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### Analysis of Telecommunication Tower Accounting at PT. Sarana Menara Nusantara Tbk. in 2014-2015 period

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#### ABSTRACT

This study aims to determine the accounting treatment of telecommunication tower companies, especially PT Sarana Menara Nusantara Tbk, which recognized telecommunications tower as fixed assets in 2014 and recognized as investment properties in 2015 and the impact of their accounting for that period.

This type of research is qualitative research, using interpretive descriptive methods. Data presented in descriptive form without processing with other analytical techniques. With this research, information is expected to equalize perceptions related to differences that occur regarding differences in recognition of telecommunications tower and to assist companies in evaluating performance, especially in terms of achieving earning.

#### INTRODUCTION

Accounting arrangements in Indonesia are guided by Standar Akuntansi Keuangan (SAK). SAK refers to IFRS, which is composed by the SAK council and The SAK Consultative Council. Both plan the implementation or application of IFRS convergence to the full PSAK in 2012 and this is mandatory, especially for companies listed on the Indonesia Stock Exchange (IDX). Convergence aims to make it easy for foreign companies wishing to sell shares in Indonesia, ensuring that the company's financial statements are of high quality (transparent, reliable, comparable).

The convergence of IFRS to PSAK is not easy, it requires competent human resources so that the information produced is in accordance with KDPPLK and can be used in decision making for its users. If the implementation there is a difference between entities, it is necessary to have a possession report that is accommodated by financial watchdog institutions and capital markets to form an agreement. Some time ago,

an issue arose which debated the problem of telecommunications towers in the telecommunications tower provider industry between entities. This debate was mediated by the emergence of circular letters from OJK Number 27 / SEOJK.04 / 2015 and ED ISAK 31. Both of these regulations require accounting treatment to be recognized as investment property.

The problem of telecommunications towers boils down to the recognition of each owner entity that rents out its towers to telecommunications providers as fixed assets (PSAK 16) and as investment properties (PSAK 13). Companies that recognize as fixed assets assume that the tower is used for company operations in generating income, while companies that recognize as investment property consider that the tower has more income, namely rental income compared to the company's own operations. This difference in recognition causes differences in the interpretation of the financial

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statements of each entity. Therefore the government regulation was made above.

There are only 4 telecommunication tower companies in Indonesia listed on the IDX (TBIG, TOWER, SUPR, and BALI). These four companies have different accounting treatments in the recognition of telecommunications towers, moreover there are companies (TOWER) that recognize telecommunications towers as fixed assets in 2014 and as investment properties in 2015. TOWER managers have full reasons for changing this method, because they will impact on profits generated also for the second year. Based on this problem, the author would like to examine the differences in accounting treatment for telecommunications towers and the impact of their accounting in the two accounting reporting periods of 2014 and 2015. The title of this study is the analysis of the telecommunications tower accounting treatment at PT Sarana Menara Nusantara Tbk in the 2014-2015 period.

### **MATERIALS AND METHODS**

In general, tower tenants are independent, while equipment is provided by providers themselves. Tower rentals are negotiated and implemented based on preferences and geographical location. Tower lease regulations are stipulated in an approved Master Lease Agreement (MLA); monthly rental rates, escalation provisions, general requirements, special equipment or rates, etc.

A tower is built on a piece of land, which is usually land leased from a third party for a period of 5-10 years that can be extended. The useful life of towers generally reaches 20 years. In addition, the tower can be dismantled or moved at any time. The true value of an independent tower leasing company is the tower portfolio that the operator can use to develop his business and not per tower unit.

Investment property is part of the assets, which are not used by the owner (not occupied). This distinguishes investment property from property that is used by the owner (fixed assets or inventory). Self-used property refers to SFAS 16. Where the definition of investment property that is used alone is the property controlled (lessee) that is used in the production, supply of goods or services, and for administrative purposes. Referring to PSAK 16, the definition of fixed assets is tangible assets that are owned for use in the production or supply of goods or services, to be distributed to other parties, or for administrative purposes and are expected to be used for more than one period (PSAK 16 revised 2011 paragraph 6).

The fair value of investment property is the price at which property is exchanged between parties who have adequate knowledge and are

willing to make a fair transaction. The determined fair value is the fair value without taking into account transaction costs that may arise from the sale or disposal of investment property (PSAK 13 revised 2011 paragraph 38).

The best reference for fair value used is based on current prices in the active market for similar properties in similar locations and conditions. However, if the price is not available in the active property market, the entity can determine the fair value by considering information from various sources (PSAK 13 revised 2011 paragraph 48).

If the entity determines that the fair value of investment property in the development process cannot be reliably determined when the construction is completed, then investment property in the development process is measured at cost until its fair value can be determined. Likewise, with the fair value of investment property, if it is not possible to use fair value, it is measured at cost with a residual value of zero. In accordance with PSAK 16, using historical cost minus depreciation and impairment (PSAK 48). Depreciation methods can use straight lines, units of production, declining balances, and total number of years (PSAK 13 revised 2011 paragraph 55).

Recognition of fixed assets does not distinguish recognition criteria at initial recognition and for costs after initial acquisition. Evaluation of the principle of recognition is the initial cost of obtaining assets and subsequent costs to add, replace, repair.

Initial acquisition costs are all costs related to assets that have benefits in the future, other assets that function so that an asset can have benefits in the future or equipment that is installed so that the factory can run in accordance with the provisions of industrial waste treatment.

Regulation of the Minister of Communication and Information Technology Republic of Indonesia No. 02/PER/M.KOMINFO/ 3/2008 concerning guidelines for the construction and use of telecommunications shared towers in effect March 17, 2008:

- Article 1.3 towers are special buildings that function as supporting facilities to place telecommunications equipment whose design or construction form is adjusted to the needs of telecommunications operations.
- Article 1.10 building permits are permits to build buildings in accordance with applicable laws and regulations.
- The regulation is supported by the relevant ministry also stated in:
- Market 1.8 telecommunications towers, hereinafter referred to as towers, are buildings built in the public interest which are erected on land, or buildings which constitute

a unified construction with buildings used for public purposes whose physical structure may be in the form of steel frames bound by various node or in the form of a single without node, where the function, design and construction are adjusted as a means of supporting the placement of telecommunications equipment.

- Article 1.14 permit to build a tower building is a permit to erect a building granted by the regency or city government specifically for the DKI Jakarta government by the provincial government, to telecommunication tower entrepreneurs so that telecommunication towers are in accordance with administrative requirements and applicable technical requirements.

According to the Land and Building Tax Law Article 2 paragraph (1) of Law no. 12 of 1985 which has been changed into Law No. 12 of 1994 states that the object of the tax is the land and buildings. Buildings are technical constructions that are planted or permanently attached to land and or waters.

Then it is different with the understanding of buildings according to The Minister of Public Works of the Republic of Indonesia No. 25 / PRT / M / 2007 concerning Guidelines for Building Function Eligibility Certificates. Which mentions in part I General Provisions Understanding Points 6 and 7 as follows:

- The structure of the building is part of the building arranged and components that can work together as a unit, so that they are able to function to guarantee the rigidity, stability, safety and security and comfort of the building against all kinds of loads, both planned and unexpected loads, and against other hazards from surrounding conditions such as landslides, sea water intrusion, earthquakes, strong winds, tsunamis, and so on.
- Utility is mechanical and electrical equipment in buildings that are used to support the functions of buildings and the achievement of safety, health, convenience, and comfort in buildings.

This type of research is qualitative research, while the research method used is descriptive interpretive method. Where the method used by researchers is to collect, prepare, and analyze data so that it can provide a fairly clear picture of the object under study (Nazir, 2005 in Septariana, 2012). Interpretive approach (Neuman, 2003 in Efferin, 2004), assumes that the understanding of a social phenomenon obtained is obtained by studying a text in detail, where the text here can

be interpreted as a conversation, writing, or picture.

The type of data used in this study is secondary data. Secondary data obtained through intermediary media namely IDX, IAI, OJK. The data that will be used in this study are the Financial Statements (LK) which have been audited and submitted to IDX in 2014 and 2015. Based on LK data, information will be obtained regarding accounting treatment for the telecommunications towers of PT Sarana Menara Nusantara Tbk (TOWR). Data analysis method used is descriptive qualitative. Qualitative descriptive is only related to terms of data or circumstances or phenomena. Data presented in descriptive form without processing with other analytical techniques. This study describes and provides an overview of conditions in accordance with existing and actual data.

## RESULTS AND DISCUSSION

PT Sarana Menara Nusantara Tbk (TOWR) is a telecommunications tower provider company that is leased to provider companies. TOWR changed the accounting treatment method for telecommunication towers, in 2014 in its financial statements telecommunications towers were recognized as fixed assets. Whereas in 2015 it was recognized as an investment property. Of course this difference in treatment will have an impact on corporate earnings reporting.

In accordance with the accounting policy of TOWR in 2014 concerning fixed assets and depreciation, towers owned by TOWR are recognized as Non-current Assets adhering to PSAK 16. The increase in the number of towers from 2013 to 9,766 towers to 11,595 towers, has an effect on the TOWR Non-current Assets value with an increase of Rp1,269.3 billion, or 9.5%, from Rp13,319.5 billion in 2013 to Rp14,588.8 billion in 2014, due to an increase in the number of net fixed assets from Rp11,152.4 billion in 2013 to Rp12,391.6 billion in 2014.

Figure 1 presents a statement of financial position of TOWR, which can be seen increasing the amount of fixed assets from 2013 to 2014, with the increase in automatic assets according to company accounting policies, a depreciation is performed on each of these fixed assets, thereby causing the depreciation to increase as the number of fixed assets increases.

Figure 2 presents the Consolidated Statements of Income, an increase in depreciation and amortization from 2013 to 2014. The consolidated income statement also presents other comprehensive income that has increased due to the effect of revaluation of fixed asset values in accordance with company accounting policies. Another increase in

	31 Desember/ December 31, 2014	Catatan/ Notes	31 Desember/ December 31, 2013	
<b>ASET</b>				<b>ASSETS</b>
<b>ASET LANCAR</b>				<b>CURRENT ASSETS</b>
Kas dan setara kas	2.009.633	2e,2q,4,37,39,41	1.505.747	<i>Cash and cash equivalents</i>
Piutang usaha	571.914	2q,3,5,39,40,41	673.753	<i>Trade receivables</i>
Piutang lain-lain				<i>Other receivables</i>
Pihak ketiga	1.049	2q,41	48	<i>Third parties</i>
Persediaan	-	2f,6	508	<i>Inventories</i>
Pajak dibayar dimuka	19.044	2m,19a	-	<i>Prepaid taxes</i>
Beban dibayar dimuka	24.644	7	17.029	<i>Prepaid expenses</i>
Uang muka	20.353		17.482	<i>Advances</i>
<b>TOTAL ASET LANCAR</b>	<b>2.646.637</b>		<b>2.214.567</b>	<b>TOTAL CURRENT ASSETS</b>
<b>ASET TIDAK LANCAR</b>				<b>NON-CURRENT ASSETS</b>
Investasi sewa				<i>Net investment in</i>
pembiayaan neto	-	2g,3,8	125	<i>finance lease</i>
Aset tetap	12.391.580	2h,3,9	11.152.427	<i>Fixed assets</i>
Goodwill	186.883	2b,2c,2i,2s,3,10	207.730	<i>Goodwill</i>
Pajak dibayar dimuka	80.380	2m,19a	80.380	<i>Refundable taxes</i>
Aset takberwujud	602.680	2b,2c,2i,2t,3,11	721.585	<i>Intangible assets</i>
Sewa lokasi jangka panjang	1.268.441	2g,12	1.009.732	<i>Long-term site rentals</i>
Aset pajak tangguhan	20.759	2m,3,19e,19f	1.514	<i>Deferred tax assets</i>
Aset tidak lancar lainnya	38.059	2q,13,41	146.016	<i>Other non-current assets</i>
<b>TOTAL ASET TIDAK LANCAR</b>	<b>14.588.782</b>		<b>13.319.509</b>	<b>TOTAL NON-CURRENT ASSETS</b>
<b>TOTAL ASET</b>	<b>17.235.419</b>		<b>15.534.076</b>	<b>TOTAL ASSETS</b>

Source: Annual Report, 2014

**Figure 1. Statement of Financial Position of TOWR in 2014**

comprehensive income after tax will automatically affect the total comprehensive income for the current year after tax and increase. The conclusion from the analysis of the annual report in 2014 is knowing the effect of the

assets (non-current assets) as investment properties. The basis for this change is the latest regulation from the FSA, that all public companies in the tower business are required to use PSAK 13, which is about Investment Properties.

	2014	Catatan/ Notes	2013	
				Tahun yang berakhir pada tanggal 31 Desember/ For the year ended December 31,
<b>PENDAPATAN</b>	4.106.175	2g,2i,28	3.197.139	<b>REVENUES</b>
<b>DEPRESIASI DAN AMORTISASI</b>	(1.083.806)	2h,29	(927.790)	<b>DEPRECIATION AND AMORTIZATION</b>
<b>BEBAN POKOK PENDAPATAN LAINNYA</b>	(238.271)	2i,30	(207.156)	<b>OTHER COST OF REVENUES</b>
<b>BEBAN POKOK PENDAPATAN</b>	(1.322.077)		(1.134.946)	<b>COST OF REVENUES</b>
<b>LABA BRUTO</b>	<b>2.784.098</b>		<b>2.062.193</b>	<b>GROSS INCOME</b>

Source: Annual Report, 2014

**Figure 2. Comprehensive Income Statement of TOWR in 2014**

company's accounting policy in 2014 which recognizes towers that are owned as fixed assets, so that if there is a purchase of fixed assets will affect the accounts above and report cash flows. Statement of cash flows on net cash for investment activities increased by 21.1%

TOWR in 2015 reported changes in accounting policies in the form of recognition, measurement, presentation and disclosure of owned towers. This change is a recognition of towers that were previously recognized as fixed

TOWR adopted a change in accounting policy from PSAK 16 (Fixed Assets) to PSAK 13 (Investment Property) which took effect on December 31, 2015. In line with the application of these new rules, TOWR has made restatements of the 2014 financial values which will affect the Company's Equity and Profit. The excess of the revaluation of the Company's assets in the form of towers will be included in the Profit / Loss Performance. The intended accounting policies will only apply to the TOWR financial statements,

and not the taxation reports. In addition, the deferred tax value will increase, but will not affect the Tax Cash paid.

decrease in the revaluation of the fair value of investment properties. Increase / (decrease) the fair value of investment properties, increased by

	Tahun yang berakhir pada tanggal 31 Desember/ For the year ended December 31,		
	2015	Catatan/ Notes	2014 (Disajikan kembali - Catatan 45/ As restated - Note 45)
<b>PENDAPATAN</b>	4.469.784	2g,2m,29	4.106.175
<b>DEPRESIASI DAN AMORTISASI</b>	(389.819)	2h,30	(338.205)
<b>BEBAN POKOK PENDAPATAN LAINNYA</b>	(181.682)	2m,31	(238.271)
<b>BEBAN POKOK PENDAPATAN</b>	(571.501)		(576.476)
<b>LABA BRUTO</b>	3.898.283		3.529.699
<b>BEBAN PENJUALAN DAN PEMASARAN</b>	(60.811)	2j,2m,32	(50.932)
<b>BEBAN UMUM DAN ADMINISTRASI</b>	(451.601)	2j,2m,33	(398.537)
<b>KENAIKAN/(PENURUNAN) NILAI WAJAR PROPERTI INVESTASI</b>	1.631.663	2m,10, 45	(408.220)
<b>KERUGIAN LAIN-LAIN, NETO</b>	(509.565)	35	(266.223)
<b>LABA USAHA</b>	4.507.969		2.405.787

Source: Annual Report, 2015

**Figure 4. Consolidated Statement of Comprehensive Income in 2015**

In accordance with the accounting policy of TOWR in 2015 concerning Non-Current Assets, the recognition of towers as Investment Property that adheres to PSAK 13. Changes in policy previously recognized as fixed assets (non-current assets) turn into investment properties, requiring TOWR to reassess the fair value of each tower which is owned. The influence of policy changes is increasingly significant, one of which is due to the increase in the number of towers by 642 locations, or by 5.5%, from 11,595 locations in 2014 to 12,237 locations in 2015.

Figure 3 presents Statement of financial position of TOWR in 2015 and can be seen the changes in restatement in 2013, 2014 and presentation in 2015 of Investment Properties. Statement of financial position of TOWR in 2015 shows the actual value of the Investment Property on tower ownership whose fair value has been revalued by TOWR in accordance with changes in accounting policies. Changes in accounting policies affect TOWR's Operating Profit in 2015. The consolidated statement of income also presents the value of an increase or

499.7% in 2015 due to the adoption of PSAK 13.

In addition to influencing the increase / (decrease) in the fair value of investment properties, the change in accounting policies also affects the income tax expense. Income tax expense increased by 116.6%, this was due to the increase in deferred tax expense due to an increase in the fair value of investment properties. However, there is no effect on tax payments on TOWR. increase in total comprehensive income for the current year after tax increased by 189.8%.

#### **CONCLUSIONS AND SUGGESTION**

The conclusions in this study are two, the first is the difference in accounting treatment applies to the recognition of towers owned by TOWR, where in 2014 the towers were recognized as Fixed Assets (Non-Current Assets) that adheres to PSAK 16, whereas in 2015 according to TOWR accounting policies recognize the tower as an Investment Property that adheres to PSAK 13. This change is not without reason, this is because it adjusts OJK regulations Number 27 / SEOJK.04 / 2015 and ED ISAK 31. Both of these regulations

require accounting treatment to recognize as investment property.

Changes in accounting treatment of tower recognition will certainly have a significant impact, this has also been discussed in the previous chapter. From the results of comparing the 2014 annual report and the 2015 annual report having an impact on the TOWR Financial Position Report, namely the Non-Current Assets that were previously Fixed Assets for recognition of towers in 2014, are presented as Property Investments in 2015. In addition it has an impact on reporting in Consolidated Comprehensive Income in 2015, which is the benefit of revaluation of the tower value owned (increase in fair value of investment property) by TOWR, Operating Income has increased, Income Tax Expense increased due to the increase in fair value of Investment Property and total comprehensive income for the current year after taxes has increased.

Based on the conclusions obtained, the authors try to give suggestions for further research, namely to analyze the TOWR stock price. By looking at the financial statements can be calculated DER, PER, and other stock analysis so that it can help stakeholders in making investment and economic decisions.

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