



## Application of Consignment Sales Accounting for Ardiles Brand Shoes at PT Ramayana Bali Mall in Ponegoro

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### ABSTRACT

PT. Ramayana Bali mall is a retail company engaged in the department store which has many branches in Indonesia. In addition to department stores that sell clothing products such as clothes, Ramayana also has a supermarket or supermarket that sells daily food needs this study aims to mall complies with financial accounting standards. The type of research used in this study is a qualitative descriptive approach. This study uses interviews and documentation of the parties responsible for recording consignment accounting. Based on the application of consignment accounting based on financial accounting standards, it can be concluded that PT. Ramayana Bali Mall has not fully implemented consignment sales recording reports based on financial accounting standards in the income statement. We recommend that you record the sales of the consignment based on financial accounting standards, namely recording with a separate method to make it easier to calculate the profit obtained from the sale of the consignment

## **INTRODUCTION**

With the continuously evolving times, more and more companies emerge and grow to compete in the increasingly competitive business world. There are several business strategies being employed by companies today, such as cash sales, order-based sales, installment sales, consignment sales, and others. Therefore, companies are required to balance the current advancements. In a growing economy, companies are often challenged in marketing their products due to various aspects including competition from similar companies, market saturation, and others, which add to the difficulty faced by the respective companies.

To overcome such issues, one of the approaches that can be taken is consignment sales. Consignment sales are widely favored because they offer numerous benefits for both the consignor and the consignee, such as expanding the market, saving production costs, and generating profits without capital expenditure. Retail companies often hesitate to purchase directly from manufacturers due to reasons like limited capital and the significant risk involved if the purchased goods don't sell well in the market. Moreover, this approach serves as a strategy for companies to maintain the balance of goods in the market, making it easier for buyers to find their products.

According to Hidayat (2014), consignment sales involve the transfer or entrustment of goods from the owner to another party acting as an agent of sales. The owner of the goods is referred to as the consignor, while the party entrusted with the goods is called the consignee. Currently, consignment sales are one of the types of sales used by companies to expand their market areas. Selling through consignment facilitates companies in marketing their products because it involves multiple partners. Thus, the marketing destinations become more accessible as the company has cooperative partners to market their products.

Regarding the accounting method for consignment sales transactions, there are specific procedures typically followed by the consignee. According to PSAK 23, revenue from consignment sales is recognized when the consignee sells the consigned goods to third parties. If the consignor requires sales reports for consigned goods, then separate accounting must be conducted for consignment transactions apart from regular sales transactions. Many companies implement consignment sales, and one of them is PT. Ramayana Bali Mall.

PT Ramayana Bali Mall is a retail company operating in the department store sector with numerous branches across Indonesia. Apart from department stores selling clothing items such as clothes, shoes, and bags, Ramayana also operates supermarkets selling daily necessities. One of its branches in Bali is located at Jln. Diponegoro No 103, Denpasar Barat. Its highly strategic location, easily accessible to the public and situated in a bustling area, makes it a preferred choice for consumers to purchase household necessities. PT Ramayana Bali Mall aims to expand and introduce newly recognized products through such initiatives. As known, Ramayana operates in three sales categories: consignment sales, installment sales, and supermarket sales. Ramayana has grown into a retail network comprising 13 outlets and employing approximately 2,500 workers. The products offered are diverse, covering household needs, toys, and stationery.

One of the consignment sale products at PT Ramayana Bali Mall on Diponegoro Street is the Ardiles shoe brand.

Ardiles is a local shoe brand originating from Surabaya, East Java. Ardiles shoes are designed for various functions such as school, fashion, and sports. School shoes undergo frequent model changes to follow current trends. Leveraging on this trend, the company launched the latest models of Ardiles school shoes. The increase in Ardiles school shoe market share in 2017-2018 is as follows:

Table 1. Market Share of Ardiles School Shoes Products

| Brand   | Market share % |      |
|---------|----------------|------|
|         | 2017           | 2018 |
| Ardiles | 3,8%           | 3,9% |
| Tomkins | 3,5%           | 3,7% |
| League  | 3,2%           | 3,4% |

Source : <https://ekonomi.bisnis.com> 2018

The data in Table 1.1 indicates that the market share percentage of school shoes in 2017 was as follows: Ardiles products accounted for 3.8%, Tomkins products for 3.5%, and League products for 3.2%. Meanwhile, in 2018, the figures were as follows: Ardiles products increased slightly to 3.9%, Tomkins products to 3.7%, and League products to 3.4%. Although Ardiles school shoes experienced a slight increase, they still remained the top brand. Ardiles is considered a top brand for several reasons, including its popularity among the people of Bali and its surrounding areas, especially among children, teenagers, and adults from various backgrounds. Moreover, Ardiles shoes set trends and follow the latest model developments. The price of Ardiles shoes is also very affordable for parents to buy for their children for school, making Ardiles school shoes a suitable choice. Ardiles is one of the products sold at PT. Ramayana Bali Mall DiPonegoro.

PT. Ramayana Bali Mall DiPonegoro utilizes a consignment sales system for Ardiles shoe products without separate accounting, thus combining the revenue or profit from Ardiles shoe sales with regular sales profit. PT. Ramayana Bali Mall DiPonegoro, as the consignee, has not fully implemented consignment sales accounting. This has prompted the author's interest in conducting research with the title "**Application Of Consignment Sales Accounting For Ardiles Brand Shoes At Pt Ramayana Bali Mall In Ponegoro.**"

## LITERATURE REVIEW

A literature review on the application of consignment sales accounting for Ardiles Brand Shoes at PT Ramayana Bali Mall in Ponegoro would involve examining existing academic research, articles, and other relevant literature on consignment sales, accounting practices, and retail management, particularly within the context of the Indonesian market. Here's a general outline of what such a literature review might include:

### **Introduction to Consignment Sales and Accounting:**

Define consignment sales and explain the basic concept. Discuss the significance of consignment sales accounting for retail businesses. Introduce PT Ramayana Bali Mall and Ardiles Brand Shoes as the focus of the study.

### **Consignment Sales Practices and Challenges:**

Review literature on common practices in consignment sales, including inventory management, revenue recognition, and risk allocation. Discuss challenges associated with consignment sales, such as inventory tracking, revenue recognition timing, and contractual obligations.

### **Accounting Standards and Guidelines:**

Examine accounting standards relevant to consignment sales, such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP). Discuss specific guidelines or recommendations for accounting treatment of consignment sales transactions.

### **Retail Management and Consignment Sales:**

Explore literature on retail management strategies related to consignment sales, such as optimizing inventory levels, managing supplier relationships, and enhancing sales performance. Investigate how consignment sales impact retail operations and financial performance.

### **Case Studies and Examples:**

Present case studies or examples of companies that have implemented. Analyze how these companies address challenges and comply with accounting standards in the context of consignment sales.

### **Indonesian Retail Market Context:**

Provide insights into the retail market landscape in Indonesia, including consumer behavior, market trends, and regulatory environment. Discuss any unique considerations or challenges related to consignment sales accounting specific to the Indonesian market.

### **Research Gap and Objectives:**

Identify gaps in existing literature related to consignment sales accounting, particularly within the Indonesian retail context. State the research objectives and how the study aims to contribute to filling these gaps.

## **METHODOLOGY**

### **Research Stages**

The research stages ("Tahapan penelitian") carried out in this study are as follows:

#### 1) Planning Stage

- Formulation of the Problem: Determination of the research topic and formulation of questions or issues to be addressed.
- Selection of Title: Deciding on the title that reflects the essence of the research.

#### 2) Data Collection Stage

- Research Location and Object: Conducted at PT. Ramayana Bali Mall Di Ponegoro, focusing on the application of consignment sales accounting.
- Types and Sources of Data:

- Research Type: Qualitative data obtained through interviews with relevant individuals.
  - Data Sources: Primary data from interviews and secondary data from company documents and organizational structure.
- 3) Data Collection Procedure
- Literature Review: Studying relevant books and materials to enhance understanding of the research topic.
  - Field Research: Gathering primary data through interviews with HRD, store managers, and other relevant parties.
  - Data Collection Techniques: Interviews and documentation methods.
- 4) Data Analysis Technique
- Descriptive Analysis: Organizing, summarizing, and analyzing data obtained through interviews and documentation to draw conclusions.

Overall, the study aims to investigate the application of consignment sales accounting for Ardiles brand shoes at PT. Ramayana Bali Mall Di Ponegoro and assess its compliance with accounting standards. The research involves planning, data collection, and analysis stages to gather insights into the current accounting practices and identify any deviations from standard procedures.

## RESULTS AND DISCUSSION

### **Application of Consignment Sales Accounting for Ardiles Brand Shoes at PT Ramayana Bali Mall in Ponegoro**

Implementation of accounting is a process involving the collection and management of transactional and financial-related data, starting from data collection to the preparation of financial statements. The author conducted research at PT. Ramayana Bali Mall using the interview method. Below are the results of the interview research conducted by the author:

The company's business activities through its network of 'one-stop shops' provide a wide range of goods for both men and women, ranging from children to adults, including clothing, accessories, bags, shoes, and cosmetics. The selection of store locations is one of the crucial decisions in the company's business development. The company conducts thorough and meticulous area surveys before deciding to open a new store. A special team, namely the marketing research team at the head office, has been formed to monitor and conduct feasibility studies for opening new stores in specific areas and locations. Therefore, several factors need to be considered to streamline its operations, such as..."

- a. Being located in shopping centers.
- b. Improving services to visitors.
- c. Maintaining liquidity.
- d. Maintaining the company's community.
- e. Achieving maximum profit.

The company's accounting at PT Ramayana Bali Mall implements accounting policies in accordance with existing regulations and certain management considerations. There are two types of inventory in the company: installment purchase goods and consignment goods. Installment purchase goods are items

bought on credit where only sold items are paid for, regardless of whether they are sold before or after the due date. Consignment goods are items obtained from suppliers where only sold items are paid for, and unsold items can be returned to the supplier. PT Ramayana Bali Mall records daily transactions using five types of journals, including:

1. Purchase Journal:

Used to record purchase transactions that occur within the company, where purchases are made on credit. The purchase journal also records daily transactions according to the transaction date. All types of credit purchases, including office equipment, services, and items acquired for resale, must be recorded in the purchase journal.

2. Sales Journal:

Used for recording transactions related to purchases, sales of installment purchase goods, and consignment goods. The sales journal records installment purchase and consignment goods based on existing sales invoices, including the date, invoice number, item name, quantity, and total.

3. Consignment Goods Record:

- a. Upon receiving consignment goods, the company records them in a special journal for consignment goods but still includes them in inventory with the following journal entry:

Inventory of consignment goods: Rp 769.710.000,00

Accounts payable                      Rp 584.696.250,00

Commission revenue                  Rp 185.013.750,00

- a. When consignment goods are sold, the journal entry is:

Cash                      Rp 740.055.000,00

Sales revenue                      Rp 740.055.000,00

When making payments for consignment, the journal entry is:

Accounts Payable                      Rp 584.696.250,00

Cash                                      Rp 584.696.250,00

1) **\*\*Cash Disbursement Book\*\***

Used to record cash payment transactions or cash disbursements. Transactions recorded include financial expenses such as purchase of stock items, payment of employee salaries, operational expenses, electricity bills, and debt payments.

2) **\*\*Cash Receipts Journal\*\***

Used to record all cash receipt transactions. Recording cash receipt transactions aims to enable cash management within the company, so this journal can provide information on which transactions increase the company's balance.

PT. Ramayana Bali Mall's procedure for recording consignment sales transactions involves using the combined (merged) or gross method. With this method, recording of consignment transactions is combined with regular transaction recordings, so revenue or profit from consignment sales is merged with regular sales profit. Consequently, PT. Ramayana Bali Mall cannot distinguish between consignment profit and profit from regular sales because the profit obtained from consignment sales is not clearly identified. Meanwhile,

consignment sales transactions, marketing expenses, and administrative expenses are not clearly recorded in the income statement, and ending consignment inventory is merged with ending installment purchase inventory, making the ending inventory appear larger.

Table 2. PT. Ramayana Bali Mall in Ponegoro  
 Income Statement  
 For the Period Ending December 31, 2018  
 in Indonesian Rupiah

|   |                         |
|---|-------------------------|
| Revenue                                   |                         |
| Sales of installment purchase goods       | Rp 4.805.123.200        |
| Commission revenue from consignment sales | Rp 934.430.000          |
| Total revenue                             | Rp 5.739.553.200        |
| Cost of goods sold:                       |                         |
| Beginning inventory                       | Rp 454.348.800          |
| Net purchases                             | Rp <u>40.206.200</u>    |
| Ending inventory available for sale       | Rp 494.555.000          |
| Ending inventory                          | <u>(Rp 101.142.748)</u> |
| Cost of goods sold                        | <u>(Rp 393.412.252)</u> |
| Gross profit on sales                     | Rp 5.244.998.200        |
| Operating expenses:                       |                         |
| Selling expenses                          | Rp 425.171              |
| Administrative expenses                   | <u>Rp 1.473.612</u>     |
| Total operating expenses                  | <u>(Rp. 1.898.783)</u>  |
| Operating profit                          | Rp. 5.243.099.420       |
| Interest Income and Expense               |                         |
| Interest Income                           | Rp 18.421               |
| Interest expense                          | (Rp 19. 295)            |
| Total interest income and expense         | <u>Rp 37.716</u>        |
| Profit before tax                         | Rp. 5.243.137.140       |
| Estimated income tax                      | (Rp 130.067)            |
| Net income                                | Rp 5.243.007.070        |

Table 3.  
PT. Ramayana Bali Mall in Ponegoro  
Income Statement  
For the Period Ending December 31, 2018  
in Indonesian Rupiah

|                                     |                  |
|-------------------------------------|------------------|
| Sales                               | Rp 5,739,553,200 |
| Cost of Goods Sold:                 |                  |
| Beginning Inventory                 | Rp 454,348,800   |
| Net Purchases                       | Rp 40,206,200    |
| Ending Inventory Available for Sale | Rp 494,555,000   |
| Ending Inventory                    | (Rp 101,142,748) |
| Cost of Goods Sold                  | (Rp 393,412,252) |
| Gross Profit on Sales               | Rp 5,244,998,200 |
| Operating Expenses:                 |                  |
| Selling Expenses                    | Rp 425,171       |
| Administrative Expenses             | Rp 1,473,612     |
| Total Operating Expenses            | (Rp 1,898,783)   |
| Operating Profit                    | Rp 5,243,099,420 |
| Interest Income and Expense:        |                  |
| Interest Income                     | Rp 18,421        |
| Interest Expense                    | (Rp 19,295)      |
| Total Interest Income and Expense   | Rp 37,716        |
| Profit before Tax                   | Rp 5,243,137,140 |
| Estimated Income Tax                | (Rp 130,067)     |
| Net Income after Tax                | Rp 5,243,007,070 |

Source of the table: PT. Ramayana Bali Mall Di Ponegoro

"The Application of Consignment Accounting for Ardiles Shoe Products at PT. Ramayana Bali Mall Diponegoro is in accordance with Accounting Standards."

Based on the interview data at PT. Ramayana Bali Mall, the company recognizes consignment goods receipts as inventory. However, according to Yusnus and Hartono's theory (2002), consignment goods should be recognized as consignment items, not inventory, as consignment goods are inventory for the consignor. Additionally, the company applies consignment accounting that is not fully compliant with financial accounting standards in terms of recording, classification, and reporting. For example, the company records consignment goods receipts as inventory in the profit and loss statement, whereas separate recording methods for consignment and regular sales transactions should be used, along with the perpetual method for inventory recording.

The presentation of consignment estimates in PT. Ramayana Bali Mall's profit statement records consignment goods as merchandise inventory for security reasons. However, in presenting consignment sales in the profit and loss



statement, consignment sales are not separated from regular sales and are presented together. This can be observed in the company's profit and loss statement.

Although consignment sales journal entries recorded by the company comply with PSAK 23, the profit and loss statement does not indicate revenue from consignment sales, namely commission revenue. Furthermore, accounts payable are recorded based on the cost of consignment goods sold, whereas it should be recorded based on the total cost of consignment goods received.

This issue arises because consignment sales transactions are not fully understood by PT Ramayana Bali Mall Di Ponegoro, resulting in the merging of consignment sales and regular sales transactions, thus unable to differentiate between consignment sales profit and regular sales profit.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the research results and discussion, the author draws conclusions related to the research results as follows:

- a) PT Ramayana Bali Mall Di Ponegoro in recording sales transactions uses five daily books such as purchase book, sales book, recording of consignment goods, cash disbursement book and cash receipts journal, and uses the non-separate profit method, with this method recording transaction profits consignment is combined with regular transaction profit so that it cannot be differentiated between consignment sales income or profit and regular sales income or profit.
- b) That the recording or reporting carried out by the company is not in accordance with financial accounting standards and the company records the receipt of consignment goods which are immediately recognized as inventory. However, consigned goods cannot be recognized as company inventory as long as the goods have not been sold.

## **FURTHER STUDY**

For future researchers, the results of this research can be used as a reference for conducting other research related to the research object and it is hoped that it can be used to develop knowledge in the field of accounting.

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