Cost Of Goods Sold	1,099,800
Inventory	1,099,800	Stock	1,099,800
<u>Discounts on Credit Sales</u>	<u>Account</u>	<u>Discounts on Credit Sales</u>	<u>BCA-Credit</u>
receivable	1,099,800		769,860
Sales	1,099,800	Sales discounts	329,940
Cost of goods sold	1,099,800	Point Of Sales	1,099,800
Inventory	1,099,800	Cost Of Goods Sold	1,099,800
	<u>Repayment:</u>	Stock	1,099,800
Cash	769,860		
Sales discounts	329,940		
Account receivable	1,099,800		

**Inventory Valuation Method Analysis**

Andrew Smith Urban Lifestyle Supermall  
Karawaci 2019 Shirt Supplies Card

(In rupiah)

DATE	LOGIN			EXIT			BALANCE		
	UNIT	PRICE	AMOUNT	UNIT	PRICE	AMOUNT	UNIT	PRICE	

							9	469,900	4,222,910.00
							26	529,900	13,777,400.00
							65	569,900	37,043,500.00
01-Jan-19				1	529,900	529,900	9	469,900	4,222,910.00
				1	569,900	569,900	25	529,900	13,224,750.00
							64	569,900	36,473,600.00
02-Jan-19				2	469,900	939,800	7	469,900	3,289,300.00
				2	529,900	1,059,800	23	529,900	12,187,
								1405	

									7 0 0
				1	569,900	569,900	63	569,900	3 5, 9 0 3, 7 0 0
04-Jan-19	7	469,900	3,289,300	1	469,900	469,900	13	469,900	6, 1 0 8, 7 0 0
	10	569,900	5,699,000				23	529,900	1 2, 1 8 7, 7 0 0
							73	569,900	4 1, 6 0 2, 7 0 0
05-Jan-19				3	469,900	1,409,700	10	469,900	4, 6 9 9, 0 0 0
							23	529,900	1 2, 1 8 7, 7 0 0
							73	569,900	4 1, 6 0 2, 7 0 0
06-Jan-19				3	469,900	1,409,700	7	469,900	3, 2 8 9,
								1406	



									3 0 0
				1	569,900	569,900	23	529,900	1 2, 1 8 7, 7 0 0
							72	569,900	4 1, 0 3 2, 8 0 0
11-Jan-19				1	529,900	529,900	7	469,900	3, 2 8 9, 3 0 0
							22	529,900	1 1, 6 5 7, 8 0 0
							72	569,900	4 1, 0 3 2, 8 0 0
12-Jan-19	52	469,900	24,434,800	2	469,900	939,800	57	469,900	2 6, 7 8 4, 3 0 0
	52	529,900	27,554,800	1	529,900	529,900	73	529,900	3 8, 6 8 2, 7 0 0
	38	569,900	21,656,200	3	569,900	1,709,700	107	569,900	1407 0 0
									6 0, 9

										7
										9,
										3
										0
										0

Calculation of the Cost of Shirts Sold in 2019

Initial inventory		IDR 55.050.000
Income	IDR 768,749,600	
Freight cost	Rp _____ -	
	IDR 768,749,600	
Purchase return	Rp _____ -	
Discount	Rp _____ -	
		<u>IDR 768,749,600</u>
Items ready for sale		Rp 823,799,600
Ending inventory		<u>(Rp 275.417.500)</u>
Cost of goods sold		Rp 548,382,100

Source: Compiled from Andrew Smith Urban Lifestyle data

**Summary of Research Results**  
2019 shirt inventory valuation recapitulation

Information	balance
Initial inventory	IDR 55.050.000
Income	IDR 768,749,600
Ending balance	IDR 275,417,500
HPP	Rp 548,382,100

Source: Compiled from Andrew Smith Urban Lifestyle data

Based on the data that has been processed, analyzed and compared with PSAK No. 14, it can be concluded that the inventory recording method used by the Andrew Smith Urban Lifestyle Supermall Karawaci store is not in accordance with PSAK No. 14 about supplies.

**V. CONCLUSIONS AND SUGGESTIONS**

**Conclusion**

Based on the results of the analysis and description of calculations in the previous chapter regarding the recording and valuation of merchandise inventory at the Andrew Smith Urban Lifestyle Supermall Karawaci store, it can be concluded that the store has not fully implemented inventory recording in accordance with PSAK No. 14, but there are only some records that refer to the perpetual recording method, namely when every item that comes in and goes out will be directly recorded and journalized through a computer system.

On inventory valuation, shop also has not used any method, be it the FIFO method or the average in accordance with PSAK No.14 because there are several items that vary from material, shape, color, or price but are still recorded in one inventory card. This store also does not have a policy of old goods or new goods must be sold first. The many types of products such as shirts, t-shirts, pants, shoes, bags, accessories and others, make the Andrew Simth Urban Lifestyle brand unable to generalize the prices for each product.

**Suggestion**

Based on the conclusions that have been made, the writer wants to give suggestions to the Andrew Smith Urban Lifestyle Supermall Karawaci store. Some suggestions to give are:

- 1) In inventory valuation, it is better if the Andrew Smith Urban Lifestyle Supermall Karawaci store can apply the FIFO method, because byusing methodWith this, the store will know whether the item is an item that has been in the warehouse for a long time or a new item that has come to the warehouse. It can also indirectly affect the quality of goods, because every customer wants to buy and have the latest goods, not

goods from old stock.

2) In recording inventory, it is hoped that the Andrew Smith Urban Lifestyle Supermall Karawaci store can provide a separate inventory card report based on type, material, shape, and price, to make it easier to check each item at the end of the year, and to avoid recording errors or entering data items through computer.

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