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## EVALUASI DAMPAK PSAK 72 PADA PERUSAHAAN HIGH RISE BUILDING (PT X)

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# THE IMPACT OF THE IMPLEMENTATION OF PSAK 72 ON HIGH-RISE BUILDING COMPANIES (PT X) STRATEGIES

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## ABSTRACT

This study aims to evaluate the management's strategies in facing the challenges of implementing PSAK 72. The company uses the evaluation tool strategic profitability wheel to measure the decline in the company's financial performance due to the implementation of PSAK 72. This study uses a qualitative descriptive approach by analyzing the financial statements and the results of interviews with the head of the finance and accounting division, marketing manager, and development project manager of PT X. The results show that PT X has succeeded in overcoming PSAK 72 through the construction of landed houses and retail business development. However, there are still fluctuations in income and negative results in the after sales services of PT X. This study recommends that PT X diversify its products to increase business growth and enlarge the company's market share to generate more stable income.

**Keywords:** strategic profitability, financial performance, PSAK 72, high-rise building, business strategy.

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## 1. INTRODUCTION

PSAK 72 – Revenue from contracts with customers was issued by the Financial Accounting Standards Board-Indonesian Accounting Association (DSAK-IAI) and has been since 2020. PSAK 72 was adopted from IFRS 15 - Revenue from Contract with Customers as the only comprehensive standard in recognizing revenue, aiming to improve the quality of information from financial statements and the transparency of the information presented (Altaji and Alokdeh, 2019). A significant change in this standard lies in the concept of revenue recognition by companies based on the transfer of control over goods or services that have been delivered to customers. The company can determine revenue recognition at the beginning of the contract, namely control of an asset that can be completed over time or at a point in time. This standard supersedes PSAK 44, which regulates revenue recognition for real estate developers who recognize their revenue based on the percentage-of-completion method.

Agustrianti et al. (2020) stated that PSAK 72 resulted in fluctuations in income recognized by the company, so it affects the company's financial performance. Furthermore, Veronica et al. (2019) stated that the financial performance of high-rise building companies in 2018 decreased due to income from long-term contracts that could not be recognized using the provisions in PSAK 72. Hence, the company's income was lower than using PSAK 44. The fluctuations in income affected the financial performance figures at high-rise building companies in Indonesia, one of which is PT X.

PT X's revenue decreased Rp149 billion at the beginning of the implementation of PSAK 72. This insisted PT X to formulate a new business strategy in facing the challenges of implementing PSAK 72. Therefore, this research has two objectives, namely: to analyze PT X's management's response by formulating a new business strategy to overcome the decline in financial performance due to the implementation of PSAK 72 and to evaluate the strategic profitability of PT X's business strategy implementation. This case study-based research uses a qualitative approach that begins with the calculation of the decline in the financial performance of PT X and is followed up with interviews with management regarding the data on the decline in financial performance. The next research process is focused on evaluating strategic profitability in terms of financial effectiveness and operational efficiency. This research is expected to be used by management to evaluate business strategies that have been implemented and improve future financial performance.

## **2. LITERATURE REVIEW**

### **2.1. IMPACT OF THE IMPLEMENTATION OF PSAK 72 ON REAL ESTATE COMPANIES**

Revenue recognition at the point in time is applied to companies operating in the high-rise building industry based on PSAK 72 because all the criteria for revenue recognition are not met over time criteria. The first criterion focuses on providing routine services to customers and companies that run their main business by providing daily property management services (property management). Therefore, companies whose main business activity is the sale of apartment units and do not provide routine operational services do not meet this criterion. This second criterion focuses on companies whose main business activity is in the construction sector. Every work progress from construction can be measured. The increase in progress is an indicator of the company's performance assessment in creating or improving assets and asset control in the process with the customer. For the last criterion, companies cannot recognize the right to rewards for their completed performance. This is because when there is a cancellation of the unit purchase, the payment made by the buyer cannot be recognized as the main income but as other income (KPMG IFRS 15 in Depth, 2016).

### **2.2. FINANCIAL PERFORMANCE**

Performance appraisal is a technique of monitoring the company's budget against the actual results of the business to measure business performance (Kaplan, 2008). Measurement of financial performance can be done by analyzing and evaluating the company's financial statements. The significant impact of PSAK 72 on the high-rise building is reflected in the decline in company's revenues which causes financial performance to decline compared to PSAK 44 (Veronica et al., 2019).

Recognition of revenue using PSAK 72, point in time, causes the revenue and profit figures to appear to decline. The company can even experience losses within a certain period of time until the delivery of apartment units to customers (handover). Meanwhile, based on PSAK 44, as long as the company still has ongoing projects, the income can still be recognized according to its completion, so the company's financial performance is stable. Therefore, at the beginning of the implementation PSAK 72, the company's revenue decreases due to these changes.

### **2.3. EVALUATION OF STRATEGIC PROFITABILITY PERFORMANCE**

Kaplan (2004, p.19) explains that strategy is a way companies create sustainable value for shareholders and customers. Business strategy is the root of effective performance measurement and control for the company by ensuring the company's business strategy can be communicated to all employees and implemented effectively to achieve company's goals (Simons, 2014, p.26). Business strategies can be formulated in several forms: marketing, sales, distribution, and pricing strategies (Kozielski et al., 2018, p.24).

Strategy implementation is the process of implementing company's strategies and plans to achieve existing goals, targets, and opportunities (Obeidat et al., 2017). Several factors influence the success of strategy implementation and the preparation of profit planning, such as financial, marketing, and company operational processes (Simon, 2014, p. 91).

Strategic profit is the profit or loss obtained from the company's operational efficiency and competitive effectiveness (Simons, 2014, p.9). Competitive effectiveness describes the company's achievement of competitive ability, sales achieved, and returns on profits to shareholders. Meanwhile, operational efficiency describes how many resources the company consumes to achieve its goals. Strategic profitability analysis can be used to measure the effectiveness and efficiency of strategic profit performance.

In evaluating financial effectiveness at PT X, the measuring tools used are sales growth rate, return on capital employed (ROCE), and net profit margin (NPM). Sales growth rate is used to measure the effectiveness of PT X's strategy to increase the company's revenue. On the other hand, ROCE aims to assess how effective PT X uses its assets to generate income. Meanwhile, net profit margin is used to measure the ability of PT X to generate net profits from company's sales and expenses incurred in carrying out its business processes. Evaluation of the operational efficiency of development activities will be measured from the percentage of work completed to measure the accuracy of project completion. Therefore, the handover process can be achieved and reduced the defective unit and the unit handover process to control the process and make sure PT X could recognize revenue on time. Meanwhile, marketing activities will be measured through churn (dynamics) to measure the loss incurred because the company cannot recognize revenue on units canceled. These indicators are used to assess PT X's success in improving its financial performance after the implementation of a new business strategy.

### **2.4. PREVIOUS RESEARCH**

Since the implementation of this standard, several studies have investigated the effects of this standard on financial reporting. Boujelben and Fakhfakh (2020) conducted research related to the compliance of implementation of IFRS 15 in the telecommunications and construction sectors. The results show that the company did not fully comply with the disclosure obligations of IFRS 15, and there were differences in disclosure and compliance between the telecommunications and construction sectors. One of the goals of adopting international standards is a better quality of financial reporting. By distributing questionnaires to external auditors who work in public accounting firms Deloitte, PWC, EY, and KPMG in Jordan, Altaji and Alokdeh (2019) found that the adoption and implementation of IFRS significantly improved the quality of accounting information and presentation of reliable financial statements.

In Indonesia, several studies discuss about to the impact of PSAK 72 on company's financial performance. Veronica et al. (2019) measured the impact of PSAK 72 on real estate's financial performance. The result of this study shows the company's financial performance seems to decrease after implementing PSAK 72. Similarly, Agustrianti et al. (2020) show that the PSAK 72 adoption affected the company's financial performance. In contrast, Wisnantiasri (2018) found the positive impact of the adoption of PSAK 72, i.e., increasing shareholder value.

Meanwhile, the research related to factors that affect the implementation of new strategy was conducted by Obeidat et al. (2017). The result of this study revealed that operational process factors greatly affected the success of company strategies. Furthermore, four operational process factors influenced the implementation of new strategy, namely the availability of resources, communication, operational planning and control, and feedback. Similarly, Helen (2006) conducted research on the balanced scorecard's role in helping company management understand and implement their strategy effectively. The results of this research show that balance scorecard, communication, managers' role, and an integrated performance measurement system could help companies implement corporate strategies well.

## 2. 5. CONCEPTUAL FRAMEWORK

The conceptual framework in this study aims to explain the impact of implementing PSAK 72, which replaces PSAK 44.

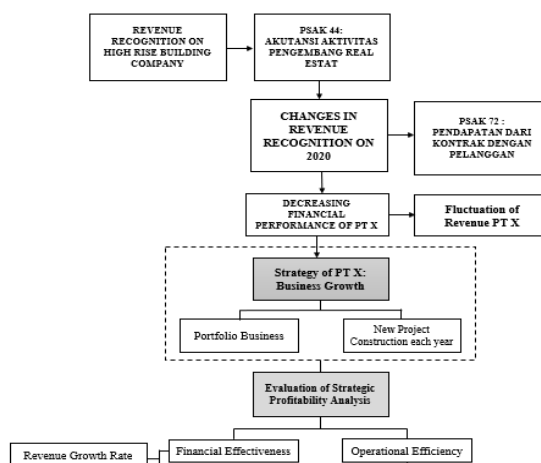


Figure 4 Conceptual Framework

### **3. RESEARCH METHOD**

Case study-based research design with a qualitative approach to analyze management responses to PSAK 72 is reflected in the formulation of business strategies, evaluating the success of PT X's business strategies. Sources of data used in this study are both primary and secondary data. Preliminary data were obtained through interviews with PT X sources: the head of the accounting and finance division, marketing manager, and project manager. The depth interview was conducted online using Zoom due to the covid-19 pandemic, the interview took for around 60 minutes. The contents of interview process consist of management response for business prospect after adoption new standard, impact of adoption PSAK 72 to PT X's financial performance, management action to formulate and implement new strategies to face the impact of adoption PSAK 72, and the evaluation of strategic profit performance of PT X after the implementation of new strategy to face the decreasing financial performance. Secondary data used has been documented from 2019 until 2021, including data on audited financial statements of PT X, annual reports of PT X, and official articles.

### **4. ORGANIZATION PROFILE**

PT X is a high-rise building real estate company with two high-rise apartment products, namely product A located in Central Jakarta, and product B located in South Jakarta. Product A consists of three towers; one luxury and two premium towers built on 1.4 hectares with 509 units. In addition, product B is built on an area of 0.7 hectares consisting of 23 floors and two towers with 296 units sold.

## 5. ANALYSIS AND DISCUSSION

### 5.1. MANAGEMENT’S RESPONSE TO THE IMPLEMENTATION OF PSAK 72 FOR PT X’S BUSINESS PROSPECTS

The PT X’s management has understood the impact of the adoption of PSAK 72 on company’s business prospects. PT X’s main business is selling high-rise apartment units. Previously, PT X only had two apartment projects, one of them is still on construction (product B). After adopting PSAK 72 in the early 2020, PT X’s financial performance is declining. This decrease was due to the income from apartment units under construction, which could not be recognized under PSAK 72. In contrast, when PT X used PSAK 44, they could recognize revenue based on the completion percentage even though the projects were still under construction.

However, the adoption of PSAK 72 affecting the financial performance of PT X lead the company to comply with the DSAK and the business must grow. PT X’s management prepared alternative to face this impact since 2017, because the management understood that the adoption of PSAK 72 significantly impacted the company’s main income. Furthermore, PSAK 72 caused PT X’s financial statement seems fluctuate.

#### 5.1.1. MANAGEMENT’S RESPONSE TO DECLINE IN PT X’S FINANCIAL PERFORMANCE

The analysis of the financial statements of PT X showed a decrease in financial performance after applying PSAK 72 to Rp149.9 billion, as shown in table 5.1.

**Table 5.1 Revenue of PT X (in millions of rupiah)**

|                   | Income  |           |           | Total          |
|-------------------|---|-----------|-----------|----------------|
|                   | Project A   | Project B | Project C |                |
|                   | <b>Percentage Completion Method (PSAK 44)</b>         |           |           |                |
| 2020              | 47,661  | 73,679    | -         | 121,340        |
| 2021              | 157,750   | 67,491    | -         | 225,241        |
| <b>Total</b>      |   |           |           | <b>346,581</b> |
|                   | <b>Revenue Recognition at Point in Time (PSAK 72)</b> |           |           |                |
| 2020              | 59,920  | -         | -         | 59,920         |
| 2021              | 136,759   | -         | -         | 136,759        |
| <b>Total</b>      |   |           |           | <b>196,679</b> |
| <b>Difference</b> |   |           |           | <b>149,902</b> |

Source: Data processed by the author

The decline in PT X’s financial performance caused the delay in revenue recognition for project B because the unit handover had not been carried out. The management of PT X recognized the decline in the company’s financial



performance as affecting the provision of incentives for sales to employees, debt covenants, and dividend distribution to shareholders.

Nevertheless, the management of PT X believes that the business prospects in the future are still promising because basically everyone needs a house to live in. However, the company needs to make some adjustments, one of which is related to the shifting needs and desires of current customers who prioritize flexibility and ease of accessing facilities infrastructure. Therefore, the management of PT X responded to changes in the new standards (adoption of PSAK 72) in consumer behavior and the business environment by formulating a new business strategy. This is in line with Obeidat (2017) research, stating that unpredictable changes in the business environment will encourage company management to think and act strategically to formulate and implement new business strategies.

*“Yes, after all, people still need a house to live in, regardless of how to buy their own or rent a house, people still need a house (KDKA).”*

### **5.1.2. FORMULATION OF PT X’S NEW BUSINESS STRATEGY**

PSAK 72, which caused delays in revenue recognition during the construction period and a sudden spike during unit handover, caused PTX’s profit and loss figure to fluctuate, prompting management to formulate a new strategy. The preparation of the new strategy aims to show growth in the company’s business every year to convince investors that PT X’s business prospects are still promising and can become a distinct competitive edge over its competitors.

*“[ ...] If we want to survive in business, we can’t accept it. So, we have a strategy that we have to consider and take, i.e., to run a new business strategy (KDKA)”*

The new business strategy prepared by PT X consists of two things: ensuring the addition of one new project every year, which is limited to the construction of high-rise buildings and developing a portfolio of business on their current products. PT X’s second business strategy aims to obtain a more stable income by diversifying its portfolio business and running a retail business and after-sales services. This diversification is expected to provide a more stable income, especially in the retail industry. Revenue recognition in the retail business is determined from rental occupancy, so that PT X can generate more stable income while waiting for the unit handover process.

*“[...] One of the things we are doing is exploring **new initiatives such as offering after-sales service for apartments that have been built and retail projects** (MP).”*

*“[...] So, we see a shifting demand from high-rise to landed buildings. So, we follow it for the landing, but because of PSAK 72, we fluctuate [...], especially for retail. This is part of our portfolio diversification. [...] we just launched the retail area, and exactly six months after that, we managed to market (KDKA).”*

Implementation of new strategies require cooperation between finance, marketing, and project division departments. Synergic cooperation between divisions and the role of managers in directing PT X's business strategy in accordance with research conducted by Helen (2006). In this research, it was explained that the management had an important role in implementing the company's strategy and controlling operational activities by using a balance scorecard to ensure that the company strategy had been implemented effectively.

## 5.2. EVALUATION OF PT X'S STRATEGIC PROFITABILITY ANALYSIS

### 5.2.1. EVALUATION OF THE COMPETITIVE EFFECTIVENESS OF PT X

The evaluation of competitive effectiveness at PT X is the growth of sales revenue, the use of resources to generate profits in terms of ROCE, and an increase in the company's net profit in terms of NPM.

#### 5.2.1.1. REVENUE GROWTH

A comparison of PT X's income from sales of high-rise apartments is shown in table 5.2.

**Table 5.2 Impact of PSAK 72 on High Rise Segment Revenue X**

|                | 2020           | 2021           | Total           |
|----------------|----------------|----------------|-----------------|
| <b>PSAK 44</b> | 121,340        | 225,241        | 346,581         |
| <b>PSAK 72</b> | 59,920         | 136,759        | 196,679         |
| Difference     | <b>-61,420</b> | <b>-88,482</b> | <b>-149,902</b> |
| %              | <b>-51%</b>    | <b>-39%</b>    | <b>-43%</b>     |

Source: Data processed by the author

Responding to the decline in revenue, the management of PT X formulated a new business strategy. After implementing the business strategy, PT X's financial performance increased due to the income from high-rise and new projects, retail, and after-sales services. This is reflected in the rise in the company's revenue throughout 2019 – 2021, which is reflected in table 5.3.

**Table 5.3 PT X's revenue growth after implementation**

**new business strategy (in millions of rupiah)**

| Business Segment           | 2019           | 2020           | 2021           |
|----------------------------|----------------|----------------|----------------|
| <b>High Rise</b>           | 159,935        | 59,920         | 136,759        |
| <b>Landed House</b>        | -              | 156,066        | 344,436        |
| <b>Retail</b>              | 145            | 2,601          | 10,221         |
| <b>After-sales Service</b> | 15,631         | 16,872         | 6,228          |
| <b>Total</b>               | <b>175,711</b> | <b>235,460</b> | <b>497,644</b> |
| <b>% Growth</b>            | -              | <b>34%</b>     | <b>111%</b>    |

Source: Data processed by the author

The table shows revenue growth throughout 2020 and 2021, as indicated by an increase in income of 34% and 111%, respectively. The increase in revenue was mostly obtained from landed houses, which contributed 66% of revenue in 2020 and 69% in 2021 of the company's total revenue. The development period is faster than high-rise apartments, and several clusters owned by PT X are the main reasons for the increased revenue originating from the landed house segment.

### 5.2.1.2. ANALYSIS OF RETURN ON CAPITAL EMPLOYED (ROCE) OF PT X

The ROCE after implementing the new strategy is shown in table 5.4.

**Table 5.4 Calculation of the Ratio of Capital Employed**

|                  | 2019    | 2019*   | 2020    | 2021      |
|------------------|---------|---------|---------|-----------|
| Net Income       | 15,559  | 2,279   | 44,840  | 142,374   |
| Sales            | 175,711 | 139,478 | 235,460 | 497,644   |
| Capital Employed | 873,110 | 894,617 | 691,386 | 1,416,780 |
| ROCE             | 2%      | 0%      | 6%      | 10%       |

\*restatement to PSAK 72

Source: Data processed by the author

The increase in ROCE shows the success of management in managing their capital to generate revenue and net profit. The positive ROCE ratio comes from the contribution of revenue and net income from the company's business strategy, especially in the residential business line, i.e., the landed house business segment, which contributes to revenues of Rp156 billion and Rp344 billion in 2020 and 2021, respectively, and a net profit contribution of Rp40 billion and Rp114 billion in 2020 and 2021, respectively.

The management remains focused on improving the company's achievements, especially in the after-sales services and retail business segments. The two business segments cannot provide maximum income and net profit from the capital they have. In the retail business and after-sales service, capital employed of Rp191 billion in 2021 can only generate revenue of Rp16.5 billion and a net loss of Rp5.4 billion.

The management is trying to find new business opportunities in the future so that the company's business segments become more varied and generate maximum revenue and net profit.

*"[ ... ] we do have a special team called business development, specifically looking for potential new opportunities for us or developing. [ ... ] they analyze the feasibility of the new project that we are going to run (KDKA)."*

### 5.2.1.3. ANALYSIS OF NET PROFIT MARGIN (NPM) OF PT X

The NPM analysis for the two strategies implemented is shown in table 5.5.

**Table 5.5 Calculation of Net Profit Margin**

|            | 2019    | 2019*   | 2020    | 2021    |
|------------|---------|---------|---------|---------|
| Net Income | 15,559  | 2,279   | 44,840  | 142,374 |
| Sales      | 175,711 | 139,478 | 235,460 | 497,644 |
| NPM        | 9%      | 2%      | 19%     | 29%     |

\*restatement to PSAK 72

Source: Data processed by the author

From 2019 to 2021, the NPM ratio mainly came from the sales and net income in the residential business line. This satisfactory result did not occur in the retail business segment and after-sales services, which still showed negative results from year to year.

Nevertheless, management is still optimistic about its decision to implement this strategy. Management's optimistic attitude towards the success of its strategy is based on the recovery of economic conditions after the covid-19 pandemic, which can affect the increase in the occupancy rate of the retail business rental area in 2022. PT X's management targets to increase the occupancy rate to 89% from 47%.

In addition, the management of PT X believes that the after-sales service business can provide added value in the future and give PT X a competitive advantage compared to its competitors. After-sales services also allow the company to gain new customers from recommendations from previous customers who are satisfied with the quality and services offered by the company. It also reduces the company's costs of acquiring new customers.

*"[...] Our after-sales service will more or less fluctuate, we do expect it to remain volatile, but we expect recommendations from them when they are satisfied with the product we provide. We hope they will recommend it to their friends and relatives (KDKA)"*

### 5.2.1. EVALUATION OF OPERATIONAL EFFICIENCY OF PT X

Evaluation of operational efficiency of PT X is viewed from two things, namely project development and marketing activities.

#### 5.2.2.1. PROJECT DEVELOPMENT PROGRESS OF PT X

The progress of PT X's Project Development is shown in table 5.6.

**Table 5.6 Calculation of Progress Completion Timeliness**

|                            | 2019    | 2020     | 2021    |
|----------------------------|---------|----------|---------|
| Completion Target          | 46.20%  | 65.35%   | 84.53%  |
| Actual Completion Progress | 38.10%  | 50.67%   | 75.91%  |
| Difference                 | (8.09%) | (14.68%) | (8.61%) |

Source: Data processed by the author

The cause of the development process that has not been done by the company's schedule is a layered check carried out by the project team and the Quality Assurance & Quality Control (QAQC) team. PT X wants to ensure that the products they provide to their customers when the unit handed over are in good condition, under the company's quality standards, and without defects. Therefore, the construction progress did not match the schedule. Nevertheless, the company's management must still prioritize the customer handover schedule. Consideration of the requirements for revenue recognition after PSAK 72 is always prioritized by the management of PT X. If the construction progress is not following the schedule, it will hinder the unit handover process and PT X is forced to postpone its revenue recognition. Therefore, control over the progress of this development needs to be a major concern for the management of PT X so that the company can recognize its revenue according to the handover schedule.

*"[...] The check and repair time does not change the hand over schedule to the customer in accordance with PPJB (KDPP)."*

#### 5.2.2.2. UNIT HANDOVER PROCESS AT PT X

Table 5.7 shows the units sold and units handed over to PT X in 2021.

**Table 5.7 Handover of PT X Products per Year 2021**

|                       | Unit Completed | Unit in development | Total | Units Sold | Handover Unit | Unit has not been handed over | % Units Not Handover |
|-----------------------|----------------|---------------------|-------|------------|---------------|-------------------------------|----------------------|
| High Rise – Product A | 509            | -                   | 509   | 506        | 503           | 3                             | 1%                   |
| High Rise – Product B | -              | 296                 | 296   | 122        | -             | 122                           | 100%                 |
| Landed House          | 374            | 203                 | 577   | 409        | 354           | 55                            | 13%                  |

Source: Data processed by the author

The units that have not been handed over are due to two main factors. This factor is viewed from the condition of the transferred unit, having passed the checking process from the project team and QAQC team so that it is free from defects, or the customer has paid for their unit. Table 5.8 shows the number of units whose handovers were canceled because of defects and customers who had not paid the installments.

**Table 5.8 Calculation of Defective and Unpaid Units for 2018-2021**

| <b>High Rise – Product A</b> | <b>Unit</b> | <b>Total Units</b> | <b>%</b> |
|------------------------------|-------------|--------------------|----------|
| Defective Unit               | 57          | 509                | 11%      |
| Unit Unpaid                  | 51          | 509                | 10%      |
| <b>Landed House</b>          | <b>Unit</b> | <b>Total Units</b> | <b>%</b> |
| Defective Unit               | 98          | 577                | 17%      |
| Unit Unpaid                  | 158         | 577                | 27%      |

Source: Data processed by the author

The management realized the need to improve control to ensure the condition of the unit before the company scheduled the handover of units to its customers to avoid delaying in handover due to defective units. On the other hand, approaching customers through regular communication is used to overcome these external factors.

### 5.2.2.3. UNIT PURCHASE CANCELLATION RATE (CHURN) OF PT X

The cancellation of units on PT X products is shown in table 5.11.

**Table 5.11 Unit Purchase Cancellation Ratio**

|                       | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|-----------------------|-------------|-------------|-------------|
| High Rise – Product A | 0%          | 50%         | 0%          |
| High Rise – Product B | 16%         | 75%         | 15%         |
| Landed House          | -           | 9%          | 33%         |

Source: Data processed by the author

Based on table 5.11, it can be seen that the most unit cancellations occurred in landed house projects with an average purchase cancellation of 23% within two years, while in high-rise apartments, the average was 21% within three years. This was mostly caused by the buyer’s financial problems and buyers’ transfers to other developers. In response to these two things, the management of PT X realizes that the cancellation of the purchase is an inherent risk for companies that run the property business and cannot be avoided, so it is detrimental to the company.

The management of PT X strives to retain its customers by offering several alternatives that customers can take, including by providing changes to the payment scheme to customers and collaborating with several financial institutions, both banks and non-banks. However, not all customers have the same economic problems, which can be resolved with the financing facilities offered by the company’s management. Therefore, the management of PT X needs to take further action to overcome these problems that benefit both parties.

Another alternative solution is to help customers find other potential buyers who can continue their installment payments. The company took this step to obtain a solution that benefits both parties compared to waiting for customers to find new prospective buyers to replace the installments on their units. This is because not all customers can find new potential buyers. The best solution is for

PT X's marketing team to help find new customers so that the company can recognize its revenue.

*[...] one of the win-win solutions I can offer is to help you find a replacement customer. Because if I expect customers who are looking for a replacement, they don't necessarily have those capabilities (MP)"*

## **6. CONCLUSIONS AND RECOMMENDATIONS**

Evaluation of PT X's financial performance showed a decline after implementing PSAK 72 in 2020. The company's management responded to the decline in performance by formulating a new business strategy. This study aims to evaluate the strategic profitability of PT X.

The evaluation results with processed data and interview results show that PT X has succeeded in overcoming the impact of declining financial performance due to the application of PSAK 72. Adding new projects every year, i.e., the landed house, has positively impacted PT X's financial performance. In contrast to the evaluation results from the portfolio business strategy, especially in after-sales services, it still shows negative numbers, requiring a focus on future improvements. From the beginning, after-sales services were intended to create brand awareness of the company's products and help increase revenue; however, these business lines must be able to reduce operational costs so that in the next three to five years, the portfolio business can also contribute to net profit for PT X.

On the other hand, the evaluation results of operational efficiency on construction progress, the handover process, and the level of cancellation of unit purchases require closer monitoring from management because the evaluation results show there are still inefficiencies. The management of PT X realizes that continuous improvement actions are important to ensure the business grows, investors' expectations are maintained, and the company's market share in the real estate industry develops.

Recommendations that can be given to respond to unsatisfactory evaluation results include the management of PT X needing to carry out tighter control over the development process, handing over units, and cancelling unit purchases which still show insufficient numbers in this evaluation. In addition, this study recommends that PT X diversify their products to increase business growth and enlarge the company's market share by conducting a feasibility study on commercial businesses that can generate more stable income.

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