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The Implication of Misstatement to Retained Earning Based on SAK

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Abstract

This study examines the implications of misstatement to retained earnings based on Financial Accounting Standards (SAK). It takes manufacturing companies in Indonesia as case study. The study found several misstatements such as misstatements on receivables, taxes on prepaid rent, rent, depreciation, account payable, interest loan, and classification of loan. The results of the study found that the implications of misstatement is the decline in retained earnings by 26%. Misstatements that are not recorded will cause the financial statements to be unreliable. Accountants must update themselves to the development of SAK and the role of higher education is necessary to produce competent graduates who are able to identify and know the effects that will arise on the misstatement.

Keywords: misstatement, Financial Accounting Standards, retained earning

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1. Introduction

The purpose of the financial statements is to provide information about financial position, performance, and cash flows of entities that beneficial to users of financial statements for making economic decision. The financial statements must be in accordance with the accounting standards applicable in Indonesia. The financial statements describe a company’s financial health for the impact of its operating activities as well as events in the related industry.

SAK 1 Paragraph 15 states that financial statements should be prepared fairly and comply with SAK. Fairness and compliance are expected to enable the users of Financial Statements could make reliable and effective decisions. It is also accordance with one of the characteristics of the financial statements, called reliability. The financial statements should be presented fairly on the financial position, financial performance, and cash flow of the entity. Fair representation requires precise representation of the impact of transactions, other events, and conditions in accordance with the definition and criteria of recognition of assets, liabilities, income, and expenses, set in conceptual

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and inapproachable terms to create, or allow inaccuracies, deviations to achieve a presentation Certain financial position, financial statement, and cash flow.

A business that is small or large will not be separated from the possibility of errors in the preparation of financial statements. The Company must make adjusting entries for any errors that occur in order for the financial statements to be reliable. The role of an Accountant is necessary to minimize errors by updating knowledge of applicable financial accounting standards. The role of universities in producing competent graduates is also very important.

The errors could be in measurement, recording, misclassification, and in disclosure. For errors in recording and measurement will affect the inappropriate balances in the account that related. Errors in measurement and recording will ultimately have implications to Retained Earnings of the company. That is because the Retained Earnings is the end point of the transactions that occur every year.

The errors can make the balance of retained earning understated or even overstated. An increase in retained earnings causes stockholders' equity to rise; a decrease (retained losses) causes a decline (Investopedia, 2013). Retained earnings reinforce the financial position of a business and thereby provide financial stability for the business. Retained earnings strengthen the company's financial position and capital that ultimately increase the value of the stock market. The big reason retained earnings matter so much more today when it comes to picking net–net is the increase in speculative initial public offerings (Geoff Ganoon, 2013).

Errors that occur can cause the assessment of the company's stock price to be inappropriate. Future growth potential or the forthcoming earning of the firm is indicated by the current years retained earnings; so, the price of the share at a point of time will be governed by the dividend and retained earnings of the firm. The studies indicate that when share prices are related to the retained earnings and current dividends, higher price earnings ratio are associated with higher dividends (UK Essay, 2013).

This research discusses the misstatement of accounts receivable, prepaid expenses, depreciation of construction in process, accounts payable, accrual basis for the loan, and short-term loan classification and the impact of such misstatement to retained earnings.

2. Review Literature

2.1. The purpose of financial statement

SAK 1 Paragraph 09 states that the financial statements are a structured presentation of the financial position and financial performance of an entity. The purpose of the financial statements is to provide information on the financial position, financial performance, and cash flows of the entities that are useful for most users of financial statements in economic decision-making. The financial statements also show the results of management accountability for the use of resources entrusted to them. In order to achieve these objectives, the financial statements present information on entities that include: assets, liabilities, equity, income and expenses including gains and losses, contributions from and distribution to owners in the capacity of owners, and cash flows.

2.2. Compliance and fair presentation to SAK

SAK 1 Paragraph 15 states that the financial statements present fairly the financial position, financial performance, and cash flow of the entity. Fair representation requires precise representation of the impact of transactions, other events, and conditions in accordance with the definition and criteria for recognition of assets, liabilities, income, and expenses set out in a conceptual framework. Further stated in PSAK 1 Paragraph 16, entities whose financial statements are in compliance with SAK make statements explicitly and without exception concerning compliance with SAK in notes to the financial statements. The entity cannot describe that the financial statements are in compliance with SAK unless the financial statements are in compliance with all the requirements of SAK.

SAK 1 Paragraph 27 states that the entity shall prepare the financial statements on the accrual basis, except for the statements of cash flows. In using the principle of accrual the entity shall recognize transactions whose period has been in operation, although no cash has yet been incurred. In addition, entities are required to recognize and categorize expenses, such as interest expenses or debt payments that will mature in the next year after the reporting period into short-term debt.

2.3. Accounting policy for account receivable based on SAK

Accounts Receivable is an account that contains the obligation of the customer to make payment because an entity or individual has provided goods or services. Accounts Receivable is considered to be one of the most current accounts.

PSAK 1 Paragraph 15 states that the financial statements present fairly the financial position, financial performance, and cash flow of the entity. Fair representation requires precise representation of the impact of transactions, other events, and conditions in accordance with the definition and criteria for recognizing the assets, liabilities, income and expenses set out in a conceptual framework. Therefore, if any inconsistency can affect the mismatch of a financial report, adjustment procedures are necessary.

Accounts receivable are one of the most liquid assets, then the various procedures performed will ultimately be the basis of whether there are Accounts Receivable transactions and affect the final balance of Accounts Receivable as specified in PSAK 1 Paragraph 61, whatever method is used, the entity discloses the estimated amount of recoverable or completed after more than twelve months for each item of assets and liabilities combining the amounts expected to be recovered or completed; Not later than twelve months after the reporting period, and more than twelve months after the reporting period.

One of the most common findings is the existence of Accounts Receivable that have long life (Long Outstanding). Based on SAK an entity needs to present Net Realizable Value, so it requires an entity to conduct an Allowance for doubtful account. In eliminating the value of bad debts, there are two methods of eliminating receivables, namely direct and indirect. However, both methods are no longer allowed by SAK.

2.4. Prepaid rent-building

A company in running its business cannot be separated from transactions that can support the business, such as building rental transactions, for both operating and expatriate employee benefits. Generally rental payments will be made upfront until the specified time. When a company has an prepaid account, the entity shall amortize the benefits realized every month.

Entities do not need to amort other components which generally occur during lease transactions, that is, taxes, in this case under PP 5 of 2002 jo. KMK-120/KMK.03/2002 jo. KEP 227/PJ/2002:

Income earned or received by private persons or entities from land and/or building leases in the form of land, flats, apartments, condominiums, office buildings, office houses, shops, warehouses and industries shall be subject to final income tax, Namely Article 4 paragraph (2) at a rate of 10% of the gross amount of the rental value of land and or building.

The definition of 'final' is that the taxpayer receiving or earning the income does not need to recalculate the income tax payable on that particular income in the Annual Income Tax Return because the redemption of income tax must be done on every month when the income is received and obtained. Mechanism of repayment can be through deductions by the income earner or must be paid by the income taxpayer himself.

Sukrisno Agoes (2013) states that the lease of land and/or building will be deducted by the lessee at the time of payment or charging the fee, and the tenant will pay or deposit the Income Tax Article 4 paragraph (2) to the State Treasury by using the CNS by no later than 10 months later and report it to KPP using SPT Period of final PPh Article 4 paragraph (2) no later than the 20th of the following month.

2.5. The recognition of depreciation construction in process

In carrying out a business an entity may acquire an asset in several ways, such as buying a tangible asset, buying assets using a finance lease facility, and owning assets through the construction process. Assets acquired through the construction process will be recorded by the entity as Construction in Process. During the construction process an entity will receive a bill from a second party, that is, a construction party or a developer or manufacture. The claims of the second party.

Assets in Construction Process are assets whose benefits are not yet usable. Therefore, if other assets, such as buildings, equipment, and vehicles are depreciated, the Asset under Construction will not be depreciated until the asset is subsequently completed and or have handed over from a second party to an entity, In accordance with SAK 16 Paragraph 56 stating that depreciation of assets begins when the assets are ready for use, for example when the asset is at the location and conditions desired for the asset to be used in accordance with the management intention.

The aforementioned statement clearly refers to a 'matching concept', in which any recognized load must be related to the economic benefits that can be generated within the same period.

2.6. Account payable

In running the business of definitely cannot be separated from transactions that generate Accounts Payable. Accounts payable are part of short-term liabilities because the repayment period is not more than 12 months. Under PSAK 1 Paragraph 69 discloses several characteristics so that a liability can be categorized into short-term liabilities, namely:

- The entity expects to complete the liability in the normal operating cycle;
- The entity has liability for trading purposes
- The liability is due to be settled within twelve months after the reporting period; or

The entity has no unconditional right to suspend the settlement of liabilities at least twelve months after the reporting period. The requirement of liability which may result in the settlement of such liability by issuing an equity instrument, in accordance with the option of the counterpart, shall have no effect on the classification of such liability.

Therefore, in terms of categorizing the debt business, must pay attention to the aforementioned matters. If, there is a long-term debt, then the debt should be reclassified into the long-term debt account.

2.7. Implement accrual basis for loan

In maintaining and improving the company's operations, a company often borrows to meet the adequacy of funds. Such financial liabilities can be categorized into either short-term and long-term liabilities depending on the maturity date of the loan.

However, under PSAK 1 Paragraph 73 an entity cannot categorize its liabilities into short-term even if maturity is not more than twelve months, if the entity estimates and has the discretion to refinance or extend an obligation for at least twelve months after the reporting period Using an existing loan facility, then the entity classifies the liability as a long-term liability.

Long-term debt especially loans generally have interest borne by the borrower to pay interest outside the loan principal. Under PSAK 1 Paragraph 27 an entity shall prepare a financial statement on the accrual basis. Therefore, at the end of the period the entity must estimate then recognize and record the liabilities that will mature within the next year.

2.8. Implication of misstatement to retained earning

Retained Earnings are intended to refinance the business of the company. Making profits for shareholders should be the company's primary goal. If you have a chance to grow, the company must be able to sustain revenue and invest it in a business venture that, in turn, can generate more profits (Ben McClure, 2015). No small or large business is awake from possible errors.

Under SAK 25 Paragraph 41 it is revealed that errors may arise in the recognition, measurement, presentation, and disclosure of the elements of the financial statements. It can be said that there is an error if it does not comply with the existing standard, which is SAK. Based on SAK 25 Paragraph 8, SAK defines accounting policies to produce financial statements containing relevant and reliable information on transactions, other events and conditions. Such accounting policies need not be applied when the impact of their implementation is immaterial. However, it is not appropriate to create, or allow inaccuracies, irregularities to achieve a given presentation of financial position, financial performance, and cash flows.

Errors may occur in the current period or previous period but are not found in the current period. For errors occurring in the current period, the entity only needs to create an account-related customization journal encountered an error. However, if an error is found in the previous period, the entity needs to make adjusting entries to the balance sheet account, including retained earnings. In SFAS 25 Paragraph 42 it is mentioned that the entity also needs to restate the comparative amount for the previous period in which the error occurred.

Any errors that occur will affect the Company's Retained Earnings, either the errors that occur in the current period will affect the change of Profit or Loss in the period. This affects the retained earnings through the change in the amount of the profit or loss to be transferred to the retained earnings.

3. Methodology

This research uses data 1 manufacturing company quantitatively and qualitatively. Quantitative uses primary data. Quantitative data is obtained from company financial statements, ledgers, subsidiary ledgers, trial balance, accounts receivable list, accounts payable, and others for the period 2011–2016. Qualitative data were obtained through literature studies and in-depth interviews with the company.

4. Discussion

Companies in this study are dependent on the consultant to perform accounting tasks such as transaction input process, ledger management, financial reporting and tax. Companies only concentrate on business transactions. Thus, this often leads to misunderstandings related to nominal transactions that need to be inputted, thus causing misstatement.

4.1. Incompatibility account receivable to SAK

Comparison of accounts receivable found difference (492,066,896), in subsidiary ledger (10,232,408,324) and trial balance (10,724,475) as of December 31, 2016. The difference was found to be due to Account Receivable List in subsidiary ledger is account receivable Because the sales transaction only in 2016. The Company did not combine with previous uncollectible accounts receivable.

Searches on the list of accounts receivable in previous years 2011–2016 and finally found the cause of the difference, more details have been presented in the following tables:

Accounts receivable that have not been collectible are from accounts receivable in 2011, 2012, and 2013 and some are underpaid and overpaid. The less pay is the payment made less than the nominal listed in invoice being overpaid is the opposite.

Table 1: Account receivable difference.

	IDR	USD	JPY	Total
2011			391,930,828	391,930,828
2012	2,063,050	10,748,800	26,704,694	39,516,544
2013	37,185,032	4,758,091	61,159,981	103,103,104
Less Payment	5,673,770	1,000,713		6,674,483
Over Payment	(7,950,590)		(41,206,935)	(49,157,525)
Total	36,971,262	16,507,604	438,588,568	492,067,434

Under PSAK 1 Paragraph 61 that receivables should be presented net of the estimated value is collectible. Thus, the reserve must be done, but in the aforementioned cases the accounts receivable can be immediately written off because it is based on the consideration that the company no longer collects the receivables and the receivable documents are difficult to find and there is a difference in the nominal recognition of accounts receivable between the company and the customer.

Table 2: Journal write off account receivable.

No	Account	Amount
1	BDE	44,921,852
	Account Receivable IDR	44,921,852
To record write off AR IDR 2012, 2013,and less payment		
2	Account Receivable IDR	7,950,590
	Account Payable IDR	7,950,590
To record reclassification of overpayment IDR		
3	BDE	16,507,605
	Account Receivable IDR	16,507,605
To record write off AR USD 2012, 2013, and less payment		
4	BDE	479,795,503
	Account Receivable JPY	479,795,503
To record write off AR 2011, 2012, and 2013		
5	Account Receivable JPY	41,206,935
	Account Payable JPY	41,206,935

To record reclassification of overpayment JPY

4.2. Incompatibility amortize expense of prepaid rent building

A prepaid expense, such as a Building lease, should be amortized and if any income tax is imposed, it is not capitalized into the rental value, so there is no need to be amortized. In this case the error is found in terms of measurement and recording of prepaid Rent which has been amortized into Lease Expense, that is, the company amortizes Income Tax 4 (2) imposed on the lease. For each year the company makes a record of Rp.41.450.000 which consists of the year 2013 Rp. 2.500.000, 2014 Rp. 9,233,333,33 and 2015 Rp. 15,483,333,33 and 2016 Rp. 14,233,333 If, in total the overstated occurred from the year 2013 to 2016 as much as Rp. 42.977.777. Errors recorded in the period 2013, 2014, and 2015 led to understated on the Retained Earnings of company because the recognition of rental expenses is greater than it should be. Meanwhile, to be more noted in the 2016 correction journals that need to be done only flipped from previous journals.

The first journal to record the correction of errors over the past period, the record error in the expense account, then the impact on the Retained Profit last year then then prepaid rent is on debit and RE is on credit. The second journal is a correction of the excess amortization load recording in 2016, the second journal just to reverse the usual journal recorded with the nominal to be corrected. After doing the correction journal, then the nominal at closing the book is correct, no prepaid rent is minus.

4.3. Incompatibility of recognition depreciation of construction in process

In this section of the chapter that will be discussed is the findings in the form of recognition of the depreciation of assets initially in construction (Construction in Process) and then reclassified into Furniture, because the construction process has been completed. November 2016 reclassification of assets in construction into furniture fixed assets of Rp. 100.000.000 while the information is obtained from the ledger and list of assets provided by the company. At the time of reclassification, the company also recognizes depreciation as long as the asset is still under construction.

In accordance with SAK 16 Paragraph 56 which states that depreciation of assets starts when the asset is ready for its intended use, for example when the asset is at the location and conditions desired for the asset to be used in accordance with the management intention. Thus, it can be concluded that the new asset can be depreciated when it can be used, that is, after the construction process is completed so that the depreciation of February 2013 to October 2016 cannot be recognized.

4.4. Account payable that is long outstanding

Accounts payable differ from accounts receivable, when a trade receivable has long been uncollectible the company can reserve and even eliminate it because the accounts receivable are entirely the rights of the seller. However, in the case of a long-standing account payable, the company cannot eliminate it, as it is the company's obligation to grant the seller the right, unless the party agrees in the case of debt relief. Found cases similar to accounts receivable, there are accounts payable that has long been unpaid even there are counted since 2011. Accounts payable that occurred in the majority company occurred due to purchase transactions with third parties.

If the total difference is Rp 814.693.181. This shows that the performance in making payments on debt business is considered not good enough. Accounts payable has long been unpaid, if the nominal value is still classified as a debt, it is of not accordance with the characteristics of a debt is said to be short-term, that is, debt that matures less or no more than one year as disclosed SAK 1 Paragraph 69. In the case of destination Presents reports fairly without material faults. Accounts payable need to be reclassified or excluded from the business payables, so that the management of the company can be more focused in looking at the circumstances in which there are long-standing business debts.

4.5. Incompatibility loan to accrual basis

In the case of a loan granted by a related party, the company categorizes it into a short-term Shareholder Loan account. The main problem of this loan is the existence of inconsistency with the accrual principle, which is stated in PSAK 1 Paragraph 27 as follow, entity prepares financial statement on accrual basis, except cash flow statement. The basic principle of accrual relates to the recognition of interest on the loan. In this case found two problems, namely

- First, the Company in terms of Loan contracts with related parties, that is, they promise to pay interest at 1% every six months as required by Parent. However, in practice there is no such interest payment.
- Secondly, in addition to not paying the interest the company does not recognize the interest as interest per each period

To comply with the basic principles of accruals, the company must make recognition of interest payables.

4.6. Reclassification of short-term loan to long-term loan

The Company in terms of its business financing performs two loans, to related parties and Bank R. Bank R loans are presented and classified in short-term loans, but in practice the loans are never paid and are renewed annually. However, in accordance with SAK 1 Paragraph 73, an entity cannot categorize its liabilities into short-term even if maturity is not more than twelve months, if the entity estimates and has the discretion to refinance or extend an obligation for at least twelve months after the period Reporting using existing loan facilities, the entity classifies those liabilities as long-term liabilities. Therefore, based on the aforementioned SAK, it is necessary to reclassify such short-term loans to long term loan.

4.7. The implication of misstatement to retained earning

The implications of misstatement of any test carried out have an impact on retained earnings and related accounts, with details as follows:

Table 3: The implication misstatement to retained earnings.

	Account Receivable Write Off		**Impact**
No.	**Description**	**Amount**	
1	BDE	44,921,852	Expense (+), AR (–), and RE (–)
	Account Receivable IDR	44,921,852	
2	Account Receivable IDR	7,950,590	Expense (+), AP (+), and RE (–)
	Account Payable IDR	7,950,590	
3	BDE	16,507,605	Expense (+), AR (–), dan RE (–)
	Account Receivable USD	16,507,605	
4	BDE	479,795,503	Expense (+), AR (–), and RE (–)
	Account Receivable JPY	479,795,503	
5	Account Receivable JPY	41,206,935	Expense (+), AP (+), and RE (–)
	Account Receivable JPY	41,206,935	
		Overstated in Rent Expense	
1	Prepaid Rent	27,216,667	Income (+) and RE (+)
	Retained Earning	27,216,667	
2	Prepaid Rent	14,233,333	Asset (+) and Expense (–)
	Rent Expense	14,233,333	
		Depreciation of CIP	
1	Acc Depre Furniture	47,916,667	Asset (+) and Expense (–)
	Depre Exp Furniture	47,916,667	
		Reclassification of Account Payable	
1	Account Payable JPY	312,631,528	AP (–) and Other Payable (+)
	Other Payable JPY	312,631,528	

No.	Description	Amount	
2	Account payable IDR	260,089,956	AP (–) and Other Payable (+)
	Other Payable IDR	260,089,956	
3	Account Payable USD	241,528,232	AP (–) and Other Payable (+)
	Other Payable USD	241,528,232	
4	Account Payable SGD	443,466	AP (–) and Other Payable (+)
	Other Payable SGD	443,466	
		Recognition of Interest	
1	RE	28,493,337	RE (–) and Interest Payable (+)
	Interest Payable	28,493,337	
2	Interest Expense	10,361,214	Expense (+) and Payable (+)
	Interest Payable	10,361,214	
3	Bank Loan	9,932,459,300	Bank Loan (–) and LT Bank Loan (+)
	Long-term Bank Loan	9,932,459,300	

Corrections made under the relevant SAK, with the following explanation:

Table 4: The correction based on SAK.

No.	Correction	Basis of Correction
		SAK 1 Paragraph 61, whichever method is used, the entity
		discloses the amounts that are expected to be recoverable or
	Impairment of Account	settled after more than twelve months for each item of assets
1		and liabilities combining the amounts expected to be recovered
	Receivable	
		or settled; (A) not later than twelve months after the reporting
		period, and (b) more than twelve months after the reporting
		period
		SAK 1 Paragraph 15 states that the Financial Statements
		present fairly the financial position, financial performance, and
		cash flow of the entity. Fair representation requires precise
2	Overstated Rent Expense	representation of the impact of transactions, other events, and
		conditions in accordance with the definition and criteria for
		recognizing the assets, liabilities, income and expenses set forth
		in the conceptual framework
	Recognition of	PSAK 16 Paragraph 56 states that depreciation of an asset
		begins when the asset is ready for its intended use, for example
3	Depreciation Construction	
	in Process	when the asset is at the location and conditions desired for the
		asset to be used in accordance with the management intention

No.	Correction	Basis of Correction
4	Reclassification of Account Payable	PSAK 1 Paragraph 69 discloses several characteristics so that a liability can be categorized into short-term liabilities: A. Entities expects to complete the liability within the nominal operating cycle; B. The entity owns the liability for the purpose of trading; C. The liability is due to be settled within twelve months after the reporting period; or
5	Recognition of Interest Payable	PSAK 1 Paragraph 27 an entity shall prepare a financial statement on the accrual basis.
6	Reclassification of Short-term Loan	PSAK 1 Paragraph 73 an entity cannot categorize its liabilities into short-term even if maturity is not more than twelve months, if the entity estimates and has the discretion to refinance or extend an obligation for at least twelve months after the reporting period using the facility Loans, the entity classifies the liabilities as long-term liabilities

The implications of misstatement affect the increase and decrease in retained earnings and each associated account Here are the implications for each account:

If misstatements are corrected, there will be an increase and decrease in retained earnings. Accounts receivable dropped by 5%, Accounts receivable expenses increased 100%. Accounts payable decrease 9%, other account payable increase because reclassification of account payable.

- **The Implication of Misstatement to Retained Earning**

Deficit Retained Earning which initially amounted to Rp. 1,908,381,735 to a deficit of Rp. 2,409,500,579 there is a considerable decrease of Rp. 500.712.884 or can be said a significant change of 26%. The biggest decrease is caused by write off of Account Receivable that cannot be collected. Deficit Retained Earning is caused by losses incurred in 2007, 2008, and 2010.

If the adjusting journal is not done then the resulting financial statements do not meet the qualitative characteristics or in other words the company's financial statements become unreliable.

5. Conclusion and Suggestion

The financial statements present fairly the financial position, financial performance, and cash flow of the entity. Fair representation requires precise representation of the

Table 5: Implication of misstatement to related account.

	Account Receivable	BDE	Account Payable	Other Account Payable	Prepaid Rent
Before Adjustment	10,724,475,220	–	8,694,136,653	–	520,772,641
After Adjustment	10,232,407,786	541,224,959	7,928,600,997	814,693,181	506,539,308
Increase (Decrease)	(492,067,434)	541,224,959	(765,535,656)	814,693,181	(14,233,333)
% Increase (Decrease)	−5%	100%	−9%	100%	−3%

		Depr Exp	Interest Payable	Interest Expense
	Acc. Depre Furniture	Furniture		
Before Adjustment	307,764,897	115,000,000	60,000,000	669,562,036
After Adjustment	259,848,230	67,083,333	98,854,551	679,923,250
Increase (Decrease)	(47,916,667)	(47,916,667)	38,854,551	10,361,214
% Increase (Decrease)	−16%	−42%	65%	2%

impact of transactions, other events, and conditions in accordance with the definitions and criteria for recognizing assets, liabilities, income, and expenses set out in a conceptual framework. It is not appropriate to create, or allow inaccuracies, deviations to achieve a given presentation of financial position, financial performance, and cash flow.

This study found misstatements on some accounts include

(1) Incompatibility accounts receivable to SAK, with outstanding accounts receivable since 2011–2016 and over or less paid receivables from previous years, (2) Incompatibility to rental expenses of prepaid rent, which capitalizes and amort PPh 4 (2) over the lease, (3) incompatibility of depreciation asset construction in process to the recognition procedure that stated in SAK, (4) Long outstanding Account Payable since 2011, (5) Accruals basis, (6) Reclassification of short-term loans to long-term. All misstatements that have an impact on retained earnings. This study found a 26% reduction in retained earnings in the presence of misstatements and after correction journals.

Table 6: Implication of misstatement to retained earnings.

Before Adjustment	(1,908,381,735)
Plus	
Overstated rent expense prior year	27,216,667
Overstated rent expense 2016	14,233,333
Overstated depreciation exp-furniture	47,916,667
Minus	
Record BDE	(541,224,960)
Recognition of interest expense 2016	(10,361,214)
Recognition of interest expense prior year	(38,493,337)
After Adjustment	(2,409,094,579)
Decrease	(500,712,844)
% Decrease	26%

Contribution of this research to company, so company can have own accountant who understand about preparation of financial statements. For accountants, to always update their knowledge of accounting in accordance with applicable financial accounting standards to minimize the possibility of misstatement. In this case such as updating the need for allowance of account receivables, the necessity or not the transaction to capitalize on its account related, the recognition of depreciation in construction, accounts payable and loans.

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