

Receivable of Management to Minimize The Risk of Uncollected Receivable At PT Aerofood Indonesia Unit Denpasar

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Abstract: The credit sales system at PT Aerofood Indonesia Unit Denpasar creates receivables for the company. The list of company receivables age data illustrates an increase in receivables due in the receivable age group of more than 360 days. An increase in receivables due can increase the risk of bad debts. In order to deal with this, companies must be able to manage performance and monitor the position of receivables so as to minimize the risk of bad debts

This study aims to management of receivables performance and monitor the position of accounts receivable at PT Aerofood Indonesia Unit Denpasar in an effort to minimize the risk of bad debts. The data used in this study are the aging list of accounts receivable and credit sales data from 2019-2021. The measuring instrument used to conduct this research is the receivables turnover ratio, average collection period, the ratio of collections and arrears to assess the performance of the company's receivables. DSO and receivable aging analysis to assess the monitoring of the company's receivables position.

The results showed that the management of receivables at PT Aerofood Indonesia Unit Denpasar, overall it can be said that it has not been managed optimally. This happens because based on the analysis that has been done, it shows that the results of receivables turnover and the average day of collection of receivables are not in accordance with the standards. There was a decrease in the billing ratio and a significant increase in the arrears ratio. The performance of monitoring receivables is not going well because the results of DSO continue to increase and in the analysis of the age of receivables there is a risk of bad debts which can be seen from the increase in the number of receivables in arrears in the age group of receivables of more than 360 days

Keywords: Account Receivable, Account Receivable Management, Bad Debt, Account Receivable Performance

Introduction

Developments in the business world are increasing every year. One of the business entities that has an important role in improving the development of the business world is the company. The company is a form of business that carries out business activities permanently and continuously with the aim of obtaining profits. Companies can be in the form of Trading Enterprises, Commanditaire Vennootschap, Limited Liability Companies, State-Owned Enterprises and others. One of the limited liability companies in Indonesia and operating in the Bali area is PT Aerofood Indonesia Unit Denpasar. This company is a company engaged in the service industry, namely aviation catering. In optimizing profit, the company's strategy is to sell on credit. The application of the credit sales system is expected to increase the company's sales volume which affects the company's profit increase. The credit sales strategy causes the company not to receive cash directly but will generate receivables. The size of the receivables owned by the company is influenced by factors of credit sales volume, payment terms, credit terms and restrictions, company policies and collection of receivables collection and paying habits from customers (Handayani, 2019).

Receivables are one of the current asset accounts that arise due to credit sales or providing loans to other parties (Baridwan, 2017). PT Aerofood Indonesia Unit Denpasar has many customers which causes the company to have large amounts of receivables. Therefore, companies must be able to manage their receivables properly in order to avoid various risks, one of which is the risk of bad debts. The risk of bad debts can occur due to several factors, one of which is customers who are in arrears in making payments and the lack of efforts to collect receivables from the company (Rivai et al, 2013). In controlling receivables activity, the company can create and classify receivables into accounts receivable aging lists. With the creation of a list of customer receivables based on the age group of receivables, the company can monitor the position of customer receivables and monitor the potential for bad debts (Zalogo, 2021). PT Aerofood Indonesia Unit Denpasar classifies the company's receivables

into age groups of 1-30 days, 31-60 days, 61-180 days, 181-360 days and more than 360 days. The company determines the maturity of the receivables for 60 days. The age group of receivables more than 60 days includes receivables that are past due. The following are receivables due with an age group of more than 360 days at PT Aerofood Indonesia Unit Denpasar at the end of the 2019-2021 period as follows:

Table 1. Receivable due more than 360 days
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Year	Receivable due more than 360 days (In Rupiah)	Total Receivable (In Rupiah)	Percentage
2019	4.235.184.830	46.093.299.579	9%
2020	4.647.856.428	19.009.531.876	24%
2021	14.818.174.349	23.763.495.993	62%

Based on table 1. it can be illustrated that PT Aerofood Indonesia Unit Denpasar experienced an increased risk of bad debts. Uncollectible accounts are a company's right to collect a number of receivables given as loans to third parties who have not made payments for credit sales transactions that have been made (Aznedra and Putra, 2020). The results of the percentage of receivables due with receivables aged more than 360 days show an increase every year. An increase in the number of receivables due with receivables aged more than 360 days from 2019 to 2020 by 15%. A significant increase occurred in 2020 to 2021, which was 38%. This causes the risk that the greater the amount of receivables is due, the greater the possibility that these receivables cannot be collected. In minimizing the risk of bad debts, the company can analyze the performance of receivables and monitor the position of receivables. Receivable performance analysis techniques can use the receivables turnover ratio, the average collection period, the billing ratio and the ratio of arrears (Houston, 2011). The analysis technique of monitoring the position of receivables using the DSO ratio and receivable aging analysis (Kanuruhan, 2020). The results of the analysis techniques carried out are expected to help the company to determine the performance of receivables, the position of customer receivables and assist in making decisions or policies on receivables owned.

Method

A. Types of research

The type of research used in this research is qualitative research. Qualitative research aims to describe and describe something accurately, in detail and systematically. The type of qualitative research in this study is the analysis of receivable management to minimize the risk of bad debts.

B. Place & Time of Research

The research was conducted at PT Aerofood Indonesia Unit Denpasar, which is located at Jalan Taman Sari No.36, Tuban, Kuta, Badung, Bali. This research was conducted in a period of six months, starting in February 2022, starting with problems that occurred in the field and continued with the process of collecting the required data. The deadline for completing the research is to draw conclusions at the end of July 2022.

C. Data Collection Techniques and Instruments

Data collection techniques used in this study are as follows:

1. Interview

Interviews will be conducted by the head of the accounts receivable department which is directly related to the management of the company's receivables. Interviews will be conducted in a structured way. What will be discussed is the performance management and monitoring of the position of accounts receivable at PT Aerofood Indonesia Denpasar Unit.

2. Documentation

Documentation is collecting written materials such as company financial statements. In this study, documentation comes from data that already exists in the company, then the data needed is collected according to research needs such as reports on the aging list of accounts receivable and sales data from PT Aerofood Indonesia Unit Denpasar in 2019-2021.

3. Observation

Observation is a data collection technique which is done by visiting directly to the object of research. Observation aims to match the data that has been collected through interviews and documentation. In this study, observations were made by observing the recap of receivables collection and sales during the years 2019-2021. Through the recap, it can be seen the number of receivables, collections and sales that occurred during 2019-2021. Make observations on invoices that have been archived in the puzzle folder

according to the customer's name and observations on the age list of accounts receivable that has been made previously.

D. Data Validity

The data used in the study in order to be said to be valid and reliable, it is necessary to test the validity of the data. In this study the validity of the data used is triangulation. Triangulation is a data collection technique that combines various data collection techniques and existing sources (Sugiyono, 2015). In this study, triangulation techniques were used, namely data collection techniques in different ways to obtain data from the same source. Data collection techniques used consisted of interviews, documentation and observation. With this technique, the data from observations will be compared with data from interviews and from existing documents.

E. Data Analysis Techniques

Analysis of receivables performance using the following measuring tools:

1. Receivable Turnover

The receivables turnover ratio is a ratio that shows how long it takes from credit sales until it can be converted into cash (Kasmir, 2012: 176).

$$\text{Receivable Turnover} = \frac{\text{Credit Sales}}{\text{Average Account Receivable}}$$

Average accounts receivable formula as follows:

$$\text{Average Accounts Receivable} = \frac{\text{Beginning Receivables} + \text{Ending Receivables}}{2}$$

2. Average Collection Period

$$\text{Average Collection Period} = \frac{360}{\text{Receivable Turnover}}$$

3. Billing Ratio

According to Keown (2008: 77) explains that the greater the collection ratio results in the company, the smoother the receivables turnover rate and the smaller the collection ratio, the slower the company's receivable turnover rate.

$$\text{Billing Ratio} = \frac{\text{Billing Receivable Total} \times 100\%}{\text{Receivable Total}}$$

4. Arrears Ratio

$$\text{Arrears ratio} = \frac{\text{Receivable Arrears at Ending Period} \times 100\%}{\text{Receivable Total at The Same Period}}$$

The performance of monitoring the position of receivables using the following measuring tools:

1. DSO

According to Munawir (2014: 76) DSO is the daily average comparison between trade receivables and sales. The purpose of this analysis is to find out or observe the flow of receivables from customers.

2. Aging Schedule

The purpose of the analysis of the age of accounts receivable is to determine the position of receivables from customers (Irama and Samosir, 2019) . Receivables of the company will be grouped by age in accordance with the provisions made by the company. Examples of age groups for company receivables are 1-30 days, 31-60 days, 61-180 days, 181-360 days and more than 360 days. The company will classify receivables that are classified as not yet due and past due. The

Result and Discussion

Accounts Receivable Performance Analysis

1. Receivable Turnover Ratio

Table 4. Receivable Turnover Ratio at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Description	Year		
	2019	2020	2021
Credit Sales (In Rupiah)	308.427.016.770	77.407.510.200	31.422.917.580
Average Account Receivable (In Rupiah)	55.245.236.547	32.551.415.728	21.386.513.935
Result	5,58 Times	2,38 Times	1,47 Times

Based on the results of the research in table 4. that the results of the calculation of the receivables turnover ratio at PT Aerofood Indonesia Unit Denpasar in 2019, 2020 and 2021 are 5.58 times, 2.38 times and 1.47 times. Comparison from 2019 and 2020 there was a decrease in receivables turnover of 3.20 times. From 2020 and

2021, the receivables turnover decreased by 0.91 times. Based on the results of the above calculation that the decline in the turnover of accounts receivable each year shows that these results are not in accordance with the standards set by the company. The standard set by the company is 6 times a year, this can be seen from the company's policy related to the receivable collection period of 60 days.

2. Average Collection Period

Table 4. Average Colletion Period
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Description	Year		
	2019	2020	2021
Receivable Turnover	5,58 Times	2,38 Times	1,47 Times
Results	64 Days	151 Days	245 Days

Based on the results of the calculations in table 4. it can be seen that the average collection period at PT Aerofood Indonesia Unit Denpasar in 2019, 2020 and 2021 are 64 days, 151 days and 245 days. The comparison of the average days of receivables from 2019 and 2020 experienced an increase in the average collection by a difference of 87 days. A significant increase in the average day of collection of receivables indicates that the company is taking longer to collect receivables from customers to convert them into cash. This significant increase is not in accordance with the standards set by the company. The company sets a standard collection period for collecting receivables for 60 days. The increase that occurs on the average day of collection is due to the low rate of receivables turnover so that it will have an impact on the average day of collection of receivables.

3. Billing Ratio

Table 4. Billing Ratio
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Description	Year		
	2019	2020	2021
Billing Receivable Total (In Rupiah)	326.730.890.707	104.491.277.903	26.668.953.463
Receivable Total (In Rupiah)	372.824.190.286	123.500.809.779	50.432.449.456
Results	0,88	0,85	0,53
Percentage	88%	85%	53%

Based on the results of the calculations in table 4. it can be seen that the percentage of billing ratios at PT Aerofood Indonesia Unit Denpasar in 2019, 2020, and 2021 are 88%, 85% and 53%. The comparison from 2019 and 2020 decreased by a difference of 3%. Comparison from 2020 and 2021 there is a significant decrease with a difference of 32%. In 2021 there was a significant decline in collections, namely collection of 53% of the total receivables. The decrease in the percentage of receivable collection at the company is not in accordance with the standard billing ratio in general. Based on the standard billing ratio, if the percentage ratio increases, the better and if the percentage ratio decreases, the worse. The decrease in the percentage of the Billing Ratio that occurred in the company was due to the number of receivables being collected decreasing every year from the total receivables. A decrease in the number of receivables will cause the number of arrears to increase. In addition, the number of receivables due will also increase every year.

4. Arrears Ratio

Table 4. Arrears Ratio
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Description	Year		
	2019	2020	2021
Receivable Arrears at Ending Period (In Rupiah)	6.323.573.310	15.370.382.333	21.365.125.389
Receivable Total at The Same Period (In Rupiah)	372.824.190.286	123.500.809.779	50.432.449.456
Results	0,02	0,12	0,42
Percentage	2%	12%	42%

Based on the calculation results in table 4. it can be seen that the ratio of arrears from PT Aerofood Indonesia Unit Denpasar in 2019, 2020 and 2021 is 2%, 12% and 42%. There is a significant increase in the percentage of the arrears ratio which is not in accordance with the standard arrears ratio in general. Based on the standard arrears ratio, if the percentage of the arrears ratio decreases, the better because the receivables can be collected so that the receivables in arrears are reduced. If the percentage of the arrears ratio increases, it will be worse for the company and can lead to the risk of bad debts. The increase in the percentage of arrears ratios that occurred in the company was due to an increase in the number of receivables in arrears each year from the total receivables. In addition, due to customers who are not on time in paying their obligations so that receivables are due or in arrears will increase.

Account Receivable Position Monitoring Analysis

1. Days Sales Outstanding (DSO)

Table 4. DSO
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Description	Year		
	2019	2020	2021
Average Receivable (In Rupiah)	55.245.236.547	32.551.415.728	21.386.513.935
Credit Sales/360 (In Rupiah)	856.741.713	215.020.862	87.285.882
Results	64 Days	151 Days	245 Days

Based on the calculation results in table 4. it can be seen that the DSO of PT Aerofood Indonesia Unit Denpasar in 2019, 2020 and 2021 is 64 days, 151 days and 245 days. Comparison from 2020 to 2021, there is a very significant increase in DSO, the difference is 94 days from 2020. From this it can be seen that the flow of receivables collection from customers has increased every year. The increase in DSO was due to an increase in average receivables and was not matched by an increase in the number of sales. Average receivables increase due to customers who are not on time in paying their obligations. The company sets the standard for collecting receivables for 60 days and based on the standard ratio in general, if there is an increase in DSO it indicates that the customer is getting slower in paying obligations and if there is a decrease in DSO it shows that the customer is on time in paying obligations.

2. Aging Schedule Analysis

Table 4. Aging Schedule Analysis
at PT Aerofood Indonesia Unit Denpasar Year 2019–2021

Age Group	Description					
	2019 (In Rupiah)	%	2020 (In Rupiah)	%	2021 (In Rupiah)	%
1- 30 days	38.073.962.472	83%	1.894.490.686	10%	1.220.828.064	5%
31-60 days	1.695.763.797	4%	1.744.658.857	9%	1.177.542.540	5%
61-180 days	1.487.158.263	3%	1.551.421.527	8%	2.007.105.217	8%
181-360 days	601.230.217	1%	9.171.104.378	48%	4.539.845.823	19%
> 360 days	4.235.184.830	9%	4.647.856.428	24%	14.818.174.349	62%
Total Account Receivable	46.093.299.579	100%	19.009.531.876	100%	23.763.495.993	100%
Receivables due	6.323.573.310	14%	15.370.382.333	81%	21.365.125.389	90%

Based on table 4. it can be seen that receivables at PT Aerofood Indonesia Unit Denpasar can be grouped into age groups of 1-30 days, 31-60 days, 61-180 days, 181-360 days and more than 360 days. Receivables that have not yet matured are in the age group of 1-30 days and 31-60 days. In the table above, it can be seen that receivables with an age group of more than 360 days have increased significantly every year. in 2019 it was 9%, in 2020 it was 24% and in 2021 it was 62%. The age group of receivables that are more than 360 days old can be said to be dangerous because it can lead to bad debts. In addition, the receivables are more than one period old so it is unlikely that they can be collected again. The increase in receivables with an age group of more than 360 days led to an increase in the total amount of receivables due. If the percentage of total receivables due in 2019 is 14%, in 2020 it is 81% and in 2021 it will increase to 90%.

Conclusion

Analysis of receivable performance management in an effort to minimize the risk of bad debts at PT Aerofood Indonesia Unit Denpasar by using a measuring instrument in the form of ratios can be said to have not met the standard. This is evidenced by the results of receivables turnover and the average collection period not in accordance with the standards set by the company. In addition, there was a decrease in the billing ratio and a significant increase in the arrears ratio. This causes the number of arrears to increase and the risk of bad debts increases.

Analysis of the management of monitoring the position of receivables in an effort to minimize the risk of bad debts at PT Aerofood Indonesia Unit Denpasar by using a measuring instrument in the DSO and analysis of the age of receivables can be said to have not run optimally. This is evidenced by the increasing DSO results which indicate that the flow of receivables collection is not running smoothly. In the analysis of the age of receivables, there is a risk of bad debts which can be seen from the increase in the number of receivables in arrears in the receivables age group of more than 360 days.

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