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The Effect of Company Size on the Implementation of Fixed Assets Depreciation Method

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ABSTRACT

This study aims to determine the effect of company size on the determination of the depreciation method of fixed assets. The research problem is as follows: Does company size affect the choice of depreciation method. The purpose of this study is to determine the effect of company size on the choice of depreciation method for fixed assets. This study uses secondary data obtained from the Indonesia Stock Exchange, namely companies that are members of the LQ45 company in 2019. The data analysis methods used are descriptive statistics, classical assumption tests, and hypothesis testing consisting of Simple Linear Regression Methods, Coefficient of Determination, and T test. The results of this study are the effect of company size on the depreciation method of fixed assets shows an insignificant relationship, this proves that company size does not have an influence in determining the method of depreciation of fixed assets.

1. INTRODUCTION

The financial report is a description of the performance of a company that contains records of financial information in an accounting period. Financial reports are prepared as an information tool for interested parties, namely investors, employees, creditors, government, society. In general, companies prepare 5 types of financial reports, namely balance sheets, income statements, changes in capital reports, cash flow reports, notes report on financial statements. The balance sheet is a financial report that describes the financial position of the accounting period in a company. Income Statement is a financial report that shows the results of a company in a certain period. The report on changes in capital is a report that describes the number of companies that the company currently owns. Cash Flow Statement is a report that describes the cash flow into and out of a company. Meanwhile, the Notes to Financial Statements contain information about the necessary explanation from the financial statements presented so that the cause is clear.

In preparing financial statements, it cannot be separated from the selection of accounting methods, techniques and policies. The selection and application of accounting policies by managers is based on the provisions written in the Statement of Financial Accounting Standards (PSAK). In the Indonesian Accounting Standards, companies are given an alternative depreciation method in accordance with the conditions of a company, in this case the manager plays a role in choosing the depreciation method of fixed assets. The choice of depreciation method that is applied will affect the amount of profit earned by a company.

Company size is a condition that describes the size of the company based on total assets and total sales. Large companies tend to have large assets (Reminda 2017). Each year, assets will experience depreciation and amortization. The method of depreciation / depreciation that will be used will affect the profit that will be generated. The profit generated will affect the amount of tax to be paid and can attract the attention of investors who will invest in the company.

Based on the description above, the researcher intends to examine whether there is an effect of company size on the chosen depreciation method.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The company is an organization that produces goods and services for profit. The company is: "The company is a production organization that uses and coordinates economic resources to satisfy needs in a profitable way" (Swastha and Sukotjo 2007). According to Sumarni (1995) the company is a production activity unit that processes economic resources to provide goods and services for the community with the aim of obtaining profits and satisfying people's needs.

Company Size

According to Hasibuan (2009) company size is a scale in which the size of the company can be classified according to various ways, including: total assets, log size, sales and market capitalization, and others. According to Machfoedz (1994) company size is basically categorized into 3, namely large companies (large firms), medium companies (medium-size firms) and small companies (small firms). Company size describes the size of the company. The size of the business is viewed from the business field being carried out.

Depreciation

Depreciation is the process of allocating the cost of fixed assets into costs over their useful lives in a rational and systematic manner (Al 2001). Depreciation is a part of the cost of fixed assets which is systematically allocated to cost each certain period (Baridwan 2014). The definition of depreciation is as follows: "Depreciation is the allocation of the amount of an asset that can be depreciated over its estimated useful life".

Depreciation methods that are allowed to be used are: based on time with the straight-line method and the method of declining loading; Based on Usage: service-hours method and productive output method; and based on other criteria: method based on type and group (group and composite method); annuity method; and an inventory system. Consistent with research assumptions that limit the depreciation method chosen, what will be discussed further is the straight-line method and the double-declining-balance method.

1. Straight-line method

The straight-line method is a depreciation method by recognizing an equal periodic charge over the life of the asset. The assumption of this straight-line depreciation method is that assets will provide the same benefits throughout the life of the asset and charges are not affected by changes in productivity or asset efficiency (Avisha 2018).

2. Double declining method

The double declining method is a depreciation method in which the amount of depreciation expense will decrease each year. The amount of periodic depreciation expense by multiplying the percentage rate to the decreasing book value of the asset. The commonly used depreciation rate is twice the straight-line depreciation rate.

3. Unit production method

The unit production method is a method of depreciation of fixed assets that provides depreciation expense based on the expected productive capacity of fixed assets.

Positive accounting theory

In positive accounting theory, companies are given the freedom to choose alternative procedures available to minimize contract costs and maximize firm value. Positive accounting theory seeks to explain the process of using accounting understanding, knowledge, and policies in accordance with the conditions and circumstances of the company in the future.

3. RESEARCH METHOD

This research conducted using secondary data in the form of financial statements of the company to be studied. perform hypothesis testing in testing. This research is a correlational study by explaining the relationship of the independent variable to the dependent variable. The type of data used in this research is secondary data in the form of financial reports obtained from the Indonesia Stock Exchange. The sample of this research is using financial statement data from 45 companies that are included in the LQ45 category (period November 2020 to January 2021). In this study, the dependent variable is the depreciation method of fixed assets, so that the measurement is carried out using a nominal scale and is a dummy variable. The indicator of this variable is to give a value of 0 for the selection of the mixed fixed assets depreciation method (straight line and double declining balance / straight line and production unit method) and give a value of 1 for the straight-line depreciation method of fixed assets.

4. RESULT AND DISCUSSION

Table 1. Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Company size (X)	45	23,99	34,89	31,4642	1,76582
Depreciation Method for Fixed Assets (Y)	45	0	1	,91	,288
Valid N (listwise)	45				

Based on the table above which presents descriptive statistics of LQ45 company data listed on the Indonesia Stock Exchange (IDX) in 2019, it can be seen that the minimum, maximum and average values of the dependent and independent variables are as follows:

1. In relation to the firm size variable, amounting to 45, the research data on company size (X) has an average value of 31.4642 and a standard deviation which represents the standard deviation value of the company size of 1.76582. The minimum value of company size is 23.99, which means that from all company data included in the LQ45 listed on the IDX, the company Pakuwon Jati Tbk is a small company based on its total assets. While the maximum value of company size is 34.89, which means that of all the companies that are members of the LQ45 listed on the IDX, Bank Rakyat Indonesia (Persero) Tbk can be said to be the largest company when viewed based on the total assets it owns.
2. In relation to the fixed asset depreciation method variable, which amounts to 45, the research data for the depreciation of fixed assets (Y) has an average value of 0.91 and a standard deviation which presents the standard deviation value of the depreciation method for fixed assets of 0.288. The minimum value of the depreciation method for fixed assets is 0, which means that the company uses the mixed fixed assets depreciation method (straight line and double declining balance / straight line and production unit method), these companies include: Bank Tabungan Negara (Persero) Tbk, Bank Central Asia Tbk, Indocement Tunggal Prakarsa Tbk, Bukit Asam Tbk. While the maximum value of the depreciation method for fixed assets is 1, which means that the company uses the straight-line method, these companies include: Ace Hardware Indonesia Tbk, Adaro Energy Tbk, AKR Corporindo Tbk, Aneka Tambang Tbk, Astra International Tbk, Bank Negara Indonesia (Persero) Tbk, Bank Rakyat Indonesia (Persero) Tbk, Bank Mandiri (Persero) Tbk, Bumi Serpong Damai Tbk, Bank BTPN Syariah Tbk, Charoen Pokphand Indonesia Tbk, Ciputra Development Tbk, Erajaya Swasembada Tbk, XL Axiata Tbk, Gudang Garam Tbk, HM Sampoerna Tbk, Indofood CBP Sukses Makmur Tbk, Vale Indonesia Tbk, Indofood Sukses Makmur Tbk, Indah Kiat Pulp & Paper Tbk.

Classic Assumption Test

a. Normality test

The normality test is carried out to determine whether the data obtained is normally distributed or not. To test the distribution of normal data can be done with the *One-Sample Kolmogorov-Smirnov Test.*

Table 2. Normality Test

Variables	Kolmogoro-Smirnov Value	Description	Conclusion
Company Size (X)	0,029	Not normally distributed	Ho Rejected
Fixed Assets Depreciation Method (Y)	0,000	Not normally distributed	Ho Rejected

Based on the table above, it can be seen that the variable company size (X) has a value of 0.029, the variable of fixed assets depreciation method (Y) has a value of 0,000. Therefore, it can be said that the research data is not normal because the *Kolmogorov-Smirnov* value is below 0.05.

Hypothesis Testing

a. Linear Regression Analysis

According to Sugiyono (2009), simple regression analysis is an analysis conducted to determine the effect of the independent variable (X) and the dependent variable (Y).

Table 3. Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,783	,772		2,310	,026
	Ukuran Perusahaan (X)	-,028	,024	-,170	-1,132	,264

a. Dependent Variable: Metode Penyusutan Aktiva Tetap (Y)

Based on the table of results, a simple linear regression equation can be obtained as follows:

Y = 1,783 – 0,028X

a. Constant Value

From the above equation, it can be seen that the constant value is a fixed value that affects the amount of Y.

b. Company Size

Based on the table above, the significant value of the company size is 0.264. So it can be said that the size of the company does not affect the depreciation method of fixed assets because the significant value is above 0.05.

c. T test

The t test is used to test the significant relationship between variables X and Y. By using a significance level of 0.05, it can be seen the effect of the independent variables partially on the dependent variable. If the significant value> 0.05 then there is no influence of the independent variable on the dependent variable, and vice versa if the significance level is <0.05, the independent variable has an effect on the dependent variable.

Table 4. T Test

Variabel	Sig
Company size (Y)	0,264

Based on the table above, it can be seen that the significance value of the company size is 0.264, which means that the size of the company has no effect on the selection of the fixed assets method.

Determination Coefficient Test (R^2)

According to Ghozali (2013), the coefficient of determination test is a test conducted to measure how far the model's ability to explain variations in the dependent variable.

Table 5. Determination Coefficient Test (R^2)

Variabel	R Square	Adjusted R Square	Std. Error of the Estimate
1	,029	,006	,287

Based on the table above, it can be seen that the Adjusted R Square value is 0.006. This means that the dependent variable of fixed assets depreciation method (Y) is influenced by company size (X) of 0.6% while the remaining 99.4% is influenced by other variables.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The simple linear regression test results on the effect of company size on the depreciation method of fixed assets show an insignificant relationship, this proves that company size does not have an influence in determining the depreciation method of fixed assets.

The limitation of the author in this study is that the companies used as the research sample are only limited to companies that are members of the LQ45 company which are listed on the Indonesia Stock Exchange (IDX) and only in the period ended December 31.

The suggestion for further research is to expand the research sample, not only limited to companies that are members of the LQ45 company, but also further research can use a longer period and use different variables from this study.

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