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# Prepare Adjusting Entries For Deferrals Cases

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**Abstract**

When a company prepares financial statements, there are usually several account balances that do not show the actual conditions in each financial statement. Therefore, the balance on the report must be adjusted first so that it can show the true value by making an adjusting entry. Adjusting entries are made to adjust estimates that do not reflect the actual situation. Adjusting entries are made at the end of the accounting period before preparing fair, accurate and valid financial statements. The purpose of this study was to determine the importance of adjusting journal entries in preparing financial statements so that at the end of the financial period you will get a real account, namely assets, liabilities and capital that shows the actual situation. In addition, to get an account of income and expenses that are recognized in a period that shows the actual situation. The method used is the recording of adjusting journals in the general journal. Next, the results of recording adjusting journals are written in the Adjusting Journal column available in the work sheet. The results of this study indicate that, to be able to show fair, accurate and valid financial statements, you must make adjusting entries to certain estimates whose balances do not show actual results.

**Keywords:** *Defferal case, adjusting entries, adjusting journal.*

## 1. INTRODUCTION

At this time every company requires accounting to record the finances of each transaction. Every transaction made is recorded in the books and then processed to be used as the company's financial statements. In making financial reports, the first thing to do is the process of recording transactions in accordance with International Financial Reporting Standards (IFRS) in accounting. Then the process of re-checking the accounting records is carried out. If an error is found, a reversing or adjusting journal can be made to correct the recording errors that have been made. After checking, it is made into the general ledger and balance sheet. Then make a monthly report based on the existing balance sheet. After the report is made, the journal must be closed so that no re-recording occurs. Revenue is generally recognized and recorded when the revenue is received or generated. Expenses must be reported in the same accounting period in which the expenses are incurred. Accounting principles that require matching of income and expenses or the principle of recognizing expenses against revenues (matching concept or matching principle).

In general, the main objective of establishing a company is to obtain an optimal return on the investment that has been invested and to maintain the smooth running of the business in the long term. One of these investments is fixed assets that are used in the normal activities of the company, namely assets that have an economic life of more than one year (Nasution, 2020). To achieve this requires effective management in the use, maintenance and accounting records. Along with the passage of time, the economic value of a fixed asset must be able to be charged over its economic life and the method is to determine the depreciation method. Where depreciation is a consequence of the use of fixed assets. Where fixed assets will tend to experience a decline in function.

Understanding depreciation according to general reasoning is a reserve that will be intended to buy new assets to replace old assets that are not productive. While understanding according to accounting, depreciation is the allocation of the acquisition price of fixed assets into the cost of production, or operating costs caused by the use of these fixed assets.

When we want to build a company, to be able to run the company must have supporting factors. One of the main supporting factors is fixed assets, so that all the company's operational activities can run well. In a company, there are always fixed assets to carry out its operations. Fixed assets have an important position in the company because they require large amounts of funds and are embedded in the long term.

## 2. LITERATURE REVIEW

Accounting is a tool to inform the state of the company or organization to users. In general, accounting is a way to collect economic data and report to various individuals and interested parties. To produce economic information, companies need to create a method of recording, classifying economic information, companies need to create a method of recording, classifying, analyzing and controlling transactions and financial activities and then reporting the results. Accounting is a scientific discipline that provides quantitative information about financial statements needed by interested parties regarding economic activities and the condition of a company that is useful in making decisions and making choices among various alternative actions that exist. Derived from the word accounting which means to calculate or account for.

According to the Financial Accounting Standards Board (FASB) (2017), it is a service activity whose function is to provide quantitative information which is then used for economic decision making. According to Sumarsan (2011), "Accounting is the art of collecting, identifying, classifying, recording transactions and events related to finance so as to produce information, namely financial statements that can be used by interested parties". According to Hery (2012), "Accounting can be defined as an information system that provides reports to users of accounting information or to parties who have an interest (stakeholders) on the results of the performance and financial condition of the company". In broad knowledge of accounting, two foreign terms are known, namely accountancy and accounting. Hery (2009) "accounting is the art of recording, classifying, and summarizing financial transactions and events in a certain way and in monetary terms, including the interpretation of the results". Then according to Ismaya (2006) "Accounting is a discipline that provides important information so as to enable the implementation and assessment of the way" company efficiently. Based on this theory, it can be concluded that accounting is a discipline that provides information about the implementation and evaluation of the running of a company efficiently, including the interpretation of the results.

### Adjusting journal entry

Adjusting entries need to be made so that the accounts reflect the actual assets, liabilities, equity, expenses, and revenues. Each adjusting entry will affect at least one balance sheet account and one profit and loss account in the same amount. Thus, each adjusting entry will affect net income. Adjusting journals are journal entries made to adjust (correct) the general ledger balances to become correct balances, so that they can prepare correct financial statements (Alfian, 2020). Adjustments are identified and recorded one by one in the estimates that should be in the adjustment column contained in the work sheet (Thacker, 1988; 148).

The adjustment process needs to be carried out with the aim (Aini, 2020): (1) so that each real estimate, especially asset and debt estimates, shows the actual amount at the end of the period, (2) so that each nominal estimate (income and expenses) shows income and expenses. -Expenses that should be recognized in a period. According to Isamaya (2006) "Journal Entries Adjusting journal entries are usually made in an accounting period to correct certain estimates so that they reflect the actual state of assets, liabilities, costs, income and capital". Then according to Farahmita (2008) states that "Adjusting Journal Entries are journal entries that update accounts at the end of the accounting period". Based on this theory, it can be concluded that adjusting entries are adjustments made to reflect the actual situation. Based on the above theory, the adjusting entry is correcting the estimates so that they reflect the actual situation.

### Estimates Need to be Adjusted

At the end of each period, some adjustments are made to the balance in the general ledger. Adjustments made at the end of the period are made to the elements (Baridwan, 1992:67) as follows: merchandise inventory, prepaid expenses, income received in advance, expenses payable (accrued expenses), revenue receivables (accrued income). still to be received), asset depreciation (depreciation) of tangible fixed assets and amortization of intangible fixed assets, and losses on receivables.

### Financial statements

The financial report is a summary of a recording process, which is a summary of financial transactions that occurred during the relevant financial year (Yulisfan, 2021). This financial report is prepared by management

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with the aim of being accountable for the tasks assigned to it by the owners of the company. Besides, financial statements can also be used to fulfill other purposes, namely as reports to parties outside the company.

Financial statements are the result of an accounting process that can be used as a tool to communicate financial data or the activities of a company and the parties with an interest in the company's data (Munawir, 199 and Yulisfan et a;, 2021). The accounting process or financial reporting system whose financial information is generally recognized for external parties, consists of four financial statements, namely: balance sheet/statement of financial position, income statement/income statement, cash flow statement, and owner's equity report (White et al. 1997).

Financial statements are also one of the tools used by company management to communicate financial information to interested parties. According to the Indonesian Institute of Accountants, the purpose of financial statements is to provide information related to the financial position, performance (results of operations) of a company, and changes in the financial position of a company that are useful for users and for making economic decisions (Ghozali and Chariri, 2007).

## 3. METHODS

Adjusting journal entries are made in the general journal. Next, the results of recording adjusting journals are written in the Adjusting Journal column available in the work sheet.

The following are the steps for recording adjusting journal entries:

1. Prepare a general journal for recording adjusting entries.
2. Look at accounts and transactions that indicate the need to make adjusting entries.
3. Calculate the rupiah value of transactions that require adjusting entries, if necessary.
4. Make adjusting entries for each transaction in the general journal.
5. Identify transactions with errors
6. Prepare adjusting entries to correct each incorrect transaction.
7. Check whether the names of the accounts in the adjusting journal are already in the work sheet. If it doesn't exist, create a new account name that matches the adjusting entry.
8. Starting the first transaction, transfer the monetary value to the appropriate accounts in the Adjusting Journal column. Put a letter code in front of the monetary values.

## 4. RESULT AND DISCUSSION

### 4.1 RESULT

PT. XYZ is a private company engaged in producing bottled drinking water with its office on Jl. William Iskandar. The business activity of producing bottled water was started in April 2010 by producing 19 liter gallon, 330 ml bottles, 600 ml bottles, 1500 ml bottles, and 240 ml cups with the trademark “XYZ”.

In the process of producing bottled drinking water, PT XYZ always refers to the standards applied by the government, namely SNI, and includes AMDK companies certified by the LSPro (Product Certification Institute). Based on the above analysis, the details of the adjustment/reclassification journal entries owned by PT XYZ are as follows:

Details of PT XYZ's Fixed Asset Adjustment Journal as of December 31, 2021

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| No | Description | Reff | Debet (Rp) | Kredit (Rp) |
|---|---|---|---|---|
| 1 | Accumulated depreciation of retained earnings vehicles (adjusting journal proposed to issue depreciation charges for BK 1440 RR Tank Car Vehicles at the beginning of acquisition and addition of 2021 profit and loss corrections). | a-a | 9.390.331 | 9.390.331 |
| 2 | Accumulated depreciation of retained earnings vehicles (adjusting journal proposed to exclude depreciation charge for BK 1440 RR Tank Car Vehicles at the beginning of acquisition) | b-b | 9.390.331 | 9.390.331 |
| 3 | Accumulated depreciation of retained earnings vehicles (This adjusting entry is proposed to exclude depreciation expense for Box Car BK 1441 FF Vehicles at the beginning of | c-c | 3.072.916 | 3.072.916 |

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| | | | | |
|---|---|---|---|---|
| | acquisition) | | | |
| 4 | Accumulated depreciation of retained earnings vehicles (This adjusting entry is proposed to exclude depreciation expense for Car Box BK 1441 FF Vehicles at the beginning of acquisition) | d-d | 3.072.916 | 3.072.916 |
| 5 | Accumulated depreciation of retained earnings vehicles (This adjusting entry is proposed to exclude depreciation expense for Hyundai BK 1330 RR vehicles at the beginning of acquisition) | e-e | 3.791.666 | 3.791.666 |
| 6 | Accumulated depreciation of retained earnings machine (This adjusting entry is proposed to exclude depreciation expense of CHM 1000-1 CAVITY PET machine at the beginning of asset acquisition) | f-f | 19. 976.250 | 19.976.250 |
| 7 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense for Office Equipment: Diesel Generator Engine at the beginning of acquisition) | g-g | 1.829.792 | 1.829.792 |
| 8 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense for office equipment: Typewriter at the beginning of acquisition) | h-h | 34.167 | 34.167 |
| 9 | Accumulated depreciation of equipment in retained earnings (This adjusting entry is proposed to exclude depreciation expense of equipment: bookcase at the beginning of acquisition) | i-i | 249.245 | 249.245 |
| 10 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense for office equipment: Copier at the beginning of acquisition) | j-j | 861.979 | 861.979 |
| 11 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: Filling Cabinet at the beginning of acquisition | k-k | 92.050 | 92.050 |
| 12 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: Asus Laptop at the beginning of acquisition) | l-l | 256.250 | 256.250 |
| 13 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: Acer Laptops at the beginning of acquisition) | m-m | 433.33 | 433.333 |
| 14 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: PCI Wifi TP-Link at the beginning of acquisition) | n-n | 45.417 | 45.417 |

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| | | | | |
|---|---|---|---|---|
| 15 | Accumulated depreciation of equipment retained earnings (This adjusting journal is proposed to exclude the depreciation expense of office equipment: Shinzui PC 260 Bit Pump at the beginning of acquisition) | o-o | 242.812 | 242.812 |
| 16 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: Printer Canon MP287 at the beginning of acquisition) | p-p | 100.187 | 100.187 |
| 17 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense of office equipment: Work Chair at the beginning of acquisition) | q-q | 34.375 | 34.375 |
| 18 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude the expense of depreciation of office equipment: Workbench at the beginning of acquisition) | r-r | 51.562 | 51.562 |
| 19 | Accumulated depreciation of equipment retained earnings (This adjusting entry is proposed to exclude depreciation expense for office equipment: Air Conditioner at the beginning of acquisition) | s-s | 293.333 | 293.333 |
| | **total** | | **53.218.912** | **53.218.912** |

Source: PT XYZ

## 4.2 DISCUSSION

Based on the results of the analysis above, it can be seen that there are several similar things related to the accounting treatment of fixed assets at PT XYZ and their effect on the company's financial statements in 2021, namely:

1. There are several recognitions of the company's fixed assets that should be adjusted related to the date of acquisition and use of fixed assets in the company's operations so that it is in accordance with the applicable Accounting Standards (SAK ETAP), and as a reference in recording, valuation of fixed assets in the future so that there is no excess or under-presentation in the value of depreciation expense, accumulation and book value of the company's fixed assets that will affect the company's financial position.
2. There is a difference in the book value of fixed assets as of December 31, 2021, amounting to Rp. 53,218,912 which increases the value of the company's assets and is corrected to the retained earnings for the period December 31, 2021, thereby affecting the presentation of the company's assets and the company's equity position for that period. This occurs as a result of the book value of fixed assets in 2021 which should be greater than the balance of the book value of fixed assets recorded by the company in 2021.

## 5. CONCLUSSION

Based on the discussion, it can be concluded that to obtain accurate, fair and valid financial reports, it is necessary to prepare a good report in accordance with applicable regulations and the correct accounting process. One of the accounting processes in question is an adjusting journal. The adjustment process is carried out on estimates which at the end of the period cannot reflect the actual situation. Estimates at the end of the period include prepaid expenses. After the adjustments are made, it is expected to provide the actual situation and can be published into accurate, fair, and valid financial statements.

Adjusting entries are also used to correct recording errors, if any, that have occurred during the current period and were discovered at the end of the period. By making adjusting journals, all transaction processes that should have been recognized in that year have been recorded in the appropriate period and are ready to be used in the preparation of financial statements.

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