


Revenue Recognition Evaluation in Construction Companies

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Article Info	ABSTRACT
<p>Keywords: Revenue Recognition, PSAK 72, Construction Contracts, Financial Reporting.</p>	<p>This study evaluates the application of PSAK 72 in revenue recognition at PT. ABC, a construction company. PSAK 72, which replaces PSAK 23 and PSAK 34, introduces a principle-based approach that requires revenue to be recognized upon fulfilling contractual obligations. The research examines whether PT. ABC's revenue recognition process aligns with PSAK 72's five-step framework, including contract identification, combination, modification, performance obligation identification, and fulfillment. The study adopts a qualitative approach, utilizing interviews, financial reports, and contract analysis. Findings indicate that PT. ABC largely complies with PSAK 72, particularly in contract identification, combination, modification, and fulfillment of performance obligations. However, the company has not fully implemented the identification of distinct performance obligations. Revenue recognition is conducted progressively based on project completion, using the percentage-of-completion method. The study highlights challenges in aligning construction contracts with PSAK 72, particularly in distinguishing separate obligations within a single contract. The research emphasizes the need for increased awareness and training on PSAK 72 to ensure full compliance. The findings contribute to understanding revenue recognition in the construction industry and suggest further research on PSAK 72 implementation across different sectors.</p>
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INTRODUCTION

The Statement of Financial Accounting Standards (PSAK) serves as an essential guideline for accounting practices, encompassing accounting procedures that regulate the treatment, recording, preparation, and presentation of financial statements as formulated by the Indonesian Institute of Accountants (IAI). PSAK No. 23 defines income as consisting of revenue and gains and explains the requirements for identifying when revenue recognition can be carried out by goods or service providers.

The implementation of PSAK No. 72: Revenue from Contracts with Customers, which adopts IFRS 15, in 2020 shifted revenue recognition to a principle-based approach. This change affects several related standards, such as PSAK 34: Construction Contracts, PSAK 23: Revenue, ISAK 10: Customer Loyalty Programs, ISAK 21: Real Estate Construction Agreements, and ISAK 27: Transfer of Assets from Customers (PWC Indonesia, 2019). PSAK 72 introduces five stages of revenue recognition, requiring the separation of obligations by

goods or service providers to determine the proportion of revenue from a contract (Juli, 2020). Revenue can only be recognized after each obligation has been fulfilled, significantly impacting various industries, including the construction sector.

According to Klik Pajak (2019), construction companies generally provide planning, execution, and/or supervision services, which are often bundled to create more attractive pricing. The application of PSAK 72 requires separating obligations from service providers and assessing the proportion of completed services, which can be carried out using the adjusted market approach, expected cost-plus margin approach, and residual approach (Martani, 2017). The complexity of revenue recognition does not stop there. Based on PSAK 72, revenue can be recognized progressively according to the measurement of national progress or cost recovery, leading to differences in revenue recognition timing from contracts with customers (Andak et al., 2015). Given that construction projects typically span multiple accounting periods, the amount of recognized revenue creates a temporary gap. This phenomenon underscores the importance of revenue recognition in the construction sector. The construction industry in Indonesia is one of the fastest-growing sectors, marked by a significant increase in infrastructure projects. However, this sector faces substantial challenges in revenue recognition, especially since construction projects generally have long and complex durations, often involving multiple stages of completion and varied payment structures.

The implementation of PSAK 72 has had a significant impact on the property, real estate, and construction sectors as it alters revenue recognition patterns, affecting corporate financial performance. Other affected sectors include telecommunications, retail, and manufacturing. PSAK 72 shifts revenue recognition from a rule-based to a principle-based approach, meaning that revenue is now recognized based on contractual obligations fulfillment rather than advance payments.

In construction service companies, revenue recognition is often problematic due to differences in accounting periods, leading to revenue allocation at each period-end based on the percentage of completion in the field. The construction project cycle, from execution to project handover, spans multiple accounting periods, requiring companies to track revenue at each period-end to ensure accurate financial statement recognition. Due to these timing differences, a systematic and standardized regulation is necessary to govern revenue and cost recognition for construction contracts agreed upon by both employers and contractors. This aligns with the comparability principle of financial statements, ensuring consistency among companies in the same industry.

Previous research indicates that some companies comply with PSAK 72 in recognizing construction revenue. Indrawati (2021) states that companies recognize revenue in accordance with the applicable accounting standards, PSAK 72. However, Londa (2020) found that some companies still fail to comply with the standard. Anggraini and Sholichah (2021) also identified non-compliance in revenue recognition at PT. Madsumaya Indo Seafood, where export shrimp sales were recognized without a letter of credit, which contradicts PSAK 72. In accounting practices, discrepancies often occur, such as recognizing revenue before a contract begins, leading to inconsistencies between revenue recognition and actual realization. Therefore, companies must accurately identify the nature of

transactions to ensure correct revenue recording. Another study by Rahmawati (2018) highlights issues in construction revenue recognition, which are often caused by unexpected contract changes and delayed payments from project owners. These challenges add complexity to revenue recognition and impact the financial reporting of construction companies.

PT. ABC, a Jakarta-based national company operating in the construction and development sector, has significant contracts with customers. By adopting PSAK 72, PT. ABC can ensure that its revenue recognition aligns with the latest accounting standards, thereby enhancing the quality and reliability of financial information. Proper revenue recognition methods directly impact the fairness and transparency of financial reports. This research is expected to contribute to a deeper understanding of PSAK 72 implementation and provide solutions to address existing gaps in construction revenue recognition in line with the latest accounting standards.

METHODS

This research is conducted at PT. ABC, the study adopts a qualitative research method, as it focuses on revenue recognition within construction companies. Muri Yusuf (2014) explains that research serves as a scientific approach to solving problems through reflective and structured reasoning. A systematic and controlled research process ensures accuracy, objectivity, and empirical validity in achieving the research objectives. As emphasized by Sugiyono (2019), qualitative research is based on post-positivist philosophy, examining natural conditions where researchers act as key instruments. Data collection involves triangulation techniques, and analysis is conducted inductively to derive meaningful insights rather than mere generalizations.

The data used in this research consists of primary and secondary data. Primary data is obtained directly from fieldwork, particularly through interviews with the Chief Accounting Officer of PT. ABC. Meanwhile, secondary data includes financial reports, general ledgers, and company portfolios related to the research. The study's population is PT. ABC, a national-scale construction and development company based in Jakarta, with extensive experience in exterior and interior projects across Indonesia. To ensure relevance, the sample selected includes financial reports and construction contracts from 2022, aligning with the company's business activities.

Data collection methods include documentation, in-depth interviews, observations, and literature review. Documentation involves analyzing financial statements, project contracts, accounting policies, and internal company records to assess compliance with PSAK 72. In-depth interviews are conducted with company executives and accounting staff to gain insights into revenue recognition practices, challenges, and solutions. Observations allow for a direct examination of project execution and revenue recognition processes, ensuring consistency between documented policies and actual implementation. Meanwhile, literature review provides a theoretical framework based on PSAK 72, accounting journals, prior studies, and reference books, establishing a foundation for data interpretation and research methodology.

To define key research variables, PSAK 23 (2012) describes revenue recognition as the gross inflow of economic benefits that increase equity during a given period. In the construction sector, revenue recognition is tied to tender agreements and construction services, which encompass residential housing, office buildings, and civil engineering projects. The study employs a descriptive-comparative analysis, comparing PT. ABC's revenue recognition practices with PSAK 72 standards.

The research process begins with data collection on financial statements, revenue breakdowns, and construction contracts for 2022. Next, a detailed analysis is performed to identify revenue recognition patterns at PT. ABC, followed by a comparison with PSAK 72 standards to assess the company's compliance. The study then examines how revenue recognition is applied in PT. ABC's construction contracts and evaluates the alignment with PSAK 72 principles. Finally, conclusions are drawn based on the findings, theoretical frameworks, and supporting literature, providing insights into best practices and areas for improvement in revenue recognition within the construction industry.

RESULTS AND DISCUSSION

Profile

PT. ABC is a nationally recognized professional company specializing in construction and development services, offering expertise in both exterior and interior projects across Indonesia. The company is involved in various construction projects, including residential housing, commercial buildings, office infrastructure, and large-scale developments. With years of experience and a strong reputation for credibility, PT. ABC has become one of the leading construction companies in the country.

With over four decades of experience, PT. ABC has been a key player in Indonesia's construction industry since its establishment on June 2, 1980. Over the years, the company has combined expertise, technical skills, and industry knowledge, ensuring high-quality services in every project. The company's long-standing experience has refined the skills of its workforce, positioning PT. ABC as a trusted name in the construction sector with operations nationwide. This growth has been fueled by the dedication of its team and the trust of clients and partners. Moving forward, PT. ABC continues to pursue innovation and excellence, refining its methodologies to achieve its vision of transparent and competent infrastructure development in Indonesia. The company recognizes the importance of collaboration with employees, clients, and stakeholders to drive sustainable progress.

Supported by a highly skilled and professional team, PT. ABC has successfully completed prestigious infrastructure and mega-construction projects on both regional and national levels. The company values trust as a driving force, motivating continuous innovation and creativity in every project. Client satisfaction remains a top priority, and the company is committed to constant improvement to stay ahead in the industry. Every construction project undertaken by PT. ABC serves as an opportunity for growth and learning, ensuring continuous improvement in service quality. In addition to maintaining external credibility, PT. ABC is dedicated to fostering a positive and secure work environment internally. The company upholds workplace safety standards, adhering to both national and international

regulations, and has obtained relevant certifications to ensure the safe execution of every project.

As the company continues to expand, PT. ABC aims to establish long-term partnerships with clients, investors, and stakeholders, contributing to high-quality, forward-thinking infrastructure development in Indonesia. With over 40 years of industry experience, PT. ABC upholds a clear vision to be a leading force in construction and general trade in Indonesia. The company is dedicated to supporting nationwide infrastructure development, ensuring client satisfaction, and maintaining a safe and effective work environment. Innovation and resource optimization remain at the heart of its strategy, enabling the company to compete globally and contribute to Indonesia's growth and modernization.

Data Analysis

PT. ABC is a service-based company specializing in construction services, covering both exterior and interior projects across Indonesia. The company engages in various construction projects, including residential housing, commercial buildings, office spaces, and infrastructure development. The revenue generated by the company primarily comes from these construction projects. Revenue from these projects is recognized using the percentage of completion method with an output-based approach, meaning that revenue can only be recognized once the service has been provided to the customer. Payments or billing are carried out progressively, based on the physical progress (on-site opname) of the construction work.

In practice, contracts play a binding role between the company and its clients. If there is a termination or cancellation of a contract, certain consequences must be accepted, as these actions are subject to the agreed-upon contractual terms. Since these contracts are legally binding, any termination must adhere to the applicable sanctions and conditions that were initially agreed upon between PT. ABC and its clients. Revenue recognition involves the official recording of financial transactions in accordance with accounting methods, ensuring that the recognized revenue is reflected in the financial statements.

Based on the conducted research, PT. ABC completes its projects within two different timeframes—some projects are finalized within a single accounting period, while others extend beyond one accounting year. This study aims to analyze whether PT. ABC's revenue recognition practices align with PSAK 72. The following section presents the Income Statement of PT. ABC for the year 2022.

Based on field observations and documentation, PT. ABC's revenue sources are classified into operating and non-operating income. Operating revenue consists of project-based income, which is derived from construction services. Meanwhile, non-operating revenue includes various sources such as bank interest income, generated from interest earned on customer loans, investment income from BCA Sekuritas, earned through stock trading and ownership, and miscellaneous income, which comes from activities outside the company's core business operations.

According to field observations and financial documentation, PT. ABC's 2022 income statement reports total revenue of IDR 54,203,246,156. This revenue is derived from multiple construction projects, with contracts spanning from 2019 to 2022. PT. ABC applies the percentage of completion method with an output-based approach, where revenue

recognition is based on the physical progress (on-site opname) of each construction project. However, based on observations and documentation, revenue recognition for some projects was not fully recorded in 2022. For example, the residential construction project in Cluster Calathea had only IDR 1,189,191,511 recognized as revenue in 2022, despite the ongoing contract. On the other hand, the construction of classrooms at SPN Lido had its full revenue recognized in 2022, whereas the residential project in Cluster Yuthica had no revenue recognized for that year.

Table 1. Revenue Recognition of PT. ABC for the Lido Project

Month	Description	Work Progress Percentage	Revenue Recognition Percentage (from contract value)	Revenue Recognition Amount
March 2022	Advance Payment	0%		Rp. 2.438.239.773
June 2022	First Installment	33%	33%	Rp. 2.392.110.946
July 2022	Second Installment	66%	33%	Rp. 2.392.110.946
September 2022	Third Installment	95%	29%	Rp. 2.379.890.495
December 2022	Fourth Installment	100%	5%	Rp. 504.230.856

Based on the interview results, the company applies the percentage of completion method using an output-based approach. As shown in Table 1, all percentage assessments are based on on-site progress inspections (opname) conducted by field supervisors. After the on-site opname, the field supervisors prepare a physical progress report based on the percentage of completion achieved.

Table 1 illustrates the company's billing process per installment (termin), including recognized revenue calculations and retention amounts for the respective periods. At PT. ABC, revenue from construction contracts is recognized when an invoice is issued for the contracted work. The recognition is recorded at the time of invoice issuance and project progress reporting. Regarding payment procedures, the company receives payments in stages. In March 2022, Bendaharawan SPN Polda Metro Jaya provided an advance payment to the contractor, PT. ABC, amounting to 25% of the total contract value, despite the work progress percentage still being at 0%.

In June 2022, revenue recognized for the first installment (Termin 1) was IDR 2,392,110,946, corresponding to 33% of the project completion. By July 2022, the second installment (Termin 2) was recognized at the same amount of IDR 2,392,110,946, with the work progress reaching 66%. In September 2022, the third installment (Termin 3) was recorded at IDR 2,379,890,495, with 95% of the project completed. Finally, in December 2022, revenue recognized for the fourth installment (Termin 4) amounted to IDR 504,230,856, marking 100% project completion. The final installment includes a retention amount of 5%, which will be disbursed after the three-month maintenance period is

successfully completed, as confirmed by the second handover report (Berita Acara Serah Terima Kedua).

Discussion

PT. ABC generates revenue from construction projects as well as other sources such as bank interest income and stock investments. The revenue recognition process for projects begins with a physical progress check by field supervisors, followed by the issuance of a progress report. Once the report is received by the finance department, an invoice and tax invoice are prepared. Revenue is only recognized when the service has been delivered to the client. PT. ABC applies the percentage-of-completion method based on the estimated project progress determined by the project manager.

For the construction of a two-story classroom at SPN Polda Metro Jaya, with a contract value of IDR 10.1 billion, payments were made in four installments based on project completion percentages. PT. ABC received an advance payment of 25% of the contract value, which was used for project preparations. Payments were made in stages, with a 5% retention fee paid after the maintenance period was completed. Each installment was recorded in accounting journals, reflecting accounts receivable, project revenue, and related taxes.

PT. ABC follows the accrual basis method for revenue recognition, meaning revenue is recognized when the invoice is issued, even if payment has not yet been received. The company's recording system is automated, ensuring that revenue recognition is directly entered into the system without manual recording. Payments for invoices are typically received within one month after issuance and can be made via bank transfer according to the contract agreement.

In terms of accounting standards, PT. ABC prefers PSAK 72 over PSAK 34, as it is considered to reduce the risk of financial losses. However, the accounting department acknowledges that understanding of PSAK 72 remains limited, despite efforts to socialize the standard. This highlights the need to enhance awareness and knowledge of the latest accounting standards in the construction industry.

PSAK 72 regulates revenue recognition from contracts with customers and has been in effect since 2020 as a simplification of previous PSAKs. Revenue recognition for projects at PT. ABC follows the five stages outlined in PSAK 72: identifying contracts, contract combination, contract modification, identifying performance obligations, and fulfilling performance obligations. In the SPN Lido classroom construction project, PT. ABC meets all contract recognition criteria, such as having a written agreement, identifying the rights and obligations of each party, and a staged payment mechanism based on work progress.

The contract held by PT. ABC is classified as a single contract under PSAK 72 because it has the same commercial objective and payments depend on the completion of work progress. If there are changes in the contract scope or pricing, contract modifications can be made, either as a separate contract or within the same contract. In practice, PT. ABC records construction contracts as single contracts with the possibility of adjustments during project execution.

In identifying performance obligations, PT. ABC records construction services as a single performance obligation because all work components are interconnected and cannot be separated. The construction project meets the three criteria outlined in PSAK 72,

paragraph 35: customers receive benefits from the work from the beginning, the project creates or enhances an asset controlled by the customer, and the company has the right to receive payment according to the contract agreement.

Revenue is recognized when the performance obligation is fulfilled, meaning when the customer gains control over the asset being constructed. PT. ABC applies the revenue recognition method progressively over time, which better reflects the real project conditions compared to recognizing revenue all at once at project completion. This approach aligns with PSAK 72, which states that revenue can be recognized progressively if customers receive benefits from the company's work simultaneously.

By applying the progressive recognition method, PT. ABC records revenue based on actual physical progress in the field as a measure of project completion. This demonstrates that the company has met all PSAK 72 stages in construction revenue recognition, ensuring compliance with accounting standards while providing transparent information on project progress to customers and stakeholders.

Result

The study compares PT. ABC's revenue recognition process with PSAK 72 to determine compliance. Based on the analysis, PT. ABC meets the criteria for contract identification, where both parties sign a written agreement detailing rights, obligations, payment terms, and commercial substance. The contract also includes provisions on risk, execution time, and cash flow, ensuring that revenue can be collected as specified.

Regarding contract combination, PT. ABC's construction contract is classified as a single package with a unified commercial purpose, covering both material procurement and labor services. The contract price is fixed and independent of other contracts, making it a single performance obligation. Additionally, contract modifications are implemented through addendums, such as changes in contract value, ensuring compliance with PSAK 72's modification rules. However, PT. ABC does not apply PSAK 72's performance obligation identification, which requires distinguishing goods or services that are separately identifiable. The company records the entire construction process as a single obligation without identifying distinct deliverables. This results in non-compliance with this specific aspect of PSAK 72.

For revenue recognition, PT. ABC follows the over time method, recognizing revenue progressively based on project completion. This aligns with PSAK 72, which allows revenue recognition when customers gain control of the asset. The company recognizes revenue throughout the contract duration, ensuring a more accurate representation of project progress. PT. ABC largely adheres to PSAK 72, with proper contract identification, combination, modification, and progressive revenue recognition. However, non-compliance in performance obligation identification indicates a gap in implementation. Despite this, the company's revenue recognition approach effectively reflects the project's financial progress and contractual obligations.

CONCLUSION

Based on the research findings, it can be concluded that revenue recognition at PT. ABC is carried out when services have been provided to customers, with recording using the *accrual*

basis method. However, the company has not fully understood or implemented PSAK 72 due to a lack of socialization regarding the standard. In general, PT. ABC has applied most of the stages outlined in PSAK 72, including contract identification with customers, contract combination, contract modification, and fulfillment of performance obligations. However, the company has not fully implemented the identification of performance obligations as required by the standard. As a recommendation, PT. ABC is advised to continuously follow the developments in applicable accounting standards to ensure that financial reporting complies with established principles in Indonesia. Additionally, academic institutions are encouraged to improve access to up-to-date references and organize seminars or socialization programs on the latest accounting standards to enhance the understanding of students and practitioners. Future research should focus on companies that are more transparent in disclosing transactions and financial reports, allowing for deeper analysis. Moreover, conducting research over a longer period with a broader range of references will provide a more comprehensive understanding of PSAK 72 implementation in the construction industry.

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