ABSTRACT

The role of inventory is very important for companies in carrying out operational activities, therefore proper management and methods are needed in calculating inventory. So that the selection of the right accounting method for the company is very necessary in the control process. Determining the right inventory method for the company will create a conflict of interest between management, company owners, and the government because each method produces different economic results. Statement of Financial Accounting Standards (PSAK) No. 14 revision 2015 has regulated the inventory accounting method which consists of the first in first out (FIFO) method and the average method.

This study aims to determine the variables of firm size, inventory variability, variability of cost of goods sold, and profit before tax. This study also aims to determine the effect of these independent variables on the selection of inventory accounting methods in the wholesale and retail trade sub-sectors for the 2016-2019 period listed on the Indonesia Stock Exchange.

The data collection method in this study is to use secondary data sources in the form of financial statements registered in the wholesale trade and retail trade sub-sector for the 2016-2019 period on the Indonesia Stock Exchange. The population in this study are all large trading and large trading sub-sector companies listed in the 2016-2019 period on the Indonesia Stock Exchange. The resulting sample is 43 samples and the analysis uses descriptive statistics and logistic regression.

The results of this study indicate that the variables of firm size, inventory variability, cost of goods sold variability and profit before tax simultaneously affect the selection of inventory accounting methods. Partially, firm size and profit before tax have no significant effect on the selection of inventory accounting methods, while inventory variability and cost of goods sold variability have a significant effect on inventory accounting methods.

Keywords: firm size, inventory accounting, inventory variability, profit before tax, and variability of cost of goods sold.