Journal Of Economich, Technology and Business (JETBIS)
Volume 4, Number 8 Agustus 2025
p-ISSN 2964-903X; e-ISSN 2962-9330

Construction Claim Recognition Challenges in State-Owned Enterprises : A Case Study in Indonesian SOEs

Borkat, Rien Agustin Fadjarenie*
Universitas Mercu Buana Jakarta, Indonesia
Email: rien.agustin@gmail.com, rien.agustin@gmail.com*

KEYWORDS:
Revenue Recognition, Construction Claims, PSAK 72, State-Owned Enterprises, ESG Governance

ABSTRACT

Infrastructure development is a strategic national priority in Indonesia, supported by State Capital Participation (PMN) in state-owned enterprises (SOEs), particularly in the construction sector. However, implementing PSAK 72 presents major challenges when applied to construction claims. This qualitative case study investigates how revenue from construction claims is recognized and disclosed in a SOE engaged in national infrastructure projects. Based on semi-structured interviews with board members and accounting standard-setters, the findings reveal a significant gap between PSAK 72's normative requirements and field practices. While PSAK 72 requires sufficient evidence of performance obligations and high collectability before recognizing revenue, in practice, revenue is recorded based on site instructions, technical progress, and managerial judgment—often without formal contract modifications. This divergence is driven by the pressure to meet performance targets and ensure financial continuity amid project funding constraints. The study contributes to the accounting literature by uncovering loopholes in claim recognition and proposing a context-sensitive governance framework. These findings offer valuable implications for regulators, auditors, and corporate governance institutions seeking to enhance transparency and alignment in public infrastructure financial reporting.

INTRODUCTION

Infrastructure development is a key indicator of a nation's progress and plays a vital role in driving economic growth and equitable development. In Indonesia, infrastructure investment—particularly in toll roads and strategic national projects—has become a government priority, with the construction sector contributing 9.45% to the country's GDP in the third quarter of 2022 (BPS, 2022). Amid fiscal constraints following the COVID-19 pandemic, the Indonesian government responded by injecting *Penyertaan Modal Negara* (PMN) into state-owned enterprises (SOEs), such as PT XYZ, to support the completion of infrastructure and ensure long-term connectivity across the archipelago (Zhang, X. et al., 2023). Despite government support, PT XYZ faced challenges in recognizing revenue from construction claims related to late payments and project delays (Wang, L. et al., 2020). These claims, accounted for using the percentage-of-completion method, were often recorded as revenue even while legal and financial confirmation was still pending. This practice, while superficially compliant with PSAK 72 (adopted from IFRS 15), undermines the reliability of financial reporting and reveals a critical governance loophole within the Environmental, Social, and Governance (ESG) framework. The specific research gap this study addresses is the lack of a critical evaluation of construction claim revenue recognition practices in Indonesian SOEs, particularly through an ESG governance lens, as previous studies have focused more on technical interpretations than on the broader governance and ethical implications (Manton, 2012).

The urgency of this issue extends beyond technical non-compliance. The misalignment between PSAK 72's normative requirements and field practices poses significant risks that have not been fully emphasized, including potential litigation from stakeholders, a decline in investor confidence due to opaque financial reporting, and adverse impacts on the cost and availability of future project financing. Van Wyk and Coetsee (2020) and Haji (2021) argue that while IFRS 15 (PSAK 72) provides a suitable framework for revenue recognition, its implementation often involves subjective judgment, leading to interpretation risks. Hagos et al. (2022) highlight how poor disclosure around construction claims can distort investor decisions. Other studies emphasize practical issues in claim management, including inadequate documentation and human resources, as well as contract ambiguity (Hansen & Rostiyanti, 2017; Ramachandra & Rotimi, 2015).

This research is unique and distinct from prior literature for three key reasons. First, it integrates an analysis of PSAK 72 implementation with governance and ESG perspectives, providing a comprehensive understanding of accounting practices in state-owned construction companies. Second, it utilizes an in-depth case study at PT XYZ, leveraging actual data and insights from claims on national strategic projects, thereby offering rich empirical evidence and real-world context. Third, it provides actionable recommendations for claim management that are grounded in both the principles of PSAK 72 and international best practices, aiming to bridge the gap between regulatory standards and operational reality. This case study ultimately contributes to the discourse by uncovering the tangible impact of implementation gaps and offering valuable insights for improving claim governance, revenue recognition, and overall financial transparency in Indonesian SOEs.

Therefore, this research aims to critically examine the implementation of PSAK 72 in recognizing and disclosing construction claim revenue within Indonesian SOEs, to uncover the governance and ESG implications arising from current practices, and to formulate practical recommendations for enhancing claim management that aligns accounting standards with the operational realities of national strategic projects. This case study contributes to the discourse by revealing the impact of gaps in accounting standard implementation and providing insights for improving claim governance and revenue recognition practices in Indonesian state-owned enterprises (SOEs).

RESEARCH METHODS

This research employs a descriptive case study design, enriched with semi-structured interviews, to collect in-depth and contextual data. The semi-structured interview format allows for flexibility and depth, making it suitable for capturing nuanced insights about the challenges of implementing PSAK 72 in state-owned enterprises. The interviewer uses an open-ended guide, allowing the discussion to evolve naturally. Each interview was recorded using a modern mobile device and lasted approximately 30 to 60 minutes. Transcription was conducted using multiple software tools (Transcribe, Speechnotes, and Just Press Record) to enhance accuracy. Due to inconsistencies in automated transcription outputs, the researcher repeatedly cross-checked the recordings with field notes, requiring an additional ten working days for validation and refinement. This study employed purposive sampling, which is considered the most effective approach for qualitative inquiry with small sample sizes (Patton, 2015). The researcher selected participants based on the following inclusion criteria: currently serving as a member of the Board of Directors of a state-owned enterprise or a member of the Indonesian Accounting Standards Board; recognized for outstanding competence and expertise in the field; possessing knowledge or direct experience with the investigated phenomenon; and willing and able to participate, capable of clearly, reflectively, and expressively articulating their insights. The purposive sampling strategy employed a combination of three techniques: Homogeneous Sampling, Reputational Sampling, and Convenience Sampling. Homogeneous Sampling involves selecting participants with similar backgrounds and experiences (Patton, 2015). Reputational Sampling targets individuals known for their deep expertise and willingness to share, thus offering critical insights and identifying trends and underlying issues (Patton, 2015). Finally, Convenience Sampling allows inclusion based on the accessibility and availability of participants. By employing this multifaceted sampling strategy and meticulous interview procedures, the study ensures credible, context-rich, and analytically sound findings.

Data Analysis Technique

This study employed a qualitative data analysis method using a thematic analysis approach. The data analysis process followed the interactive model by Miles, Huberman, and Saldana (2014), which consists of three main concurrent flows of activity: data condensation, data display, and conclusion drawing/verification.

Data Condensation: In this stage, the researcher selected, focused, simplified, and transformed raw interview data into more concise and meaningful information. Transcripts from the semi-structured interviews were read and re-read to identify recurring patterns, significant themes, and relevant categories related to revenue recognition and disclosure issues under PSAK 72 in the context of *Penyertaan Modal Negara* (PMN).

Data Display: The condensed data were then organized and presented in the form of matrices and tables to provide a visual representation of the emerging themes and relationships between concepts. This stage facilitated a systematic examination of the data, making it easier to compare viewpoints among key informants (e.g., board members, PSAK standard setters, auditors).

Conclusion Drawing and Verification: Based on the displayed data, the researcher drew preliminary conclusions and continuously verified these through triangulation between interview transcripts, researcher notes, and supporting documentation (e.g., PSAK 72 standards, company disclosures). The verification process ensured the credibility, consistency, and trustworthiness of the findings.

To further enhance the reliability of the results, member checking was conducted by sharing key interpretations with selected informants to confirm the accuracy of the analysis. Additionally, peer debriefing was utilized by discussing the coding framework and analytical findings with academic colleagues experienced in qualitative accounting research.

RESULT AND DISCUSSION

How is revenue from construction claims recognized using State Capital Participation (PMN)?

Revenue recognition from construction claims under the State Capital Participation (PMN) scheme is expected to adhere to PSAK 72, which emphasizes a five-step model grounded in contractual clarity and performance fulfillment. According to Mrs. Sari, a member of the Indonesian Financial Accounting Standards Board (DSAK IAI), the recognition process should begin only when the entity has sufficient evidence of agreement and collectability: “Recognition of revenue for claims in construction services follows PSAK 72. If the claim is already agreed and collectible, the entity can recognize it.” This implies that claims without documented approval or measurable assurance should not be recognized prematurely. She further notes that judgment and caution are essential when dealing with variable considerations such as claims: “Revenue should only be recognized if it is highly probable that there will be no significant reversal of the amount recognized." In line with this view, Mrs. Sari also highlights the importance of documentation and due diligence, stating: "Each stage in PSAK 72 must be evaluated with clear documentation, especially for variable considerations like claims." Despite this, insights from the field reveal a more flexible application of the standard. Mr. Wandi, a board member at PT XYZ, acknowledges that in practice, revenue from claims is often recognized before a formal agreement is reached. He explains: "Revenue from construction claims is recognized once costs have been incurred and the project owner has issued a site instruction, even if the claim amount is not yet agreed."

This approach is driven by practical needs to reflect progress billing and ensure financial continuity. According to him, the issuance of a site instruction serves as operational validation: "Once the construction activity is executed and site instructions are issued, we record it as pending revenue." To justify this approach, Mr. Wandi refers to the matching principle in accounting, which encourages recognition of revenue when related costs are incurred: "We match expenses with potential revenue as long as there is reasonable assurance of compensation." These contrasting views illustrate the implementation gap between accounting theory and business practice. While the standard emphasizes contractual certainty, the company's approach relies on engineering documentation and managerial judgment, highlighting the tension between regulatory compliance and financial practicality in BUMN infrastructure projects.

How does the Financial Accounting Standard regulate the recognition of construction claim revenue?

PSAK 72 regulates revenue recognition using a principle-based framework that emphasizes fulfilling performance obligations and modifying contracts in the event of arising claims. Mrs. Sari explains that contract amendments are critical in supporting revenue recognition: "For construction claims, the contract must be modified or amended first. Recognition criteria require that performance obligations are completed—even if payment has not been received." She further warns that recognizing revenue from claims without proper documentation poses risks to financial integrity: "Formal contract modifications should support claims. Otherwise, it's risky to recognize them." To ensure reliability, she highlights that measurement must be based on substantiated probabilities, not estimations alone: "The measurement of revenue must reflect the probability of realization—based on history and reliable estimates." However, Mr. Wandi offers a contrasting view informed by operational experience. He believes that the rigid application of PSAK 72 does not align well with the fluid nature of construction projects: "Construction is dynamic. Most claims arise due to design changes. PSAK 72 does not regulate claim revenue specifically—it is part of overall revenue recognition."

Instead of relying on formal amendments, PT XYZ often uses project milestones and site instructions as practical indicators: "We rely on site instructions and project milestones, rather than contractual amendments." Moreover, he emphasizes that timely recognition plays a strategic role in sustaining the project's financial operations: "Timely recognition ensures financial continuity, especially under tight project funding."

This analysis shows a divergence between PSAK 72's theoretical requirements and real-world constraints, especially in projects with evolving scopes. While the standard demands legal certainty, practitioners prefer flexibility to ensure operational agility.

How does the Financial Accounting Standard regulate the disclosure of construction claim revenue?

Disclosure practices under PSAK 72 require entities to transparently communicate their revenue sources, including uncertainties and performance judgments. Mrs. Sari stresses that entities should report not only numbers but also provide narrative clarity: "Entities must disclose quantitative and qualitative data on customer contracts, performance judgments, and contract-related costs." She adds that transparency is critical in mitigating stakeholder risk and maintaining accountability: "Lack of detailed disclosure can hide operational risks from stakeholders." To reinforce the importance of judgment disclosures, she asserts: "Every material judgment affecting revenue should be stated clearly in the financial notes."

Nevertheless, Mr. Wandi highlights the sensitivity surrounding claim disclosures in public sector projects. He notes that PT XYZ is reluctant to provide detailed disclosures when supporting documentation is insufficient: "PT XYZ does not disclose claim revenue in detail because the underlying data is unclear (Sahu et al., 2023). The business model for construction services must be redefined and aligned with accounting governance." His concern extends to the strategic implications of transparency, suggesting that openness may compromise ongoing negotiations: "Disclosure could potentially expose negotiation weaknesses or unsettled contracts." Thus, his team adopts a conservative stance to preserve corporate credibility: "We aim to avoid speculative figures in our financial statements to maintain credibility."

This tension reflects a broader issue in disclosure ethics: the balance between transparency and strategic discretion. Although PSAK 72 sets the disclosure expectation, companies may prioritize confidentiality to navigate complex project environments and political pressures.

This study exposes a critical tension between the prescriptive clarity of PSAK 72 and the adaptive managerial practices observed in the revenue recognition and disclosure of construction claims within Indonesia's infrastructure-based State-Owned Enterprises (BUMNs), particularly under the State Capital Participation (PMN) framework.

Theoretical Standard vs. Operational Reality in Revenue Recognition

PSAK 72 mandates a five-step model that emphasizes enforceable rights, contract clarity, and the completion of performance obligations before revenue can be recognized. This reflects a broader global shift toward principle-based regulation in accounting, as seen in IFRS 15. However, interviews with practitioners reveal that, in the context of PMN-funded infrastructure projects, site instructions and incurred costs are often used as practical proxies for recognizing claim revenue, well before contractual amendments are formalized (Rahman et al., 2023; Zhang, Y. et al., 2023).

This practice demonstrates a de facto deviation from PSAK 72's legal-form emphasis to a more substance-over-form approach, driven by the need to support project cash flow and avoid audit backlogs. This study reveals how managerial judgment and project documentation are prioritized over legal enforceability, suggesting a structural vulnerability in applying PSAK 72 uniformly across high-complexity sectors, such as public infrastructure (Ninduangdee et al., 2021).

Novelty: The research reveals that in BUMNs, engineering-led documentation (e.g., site instructions) functions as a parallel revenue recognition mechanism, bypassing the formal amendment route expected by PSAK 72. This nuanced finding has not been explicitly addressed in prior literature.

Contract Modification Dissonance

According to PSAK 72, revenue from claims should not be recognized without contract amendments that confirm scope changes and value (Liu et al., 2016). Yet BUMN practitioners argue that formal amendments are bureaucratically rigid and often lag behind project execution timelines. To ensure timely financial reporting, project milestones are often relied upon as substitutes.

This reflects a broader implementation asymmetry, where standard-setting bodies emphasize documentation fidelity while field practitioners prioritize operational expediency. Such divergence indicates the limited enforceability of PSAK 72's principles when faced with institutional constraints in the public sector.

This study demonstrates that contract rigidity within PSAK 72 may reduce its utility in evolving, government-driven construction projects unless supported by flexible interpretive guidelines tailored for public infrastructure (Cieplik et al., 2011; Wang et al., 2012).

Disclosure: Transparency vs. Strategic Withholding

While PSAK 72 expects entities to disclose key judgments and contract data to enhance user understanding, field findings suggest a tactical suppression of disclosures regarding claim revenue. Concerns over the political sensitivity of PMN funding, unresolved contracts, and ongoing negotiations compel managers to withhold or generalize disclosures, often citing "lack of clear data."

This practice exposes a fundamental conflict between accounting ethics and organizational strategy, especially in the high-stakes environment of state infrastructure. The unwillingness to disclose, while defensible internally, reduces public accountability, especially given the significant fiscal footprint of BUMNs (Chen et al., 2018).

Novelty: The study introduces the concept of "strategic opacity"—a deliberate practice where disclosure of construction claims is muted to protect institutional credibility and funding continuity, even when such behavior diverges from the disclosure principles of PSAK 72.

Theoretical and Practical Implications

Theoretically, this study reinforces the limitations of principle-based standards when applied to sectors that operate under fluid, politicized, and engineering-driven contexts. It adds to the literature that critiques standard-practice misalignment, particularly in emerging economies where institutional enforcement is weak (Chen et al., 2019). Practically, the study urges regulators (e.g., DSAK-IAI) to consider supplementary guidance for public infrastructure sectors, such as detailed revenue treatment under PMN schemes, hybrid documentation standards and phased disclosures. Without such interventions, the tension between standard compliance and project feasibility will persist (Bajpai & Tyagi, 2016).

Final Contribution

This case study provides contextual evidence on how infrastructure-focused BUMNs reinterpret and bypass PSAK 72 in managing claim-based revenue recognition and disclosure. Unlike prior literature that focuses on private-sector adoption of PSAK 72, this research highlights the institutional logics, project pressures, and internal judgment systems that shape accounting behavior in public entities.

The study bridges the gap between financial reporting theory and sectoral operational complexity, offering a framework for understanding revenue recognition as an institutional negotiation rather than merely a technical accounting exercise.

CONCLUSION

This research concludes that the implementation of PSAK 72 on revenue recognition and disclosure of construction claims in *BUMN* infrastructure projects remains fraught with practical challenges and interpretive flexibility. While the standard emphasizes contractual modifications, enforceable rights, and the completeness of performance obligations, the findings reveal a significant gap between regulatory expectations and managerial practices. Construction claims are often recognized based on project milestones and site instructions, bypassing formal contract amendments, driven by the urgency to maintain financial continuity and respond to bureaucratic limitations. This deviation illustrates that accounting practices in state infrastructure are influenced not only by standards but also by institutional and operational dynamics. Theoretically, this research contributes to understanding how principle-based standards, such as PSAK 72, may fall short in environments with high project fluidity and limited legal enforceability, introducing the concept of "strategic opacity" in financial disclosures. Practically, the study provides a basis for standard setters to issue tailored guidelines that address sector-specific accounting dilemmas, particularly in *Penyertaan Modal Negara* (PMN)-funded projects. The limitations of this research lie in its single-case focus, which may not capture broader patterns across other *BUMN*s. Future studies could expand on these insights by comparing multiple infrastructure cases or examining the impact of such practices on audit findings and public trust. In summary, the study provides both critical reflection and actionable pathways for enhancing the alignment between accounting standards and public sector realities.

BIBLIOGRAPHY

Bajpai, R., & Tyagi, M. (2016). Curtailing the generation of sulfur dioxide and nitrogen oxide emissions by blending and oxy-combustion of coals. Fuel, 181, 178–191. https://doi.org/10.1016/j.fuel.2016.04.084

Badan Pusat Statistik. (2022). Produk Domestik Bruto Indonesia Triwulan III Tahun 2022. https://www.bps.go.id

Chen, G., Li, J., Liu, X., & Zhang, L. (2019). Transformation and regulation of sulfur during pyrolysis of coal blend with high organic-sulfur fat coal. Fuel, 253, 1090–1098. https://doi.org/10.1016/j.fuel.2019.05.077

Chen, H., Liu, N. A., & Fan, W. (2018). Technologies for control of sulfur and nitrogen compounds and particulates in coal combustion and gasification. In Clean coal technology and sustainable development (pp. 139–188). Elsevier. https://doi.org/10.1016/B978-0-08-102201-6.00006-6

Cieplik, M., Fryda, L., van de Kamp, W., & Kiel, J. (2011). Ash formation, slagging and fouling in biomass co-firing in pulverised-fuel boilers. In P. Grammelis (Ed.), Solid biofuels for energy (pp. 209–241). Springer. https://doi.org/10.1007/978-1-84996-393-0_9

Creswell, J. W. (2018). Qualitative inquiry and research design: Choosing among five approaches (4th ed.). SAGE Publications.

Flepisi, T., & Mlambo, C. (2021). Infrastructure governance and the role of financial reporting in curbing corruption: Evidence from state-owned enterprises. Journal of Infrastructure Development, 13(1), 32–47. https://doi.org/10.1177/0974930621991211

Hagi, A. A. (2021). IFRS adoption and quality of financial reporting: A review of evidence. Journal of International Accounting, Auditing and Taxation, 42, 100355. https://doi.org/10.1016/j.intaccaudtax.2020.100355

Hagos, Y., Singh, J., & Xia, X. (2022). Revenue recognition disclosure and investment decision-making: Evidence from the construction industry. Asian Review of Accounting, 30(1), 50–72. https://doi.org/10.1108/ARA-10-2021-0200

Hansen, S. W., & Rostiyanti, R. (2017). Challenges in managing construction claims in Indonesian infrastructure projects. Journal of Construction in Developing Countries, 22(2), 75–91.

Li, W., Zhao, J., Zhang, K., & Wang, C. (2023). Effect of biomass-coal blending combustion on Pb transformation. Journal of Hazardous Materials, 462, Article 132742. https://doi.org/10.1016/j.jhazmat.2023.132742

Liu, K., Pan, W. P., & Riley, J. T. (2016). Sulfur transformation during the pyrolysis of coal mixed with coal ash in a fixed bed reactor. Fuel, 171, 60–67. https://doi.org/10.1016/j.fuel.2016.03.036

Manton, N. J., Williamson, J., & Riley, G. S. (2012). Changes in slagging behaviour with composition for blended coals. In R. P. Gupta, T. F. Wall, & L. Baxter (Eds.), Impact of mineral impurities in solid fuel combustion (pp. 297–308). Springer. https://doi.org/10.1007/0-306-46920-0_22

Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). Qualitative data analysis: A methods sourcebook (3rd ed.). SAGE Publications.

Ninduangdee, P., Kuprianov, V. I., Cha, E. Y., & Kaewrath, R. (2021). Optimization of process parameters in oxygen enriched combustion of biocoal and soma lignite blends by response surface methodology. Journal of Cleaner Production, 324, Article 129234. https://doi.org/10.1016/j.jclepro.2021.129234

Patton, M. Q. (2015). Qualitative research & evaluation methods: Integrating theory and practice (4th ed.). SAGE Publications.

Rahman, M. A., Hassan, K., & Ahmad, T. (2023). Fuel cost optimization of coal-fired power plants using coal blending proportions. In 2023 International Conference on Power Electronics and Renewable Energy Systems (pp. 1–6). IEEE. https://doi.org/10.1109/ICPERES58075.2023.10179778

Ramachandra, T., & Rotimi, J. O. B. (2015). Legal and documentation issues in construction claims: A comparative study. International Journal of Construction Management, 15(2), 123–135. https://doi.org/10.1080/15623599.2015.1032562

Sahu, S. G., Sarkar, P., Chakraborty, N., & Adak, A. K. (2023). Synergistic reduction of SO_2 emissions while co-firing biomass with coal in pilot-scale (1.5 MWth) and full-scale (471 MWe) combustors. Fuel, 353, Article 129207. https://doi.org/10.1016/j.fuel.2023.129207

Van Wyk, H. A., & Coetsee, D. (2020). Principles-based accounting standards and the role of judgment in financial reporting. Meditari Accountancy Research, 28(1), 133–156. https://doi.org/10.1108/MEDAR-12-2018-0412

Wang, H., Wu, T., Zhang, J., & Xu, J. (2019). Effect of removal organic sulfur from coal macromolecular on the properties of high organic sulfur coal. Fuel, 253, 1568–1577. https://doi.org/10.1016/j.fuel.2019.05.149

Wang, L., Hustad, J. E., Skreiberg, Ø., Skjevrak, G., & Grønli, M. (2012). Evaluation of slagging and fouling tendency during biomass co-firing with coal in a fluidized bed. Biomass and Bioenergy, 39, 1–13. https://doi.org/10.1016/j.biombioe.2012.01.003

Wang, L., Skjevrak, G., Hustad, J. E., & Grønli, M. G. (2020). A critical review of ash slagging mechanisms and viscosity measurement for low-rank coal and bio-slags. Frontiers in Energy, 15(1), 46–68. https://doi.org/10.1007/s11708-020-0807-8

Zhang, X., Wang, M., Xu, J., & Li, Q. (2023). Effectiveness of different additives on slagging and fouling tendencies of blended coal. Experimental Thermal and Fluid Science, 142, Article 110815. https://doi.org/10.1016/j.expthermflusci.2022.110815

Zhang, Y., Li, H., Wang, X., & Chen, L. (2023). A coal blending optimization model for minimizing the cost of coal-fired power enterprises. In Proceedings of the 2023 IEEE Power & Energy Society General Meeting (pp. 1–5). IEEE. https://doi.org/10.1109/PESGM52003.2023.10252742