ANALYSIS TO GET PROFIT INVENTORY TO GET PROFIT PT. AGRI FIRST INDONESIA

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Abstract: In today's globalized world, inventory has become a crucial and dynamic asset within a company's operation, serving as materials that are processed into finished products for sale, marketing, or usage. Thus, it is vital to accurately and clearly define and measure inventory. Inventory is especially significant as it can greatly influence profit and loss calculations as well as the financial position statement of a company. The term inventory refers to the goods owned by the company that are utilized in its regular operations, including items for resale and those intended for production. Research indicates that PT Agri First Indonesia employs a perpetual inventory system, enabling real-time access to inventory data, which benefits management significantly due to the high turnover rate associated with retail trade. This perpetual method allows the company to anticipate needs and avoid both inventory shortages and surpluses. This approach aligns with PSAK No. 14, as the company consistently logs every transaction in the transaction account, making the inventory quantity accessible at all times. However, a drawback of this system is that current expenses are not evaluated against future revenues.

INTRODUCTION

The word inventory refers to one of a company's current assets, which is frequently acquired or created and sold consistently, resulting in a swift turnover rate. Additionally, assessing the inventory properly is essential to help the company reduce potential disruptions affecting its operations. For instance, an incorrect evaluation may lead to a miscalculation of the company's profit during a specific timeframe. Every business holds inventory, representing the most significant investment in current assets, relevant to service, trading, and manufacturing sectors. Service businesses do not universally possess inventory; only certain service providers, like those in

transportation, maintain inventory. In trading firms, inventory includes various goods, with one primary type referred to as merchandise inventory—goods owned by the company and ready for customer sale. In contrast, manufacturing firms do not always have inventory that is immediately saleable. Unlike merchandise inventory, manufacturing inventory is divided into three types: raw material inventory, work-in-process inventory, and finished goods inventory. Thus, it is important that the calculation of goods costs accurately reflects the inventory's value.

RESEARCH METHODS

In this study, we utilize descriptive research as our method. As stated by Rusiadi, Subiantoro, and Rahmat Hidayat (2015: 12), "Descriptive research involves determining the values of independent variables, whether singular or multiple (independent), without comparing them to or establishing relationships with other variables." The quantity of theoretical groups that need to be identified or explained is influenced by the complexity of the issue and also hinges on the number of variables being examined. The aim of descriptive research is to illustrate the attitudes of a specific group. Within descriptive research, the scope is limited concerning its attempts to link the behavior being examined to other variables or to test or clarify systematic causes. This research will help in developing a theory aimed at explaining, predicting, and controlling the phenomenon under study, specifically relating to the analysis of final inventory valuation for determining optimal profit at PT Agri First Indonesia.

RESULTS AND DISCUSSION

The analysis results of the inventory recording technique utilized at PT Agri First Indonesia align with Statement of Financial Accounting Standards (PSAK) No.14. The FIFO (First In First Out) approach has the benefit of aligning the ending inventory value with current expenses, as the first item bought is the first to be sold; thus, the ending inventory value will include the latest purchase, particularly when the inventory turnover rate is high.

Annual financial statement preparation at PT Agri First Indonesia occurs at the conclusion of each year, specifically on December 31. The balance sheet and income calculations are interconnected and cannot be viewed separately. In the income

statement, inventory isn't explicitly listed, but its value assists in determining the cost of goods sold. The formula for calculating cost of goods sold consists of the beginning inventory value, sum of purchases during the period, minus the year-end inventory value. Damaged inventory is recorded as a loss and categorized under non-business expenses in the other expenses section. Inventories are presented as current assets on the statement of financial position and reflect inventory value as of the balance sheet date. The application of the FIFO method for inventory valuation is regarded as superior and offers more trustworthy data for the balance sheet presentation. Regarding the determination of inventory rights in transit, the company implements FOB destination, meaning that it does not include in-transit inventory in its inventory estimates.

CONCLUSION

The way PT Agri First Indonesia records its inventory is through a perpetual system, which enables real-time inventory tracking. This benefits management significantly, as the company operates in retail, where inventory turnover is relatively rapid. This system allows for proactive measures to avoid both stock shortages and surplus inventory. This practice aligns with PSAK No. 14. Since the company logs every transaction into its account, the inventory amount can be accessed at any point. However, a drawback of this system is that current expenses are not measured against current revenue on the income statement. The costs from older inventory are applied to the newest sales, potentially creating inaccuracies in gross and net profit figures. To ensure the accuracy of the recorded inventory against the actual stock levels, the company performs a physical inventory count at the end of every month in its warehouse. PT Agri First Indonesia utilizes the FIFO valuation method. The FIFO approach ensures that the first items purchased are the first to be sold, helping to prevent losses from product obsolescence and expiration, which would negatively impact profits. This method also complies with PSAK NO. 14. This approach, however, can also lead to a reduction in profit.

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