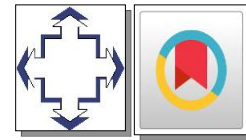


Study Phenomenology Evaluation Joint Operation - Non Separate Vehicle using Profit Sharing Method in Expedition Companies



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ABSTRACT

The Sriwijaya Air airline is collaborating with five strategic partners under the auspices of Garuda Indonesia. This was realized in the form of a joint operation carried out by PT Citilink Indonesia with PT Sriwijaya Air and PT NAM Air where the collaboration ended on 31 October 2019 and left a trail of debts and debts. The importance of paying more serious attention to the treatment and process of operational cooperation (Joint Operations), in order to realize good corporate governance from the process of inquiry in the implementation of a merger or acquisition which is referred to as due diligence. In this study, researchers used a qualitative phenomenological approach. Phenomenology is an approach that focuses more on the concept of a particular phenomenon and the form of the study is to see and understand the meaning of an experience related to a particular phenomenon. The two companies are cooperating in Non-Administrative joint operation or there are no separate business entities from the two companies. In practice, the joint operation organizes its own special bookkeeping. Project Owner Bill submitted and agreed by each member of the joint operation, for Commercial Invoice, Tax Invoice, and proof of income tax article 23 to be on behalf of the company of the party organizing the joint operation bookkeeping. Along with the fulfillment of its VAT obligations, it is the responsibility of the party organizing the joint operation books.

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1. Introduction

Traders can now freely choose land, sea or air cargo services offered by many shipping companies, with a variety of service options and tariffs. The number of agents that have sprung up from freight forwarding / freight forwarding companies is clear evidence of the mushrooming of freight forwarding companies. This pushes to process accounting data that originally used manual methods into a computerized process through a computerized accounting data process. Through this process the right information can be generated which ultimately can help the company's internal and external parties towards decision making within the company.

The formation of an operational cooperation (joint operation) is a business strategy that is relatively widely used by companies both in the world and in Indonesia. IFRS 11 (or in Indonesia as SFAS 66) introduces the term joint arrangement. IFRS 11 classifies the joint arrangement into only two namely (IAI, 2018):

- a. Joint operation : a joint arrangement which provides that the parties have joint control over the arrangement, has the rights to the assets and liabilities of the liabilities associated with the arrangement of the.
- b. Joint ventures : Joint arrangements that govern the parties who have rights to the net assets of the arrangement .

As an example of domestic cooperation between the two aviation giants in Indonesia, where Sriwijaya Air Airlines cooperates with five strategic partners under the auspices of Garuda Indonesia. With this partnership , several Sriwijaya Air flight operations will be managed by a number of Garuda subsidiaries. Garuda Indonesia Group, through its subsidiary PT Citilink Indonesia took over the operational management of Sriwijaya Air and NAM Air. This is realized in the form of working together operation (joint operation) conducted by PT Citilink Indonesia with PT Sriwijaya Air and PT NAM Air. The joint operation was signed on November 9, 2018. Later, the entire operational of Sriwijaya Group including finance will be under the management of the joint operation (kompas.com, 2019). Looking at the current conditions, Garuda's move to conduct a joint operation with Sriwijaya Air is a paradox. The question is how could Garuda who is 'sick' be able to help Sriwijaya Air who is already 'comatose' at ICU (Umbas, 2018) .

From the above statement, the Garuda Indonesia Group cooperation joint operation with PT Sriwijaya Air and PT NAM Water, through its subsidiary PT Citilink Indonesia. Where the cooperation is stated in SFAS No. 66 concerning joint arrangement. The focus of this research is on the domestic collaboration between PT Jawa Pratama Mandiri and PT Dharma Putra Trans. Cooperation of joint operations conducted by PT Jawa Pratama Mandiri and PT Dharma Putra Trans occurred on December 10, 2014, Over time, operational cooperation stopped in February 2016 and each director agreed to the dismissal of joint operation with a record profit sharing of the cooperation and the company does not continue the acquisition agreement as agreed earlier or in accordance with SFAS no. 66 concerning joint arrangement.

Based on the description above it appears that how important it is to pay more serious attention to the treatment and process of operational cooperation (joint operation), in order to realize good corporate governance from the investigation process in the implementation of a merger or acquisition which is referred to as due diligence.

2. Literature Review

Joint operation concept

In short, Joint Operation is an operational collaboration between two business entities to work on a project. According to Frank (2012), a joint venture is a company that is formed from two parties

or better personally or the company intends to become partners with each other for a new company whose shares are jointly owned. According to Frank (2012), Joint Operation (JO) is an operational cooperation to work on a project and the results or benefits of the work are shared proportionally or pro rata to each party bound in the JO.

a. Joint operation in tax provisions

In the Director General of Taxes Letter N0. S-323 / PJ.2 / 1989 on Tax Issues for Joint Operations, defines joint operation is a collection of two or more bodies that join to complete a temporary merger project until the project is completed. Joint Operation is a form of cooperation that does not have a separate legal entity from its members, so Joint Operation is not included in the understanding of the Tax Subject as mentioned above, but the Joint Operation is still obliged to have a Taxpayer Identification Number (TIN). Based on the letter of the Director General of Taxes No. S-323 / pj.42.1989 is stated to bring TIN to Joint Operation solely for the purpose of withholding Article 21, Article 23, and VAT for transactions carried out on behalf of the Joint Operation

b. Joint arrangement structure

1. Joint arrangements that are not formed through non- separate vehicles

A joint arrangement that is not formed through a separate vehicle is a joint operation. In such cases, contractual arrangements shape the rights of the parties to their assets and liabilities to the liabilities associated with the arrangement, and the rights of the parties to related income and obligations to related expenses.

2. Formed joint arrangements through separated vehicles (with separate vehicle)

Joint arrangements in which the assets and liabilities associated with the arrangement are owned in separate vehicles can be joint ventures or joint operations. Whether a party is a joint operator or joint venturer depends on the rights of the parties to the assets and obligations to the liability associated with the arrangements held in separate vehicles.

The classification as a joint operation or joint venture is based on the rights and obligations of the parties in the arrangement, as described below (IAI, 2018).

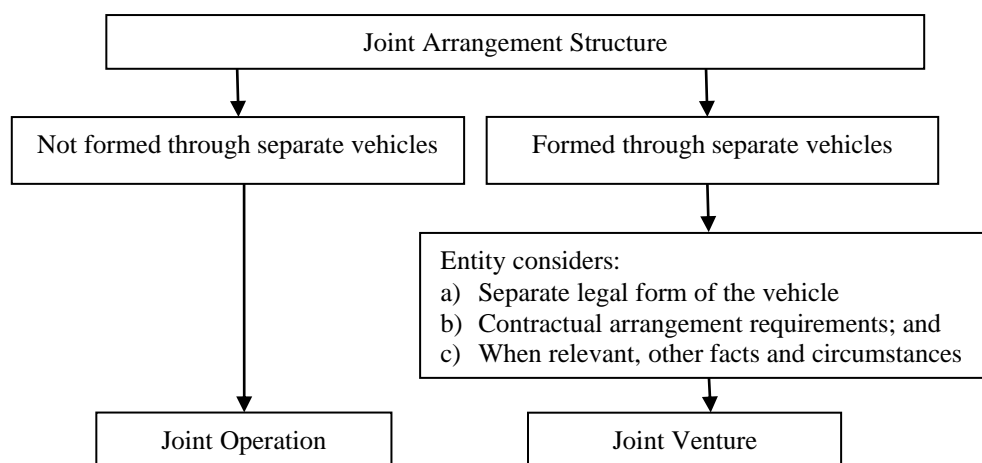


Figure 1. Joint Arrangement Structure
Source : IAI, 2018

Sharing profit study

Profit-loss sharing means the profits and / or losses that may arise from economic / business activities are borne together. In the profit sharing ratio there is no fixed and certain return as interest, but profit and loss sharing is based on the real productivity of the product (Karim, 2001) .

Financial due diligence

a. Financial due diligence study

According to Lebedow (1999), due diligence is a critical analysis action that provides information about the entire acquisition process, including prospects for historical sales, financial information, management teams, and physical assets. The financial due diligence includes validation of financial statements, validation of the fair value of tangible and non-tangible assets and liabilities tangible, as well as the reasonableness and allocation of the purchase price (Paschall & Russell, 2004). The main purpose of financial due diligence is to confirm the reliability of information that will be used in making investment decisions (O'Reilly, 2005).

b. The financial due diligence process

Making an engagement letter. Matters that are usually included in the engagement letter are the appropriate scope of work, work schedules for investigation and reporting, fee arrangements, clarification regarding the limitations of the auditor's obligations; clarification will be used by whom the financial due diligence report is; subsequent events; confirmation that the auditor does not accept responsibility for updating the report; and confirmation of engagement conditions.

Investigation. At this stage, the auditor delves into a deep understanding of the business and environment of the target company.

Verification. Investigation professionals must use their judgment to form opinions about the validity and accuracy of the information provided.

Reporting. Finally, investigative professionals must report on their findings in a clear and factual format.

SFAS study no. 66 with IFRS 11

SFAS 66 applies both to the acquisition of initial interests in joint operations and the acquisition of additional interests in the same joint operation. However, if the joint operator maintains joint control when acquiring additional interests in the same joint operation, the previously owned interests are not re-measured. SFAS 66: joint arrangements on the acquisition of interest in joint operations adopting all arrangements in IFRS 11 Accounting for acquisitions of interest in joint operations effective January 1, 2016, except (IAI, 2013):

- a. IFRS 11 concerning the effective date and transitional provisions. Early adoption options were not adopted.
- b. IFRS Appendix 11 regarding amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards was not adopted because IFRS 1 has not been adopted so it is irrelevant.

3. Research Method

Types of research and general object of research object

In this study, researchers used a qualitative phenomenological approach. Phenomenology is an approach that focuses more on the concept of a particular phenomenon and the form of the study is to see and understand the meaning of an experience associated with a particular phenomenon (Denzin & Lincoln, 2009). The activities and objects of this research were carried out on street Karah Agung no. 45, the Jawa Pos Group office at the PT Jawa Pratama Mandiri company (a company engaged in the expeditionary sector) and on the road Bypass Ida Bagus Mantra 11. Ketewel - Gianyar Bali at the company PT Dharma Putra Trans. .

The implementation of the joint operation activities for the two companies began on December 10, 2014 and ended in February 2016. Since the end of this collaboration, there have been many obstacles and problems that have not been resolved for the past 3 years. So that the researcher starts to

do his research when the obstacles and problems of the two companies are occurring or have been resolved.

As for digging more in-depth data and information to a number of competent key informants and (comparison informants) with operational cooperation issues between the two companies, such as issues of corporate policy, finance and accounting applied in the collaboration or other parties relevant to the study in In this research, a Focus Group Discussion (FGD) was conducted by limiting or focusing on certain issues in accordance with the formulation of research problems with the number of discussion participants between 5 - 10 people. In this study, there were 8 (eight) people used in the selection of informant criteria.

Unit of study

The research objects which are classified as study units in this study are as follows:

- a. Observe the flow of operational and financial work systems from the operational cooperation of the two parties of the company.
- b. Knowing the beginning of an operational cooperation agreement between PT Dharma Putra Trans and PT Jawa Pratama Mandiri was agreed by both parties.

Evaluating joint operational operations of Joint Operation-Non Separate Vehicle with profit sharing methods conducted by both parties of the company with the provisions of applicable financial accounting standards (SFAS No. 66 concerning joint arrangement).

4. Results and Discussion

Company Objectives in forming Operational Cooperation

The PT Dharma Putra Trans company has collaborations with several well-known corporate customers, where these customers rely heavily on the company's transportation management system, but the PT Dharma Putra Trans company is unable to fulfill these customer requests so the company director must have an idea to continue and develop activities his efforts by making policies that are very important.

PT Dharma Putra Trans is estimated to have had an over investment in 2014. At that time, the company was no longer able to pay its debts on the purchase of fixed assets and past debts (tax debt, salaries, bank loans, etc.). The company's difficulties are exacerbated by not being able to make loans for working capital to banks, because the collateral for all company assets has been pledged as collateral.

In the end, there was a meeting between the Director of PT Jawa Pratama Mandir and PT Dharma Putra Trans which discussed a much deeper cooperation, not just becoming an A2 or company supplier, but establishing an Operational Cooperation to be able to handle / work on all customers who collaborate with PT Dharma Putra Trans. The desire for cooperation and mutually beneficial goals are in line with the guidelines contained in SFAS 66 which are applied both for the acquisition of initial interests in joint operations and the acquisition of additional interests in joint operations.

Work systems operations and financial cooperation joint operations

- a. Operational and financial work system administration

On December 10, 2014, the company entered into a joint non-administrative (joint operation) or no separate business entity from the two companies, in practice joint both company held their own special bookkeeping, but for tax invoices, invoices and inherent income tax in the financial statements of PT Dharma Putra Trans. Where the joint operation report is held separately, it will

be consolidated every month so that the obligation for reporting taxes every month can be reported.

b. Treatment of investors and asset owners

Funding investors in this case are PT Jawa Pratama Mandiri which is also supported by funds from its Parent Company, namely PT Jawa Pos, PT Jawa Pratama Mandiri provides operational funds to the joint operation and the joint operation Financial Statements record it as PT Jawa Pratama Mandiri's Debt;

Asset Owners Especially Vehicles and Offices are owned by PT Dharma Putra Trans, these assets are not recorded as joint operation assets; The assets of the amortization are recorded by PT Dharma Putra Trans. PT Dharma Putra Trans gets all assets that arise during joint operation operations (in accordance with the Agreement) from the Investor at the end of the concession period.

c. Treatment aspects of income tax (PPh) & value-added tax (PPN) joint operation

Project Owner Bill submitted and agreed by each member of the joint operation, but for the Commercial Invoice, Tax Invoice, and proof of income tax article 21, 23, Article 4 paragraph 2 becomes on behalf of the company PT Dharma Putra Trans. But still each member reports his own income tax (PPh 21, 23 and article 4 paragraph 2) which is the responsibility of each member, his PPN obligations are the responsibility of PT Dharma Putra Trans.

d. Implementation of due diligence

In practice the implementation of due diligence between PT Dharma Putra Trans and PT Jawa Pratama Mandiri was carried out when the operation was underway, this was due to the request of the two directors to immediately conduct / carry out joint operation activities. Because cash flow from the company PT Dharma Putra Trans is insufficient for its operational activities. This policy should be studied more closely related to the obligations that will arise in the future.

Written agreements relating to operational cooperation

It is important to note that the operational cooperation between the two companies ended on February 29, 2016. However, along with the operational cooperation between the two companies, there are several agreements that are written as follows:

- a. Cooperation Contract between PT Dharma Putra Trans and PT Jawa Pratama Mandiri for operational implementation at PT Dharma Putra Trans. (Contract Number: DPT-JPM / XI / 2014/003) (December 2014)
- b. Joint Operation Report Value Agreement (April 28, 2016)
- c. Minutes Of Meeting PT Dharma Putra Trans, Meeting has acknowledged and agreed to the figures from the attached report and a consistent payment schedule. (October 5, 2016)
- d. Minutes Of Meeting PT Dharma Putra Trans and PT Jawa Pratama Mandiri Obligation Settlement. (February 20, 2017)
- e. Debt Recognition and Payment Capability. (June 13, 2017)
- f. Statement from the Recipient's Operational Fund Account for Joint Operation.

The basis for the researcher's analysis is said to be strong because the agreement is only based on the cooperation of the two parties (under the hands), or an unwritten agreement based on a Notary Deed, basically whether or not an agreement is valid is determined from the legal terms of the agreement contained in Article 1320 of the Procedure Code. (Civil Code) Namely:

- a. Agree those who bind themselves
- b. The ability to make an engagement
- c. A certain thing
- d. A cause that is lawful

However, if the company conducts transactions with third parties such as this operational cooperation, then the first obligation that must be paid when PT Dharma Putra Trans goes bankrupt / collapses is the first party, namely with the State such as tax debt, the second party, namely the bank party whose legality is it was clear at the beginning of the credit process. So it is very necessary to know the proforma of financial statements and have to do due diligence to a third party if you want to provide a very large loan or collaborate like this Operational.

Evaluation of joint operation - non separate vehicle with profit sharing method between PT Dharma Putra Trans and PT Jawa Pratama Mandiri

The policy decided by the PT Dharma Putra Trans company in fulfilling the demands of its customers is to procure trucks on a large scale, hoping that the use of these trucks can run optimally and buy vacant land for future warehouse construction, so that the business and going concern of PT. Dharma Putra Trans is increasing and growing rapidly. The following is an interview with the Accounting / Finance company PT Dharma Putra Trans:

"We have regular customers, our average turnover is around 7 to 10 billion per month, but now the company does not have enough funds to finance operational activities such as road fees, salaries, etc."

The following are the results of the interview, the purpose of establishing an Operational Cooperation for acquisitions:

"The purpose of this Operational Cooperation is so that we can introduce the condition of the company PT Dharma Putra Trans and hope that under the auspices of the Java Pos Group (PT Jawa Pratama Mandiri) expedition can learn to be more professional and be part of the Java Pos Group".

On December 10, 2014, was the beginning of the operational activities of the Operational Cooperation where on that date PT Jawa Pratama Mandiri deposited funds and cash to the branches of PT Dharma Putra Trans for Operational Cooperation with a reimbursement system. Until operational activities 1 year later, there were also several non-operational payment activities such as loan payments, tax bailouts, leasing accelerated repayments, and other non-operational costs, so that PT Jawa Pratama Mandiri company again had to add more funds for operations until the date February 29, 2016 with the total investment for the Operational Cooperation of Rp. 29,539,047,624, -. The following is the interview with the informant:

"It is very difficult to control the cash flow that comes out when running this Operational Cooperation, because there are several interests on the part of PT Dharma Putra Trans, such as bank debt, tax debt and urgent operational financing to be paid immediately. Communication and systems for different accounting treatment between the two companies create challenges in carrying out this activity."

Contractual arrangements made based on the rights of the Joint Operation parties to their assets and liabilities to liabilities related to the arrangement, and the rights of the parties to cooperation income and obligations to cooperation expenses, were not made and determined thoroughly / thoroughly at the beginning where such determination should be agreed upon through recommendations the team that did the due diligence prior to the implementation of this Joint Operation. So that the two companies carry out contractual arrangements for the activities of the two companies while this collaboration is underway, there are many differences and debates in Operational, Administration, System and Financial activities where it becomes a natural thing in the

cooperation process that leads to joint share ownership (acquisition). The following is the investment flow carried out by the two companies:

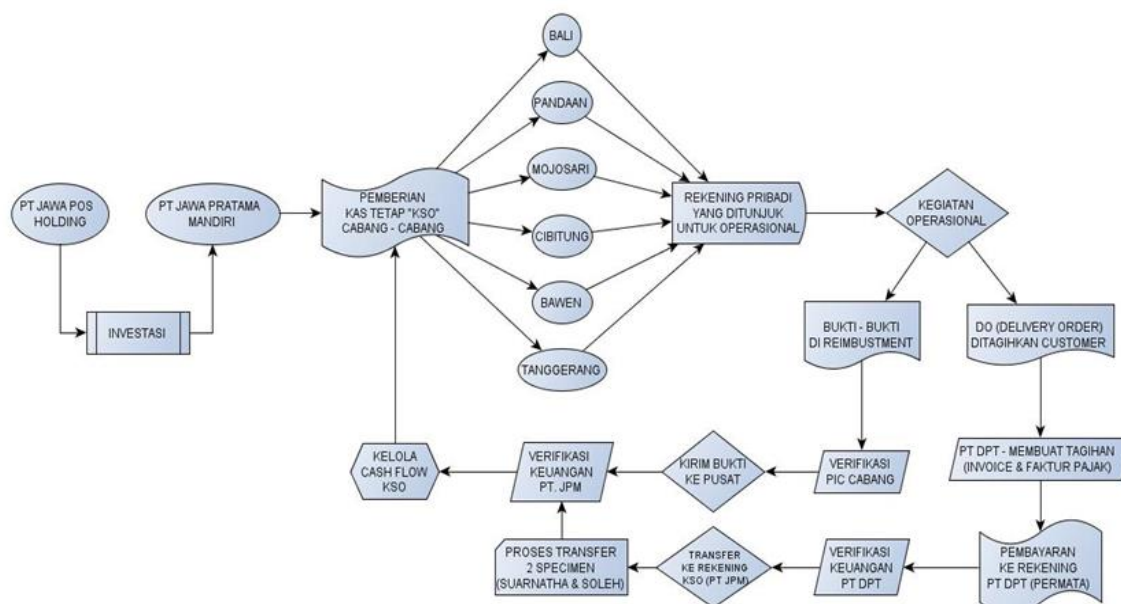


Figure 2. Investment Flow and Operational Cash for Joint Operation
Source : Internal company data

Without the due diligence process at the beginning / before this Operational activity took place, PT Jawa Pratama Mandiri had already deposited funds to the branches of PT Dharma Putra Trans, so that their operational activities could run immediately and a strong foundation for management to dare to make this decision was the signing of an agreement Joint Operation of both parties. Of the several transactions from the operational funds, there are financing outside the Joint operations, namely for financing PT Dharma Putra Trans loans such as loan payments. The calculation of loan interest which is calculated based on the details of the use of non-Joint Operation funds up to the end of the cooperation agreement is 774 million rupiah.

The termination of the collaboration as of February 29, 2016 was due to disagreement between the directors of the two parties to continue the collaboration for a longer period called joint operation Volume II. The following is an interview on the question of why this collaboration ended with the financial manager of PT Dharma Putra Trans:

"Because of course I don't really know, because I was not involved in the private meeting forum of the two directors, but when I asked this he just said he did not agree with the Joint Operation Volume II and the extension of the cooperation between the two parties."

This was confirmed by the director of PT Jawa Pratama Mandiri, The following is an interview on the question of why this collaboration ended with the Director of PT Jawa Pratama Mandiri:

"I have tried my best so that the acquisition of PT Dharma Putra Trans can run this year (2016), but on the recommendation of Holding management to continue to extend the implementation of this cooperation, with certain considerations".

From the perspective of the researcher, Seeing the existence of this decision, PT Dharma Putra Trans felt disadvantaged because this cooperation was not profitable for the company, because any funds owed (not for Joint Operation activities) flowed to pay off their obligations subject to interest

calculations and a reduction in the value of the appraisal. their shareholdings. So the decision to terminate this collaboration resulted in the obligation of PT Dharma Putra Trans to be transferred to PT Jawa Pratama Mandiri. So that the vehicle assets owned by PT Dharma Putra Trans were transferred to PT Jawa Pratama Mandiri to pay off the obligations owed during the Joint Operation.

5. Conclusion

In order to clarify the problem that is being discussed and so that there is no widespread or deviant discussion, it is necessary to define a problem boundary. The scope of the problem that is being discussed in this paper is only explaining the incidents of operational cooperation by 2 (two) land freight companies (PT Jawa Pratama Mandiri and PT Dharma Putra Trans).

The operational and financial work system of the joint operation (Joint Operation), where the two companies enter into a non-administrative / joint operation or there is no separate business entity from the two companies. In practice, this collaboration maintains its own special bookkeeping, but for tax invoices, invoices and Income Tax (Pph) are attached to the financial statements of PT Dharma Putra Trans.

There are 6 (six) evidence of under-hand agreement, which is legally strong as proof of cooperation between the two companies, where PT Dharma Putra Trans has obligations to the insured to PT Jawa Pratama Mandiri.

Evaluation of the Joint Operation - Non Separate Vehicle using the profit sharing method, namely the termination of the collaboration as of February 29, 2016 due to disagreements between the directors of the two parties to continue the collaboration for a longer period called joint operation Volume II. The decision to terminate this cooperation resulted in the obligation of PT Dharma Putra Trans to be transferred to PT Jawa Pratama Mandiri. So that the vehicle assets owned by PT Dharma Putra Trans were transferred to PT Jawa Pratama Mandiri to pay off the obligations owed during the Joint Operation.

It is very necessary to know the proforma of financial statements and must do due diligence to a third party if you want to provide a very large loan or carry out a collaboration like this.

For further research, it is better if the explanation of the Joint Operaton Non-Administrative activities like this can be further improved in order to get a more detailed learning. And for contributions or input to Advanced Financial Accounting 2 studies related to business mergers, in pre-business merger there are tests or collaborations before carrying out the business merger and SFAS 66 concerning Joint Arrangements.

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