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Analysis of the Application of Depreciation Methods, Useful Life, and Revaluation of Fixed Assets on Financial Performance at PT Perkebunan Nusantara IV Regional I

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A B S T R A C T

This research aims to analyze the impact of depreciation methods, estimated useful life, and revaluation of fixed assets on the company's financial performance, with a case study on PT Perkebunan Nusantara IV Regional I. This study employs a descriptive quantitative approach by analyzing the company's financial statements and conducting interviews with relevant parties. The research results indicate that the depreciation method has a significant impact on financial performance, particularly in the Return on Asset (ROA), Return on Fixed Asset (ROFA), and Fixed Asset Turnover (FATO) ratios. The Declining Balance and Sum-of-the-Years' Digits methods yield higher performance ratios compared to the Straight-Line Method, especially in the initial period of asset use. Accurate estimation of useful life helps ensure the relevance of financial statements, supports the accuracy of asset provisioning, and maintains the stability of the company's equity. On the other hand, revaluation of fixed assets increases the value of assets and equity, but it also raises depreciation expenses, which can pressure net profit if not balanced with operational efficiency. This research provides recommendations for companies to choose a depreciation method that aligns with strategic needs, pay attention to accurate useful life estimates, and consider asset revaluation policies to enhance the relevance and accuracy of financial statements.

KATA KUNCI

Metode Penyusutan, Umur Manfaat, Revaluasi Aset Tetap, Kinerja Keuangan, PT Perkebunan Nusantara IV Regional I

A B S T R A K

Penelitian ini bertujuan untuk menganalisis pengaruh metode penyusutan, estimasi umur manfaat, dan revaluasi aset tetap terhadap kinerja keuangan perusahaan, dengan studi kasus pada PT Perkebunan Nusantara IV Regional I. Penelitian ini menggunakan pendekatan kuantitatif deskriptif dengan menganalisis data laporan keuangan perusahaan serta wawancara dengan pihak terkait. Hasil penelitian menunjukkan bahwa metode penyusutan memiliki pengaruh signifikan terhadap kinerja keuangan, terutama dalam rasio *Return on Asset* (ROA), *Return on Fixed Asset* (ROFA), dan *Fixed Asset Turnover* (FATO). Metode Saldo Menurun dan Jumlah Angka Tahun memberikan rasio kinerja yang lebih tinggi dibandingkan Metode Garis Lurus, terutama pada periode awal penggunaan aset. Estimasi umur manfaat yang tepat membantu memastikan relevansi laporan keuangan, mendukung akurasi pencadangan aset, dan menjaga stabilitas ekuitas perusahaan. Revaluasi aset tetap, di sisi lain, meningkatkan nilai aset dan ekuitas, namun meningkatkan beban penyusutan yang dapat menekan laba bersih jika tidak diimbangi dengan efisiensi operasional. Penelitian ini memberikan rekomendasi bagi perusahaan untuk memilih metode penyusutan yang sesuai dengan kebutuhan strategis, memperhatikan estimasi umur manfaat yang akurat, dan mempertimbangkan kebijakan revaluasi aset untuk meningkatkan relevansi dan akurasi laporan keuangan.

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1. Introduction

The financial performance of a company is influenced by various external factors such as macroeconomic conditions, monetary policy, financial regulations, and technological developments, which overall can determine the stability and growth of the company amidst global dynamics [1]. Companies with good financial performance tend to be more competitive in facing market dynamics. In recent years, globalization and digitalization have transformed the financial structures of companies worldwide, influencing business strategies as well as more transparent and accountable financial reporting.

The financial performance of companies in Indonesia has become a major concern for investors, regulators, and other stakeholders [2]. Fluctuating economic growth, changes in tax regulations, and the implementation of international accounting standards such as IFRS (International Financial Reporting Standards) contribute to the measurement and reporting of financial

performance. Companies in Indonesia strive to improve operational efficiency and strengthen their financial structure to remain competitive in both domestic and international markets.

The development of industries and business sectors at the regional level, particularly in Sumatra, affects the financial performance of companies. Sumatra, as one of the economic centers in Indonesia, has various industrial sectors such as plantations, mining, and manufacturing that determine the dynamics of the company's financial performance. Infrastructure, regional government policies, and access to funding are important aspects in analyzing financial performance in this region.

The financial performance of a company is greatly influenced by the accounting policies applied, particularly in terms of fixed asset depreciation, useful life, and fixed asset revaluation. Fixed asset depreciation is an accounting method used to allocate the cost of an asset over its useful life. The depreciation method used, such as straight-line or declining balance, can affect the company's net profit as well as the cash flow generated [3]. The useful life of fixed assets also has a significant impact on financial performance.

The longer the useful life of fixed assets, the smaller the annual depreciation expense, which can increase the company's profit in the short term. However, the establishment of an unrealistic useful life can lead to errors in asset value measurement and a higher risk of asset impairment [4]. Additionally, revaluation of fixed assets is a strategy that companies can undertake to adjust the value of their assets to more current market values. This revaluation can increase equity value and improve financial ratios, but it can also lead to higher taxes and increased depreciation expenses. Therefore, policies related to depreciation, useful life, and revaluation of fixed assets need to be carefully considered to avoid negatively impacting the company's financial performance [5]. By understanding the relationship between fixed asset accounting policies and financial performance, companies can make more strategic decisions in managing their assets to achieve optimal operational efficiency and profitability [6].

Based on the displayed financial ratio table on Table 1, there are significant fluctuations in several financial indicators from year to year. Net Profit Margin (NPM) showed negative figures in 2019 and 2020, namely -7.12% and -2.89% respectively, indicating that the company experienced net losses for two consecutive years. Although there was improvement in 2021 and a significant increase in 2022, this instability indicates potential issues in operational efficiency and cost management.

Table 1. Company Financial Ratios

Description	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2022-2021 (%)
Net Profit Margin (NPM)	10.77	8.67	2.89	7.12	0.86	124.22
Return on Assets (ROA)	4.03	3.21	0.86	1.98	0.23	4.63
Return on Equity (ROE)	8.58	7.07	2.11	5.07	0.53	8.99
Current Ratio (CR)	113.85	122.28	44.46	51.20	56.01	93.11

In addition, the Return on Assets (ROA) and Return on Equity (ROE) also briefly fell into negative territory, reflecting the company's inability to generate profits from its assets and equity in previous years. The Current Ratio (CR), which dropped significantly from 122.28 in 2021 to 113.85 in 2022, also needs to be noted as it indicates a decrease in the company's liquidity. This is exacerbated by the Debt to Assets Ratio, which sharply increased YoY 2022-2021 by 283.15%, indicating a rise in debt burden relative to the total assets owned. These issues raise significant questions regarding the efficiency of the company's financial management, particularly in the management of fixed assets, the use of depreciation methods, and the impact of asset revaluation on overall financial performance. Therefore, research needs to be conducted to analyze how the application of depreciation methods, asset useful life, and fixed asset revaluation policies affect key financial ratios and overall company performance.

Table 2. Data on the useful life of fixed assets in the company

Description	Useful life (years)
Palm oil	25
rubber	10
Other cash crops	15-50
Buildings and infrastructure	3-20
Machines and equipment	8-20
Vehicles and other transportation	5
Agricultural, health, and office equipment	2-8
Nursery installations	5-16
Agrotourism assets	5
Other fixed assets	5-10

From the Table 2, it can be seen that the useful life of fixed assets varies greatly depending on their type and function in the company's operations. For example, oil palm has a useful life of 25 years, while rubber plants only have a useful life of 10 years. This difference shows that the biological characteristics and productivity of the plants are the main factors in determining their useful life. In addition, assets in the form of buildings and infrastructure have a wider useful life span, ranging from 3 to 20 years, depending on the type of material and maintenance performed. Meanwhile, vehicles and other transportation equipment have a shorter useful life, namely 5 years, because they are more susceptible to

wear and depreciation due to intensive use. The selection of a depreciation method that aligns with the characteristics of fixed assets is an important aspect in accurately reflecting the company's financial condition. Therefore, this research will analyze how the application of depreciation methods, useful life, and revaluation of fixed assets can affect the financial performance of the company, particularly in the plantation sector.

Table 3. Data on the company's fixed asset revaluation

Descriptive	Amount (Rp)
Beginning of year balance	45.093.984.876.072
Additions during the year to fixed assets	91.068.225.209
Impact on non-controlling interests	47.374.438.522
Total surplus from revaluation of fixed assets	45.050.291.089.385

From Table 3, it can be seen that the total surplus from the company's fixed asset revaluation for this period reached Rp 45.05 trillion. This figure reflects the increase or adjustment in the value of fixed assets based on the revaluation conducted during the current period. The beginning-of-year balance reflects the revaluation surplus that has been recognized since the previous period, amounting to Rp 45.09 trillion. The addition for the current year on fixed assets shows the changes that occurred during the current year, with a negative value of Rp 91.07 billion, which may reflect depreciation or the disposal of certain assets. The impact on non-controlling interests of Rp 47.37 billion indicates changes due to minority shareholding in subsidiary entities. The total surplus from the revaluation of fixed assets after adjustments reached Rp 45.05 trillion, reflecting the accumulation of all changes in the value of revaluated fixed assets.

Research conducted before confirms that PT Perkebunan Nusantara XIII Kebun Pelaihari applies PSAK No. 16 in the process of depreciating fixed assets by choosing the Straight-Line Method [7]. The analysis results show that this method is effective in determining a lower depreciation expense compared to other methods. The depreciation expense using the Straight-Line Method was recorded at Rp 33.042.024. lower than the Double Declining Balance Method (Rp 66.084.048) and the Sum-of-the-Years'-Digits Method (Rp 63.458.682).

This proves that the Straight-Line Method provides greater economic benefits and positively impacts the company's financial performance. Research conducted before shows that PT Chandra Sakti Utama Leasing applies the fixed asset implementation method in accordance with PSAK No. 16 [8]. The calculation of the acquisition cost of fixed assets includes all costs directly related until the asset is ready for use. Depreciation of fixed assets uses the straight-line method, recorded at the end of each month in the EGL Confins system, with a fixed monthly depreciation cost and no residual value at the end of the economic life. The classification of the economic lifespan of fixed assets is determined by the accounting and management divisions after several revisions.

Recording is done immediately after the asset is received, then journaled in the Confins system and archived based on the purchase date [9]. Looking at the findings of previous research that have the aforementioned differences, the researcher intends to conduct a study on PT Perkebunan Nusantara IV Regional I. This company is one of the entities operating in the plantation sector and can be categorized as a manufacturing company that processes Fresh Fruit Bunches (FFB) of palm oil from its own plantations into Crude Palm Oil (CPO) products. In addition, the company has various types of fixed assets, including land, buildings, replanting, producing and non-producing plants, as well as other assets that directly impact the company's profit.

Certain research conducted shows that the choice of fixed asset depreciation method has a significant impact on depreciation expenses and company profits [10]. Currently, PT Enseval Putera Megatrading, Tbk Manado Branch uses the straight-line method, which results in a fixed depreciation expense each year. However, the simulation results show that the declining balance method provides greater benefits for the company, as it results in higher depreciation expenses in the early years and impacts net income positively, as well as tax expense efficiency according to both PSAK 16 and tax regulations. Therefore, the researchers recommend that the company consider using the declining balance method as a strategy for profit optimization and tax efficiency.

This study aims to analyze the implementation of fixed asset depreciation methods applied by PT Perkebunan Nusantara IV Regional I, as well as to evaluate the conformity of fixed asset depreciation calculations with PSAK 16, which is the accounting standard in Indonesia. In addition, this study will also examine the impact of the application of fixed asset depreciation methods on the company's profit, in order to understand the extent to which depreciation policies can affect the financial performance of PT Perkebunan Nusantara IV Regional I [11].

Financial performance is a depiction of the achievements attained by a company in the financial field, which is reflected through financial statements that have been prepared based on generally accepted accounting principles [12]. Assessment of financial performance can be conducted through various analytical methods that refer to the Financial Accounting Standards (SAK), in order to ensure that the resulting reports are accurate and transparent [13]. In addition, the company's financial performance also indicates how effectively the company conducts its operational activities, where financial statements serve as the main tool in assessing the efficiency and effectiveness of achieving the company's financial goals [14].

The following ratios are used to evaluate financial performance in relation to fixed assets:

a. Return on asset (ROA), which is one of the profitability ratios. In financial statement analysis, this ratio is often highlighted because it can demonstrate the company's success in generating profits. ROA is able to measure the company's ability to generate profits in the past and then project them into the future. The assets referred to are the total wealth of the company, obtained from both its own and foreign capital, which the company has transformed into operational assets used for the company's survival [15]. The formula that can be used is on Equation (1)

$$return\ on\ asset = \frac{net\ profit}{total\ asset} \quad (1)$$

b. Fixed asset turnover (FATO), this ratio measures the effectiveness of the use of funds invested in fixed assets such as factories and equipment, in order to generate sales, or how many rupiah of net sales are generated by each rupiah invested in fixed assets [16]. The formula used is on Equation (2).

$$fixed\ asset\ turnover = \frac{net\ sales}{average\ fixed\ assets} \quad (2)$$

c. Return on fixed asset (ROFA) is a financial ratio that measures the return on a company's investment in fixed assets, with the aim of evaluating how effectively fixed assets are used in generating net profit. ROFA is calculated by comparing net profit to total fixed assets, thereby indicating the efficiency of fixed asset usage in supporting the company's operations [17]. The formula used is on Equation (3).

$$return\ on\ fixed\ asset = \frac{net\ profit}{average\ fixed\ assets} \quad (3)$$

According to PSAK 16, fixed assets are tangible assets owned by the company and used for: The production process or the provision of goods or services, Rental to other parties, administrative purposes, expected to be used for more than one period (PSAK 16). Fixed assets play an important role in supporting operational continuity, so their management must be carried out with high principles of accountability and traceability to accurately reflect the condition of the assets in the financial statements [18]. The characteristics of fixed assets are as follows [19]:

a. Assets are acquired for use in operations and not for resale.

b. These assets are long-term and can experience depreciation or wear and tear.

c. Assets have physical substance or can be said to have a tangible form.

Depreciation of fixed assets is an accounting process that allocates the cost of acquiring the asset over its useful life. In accounting, there are several depreciation methods used to calculate the reduction in the value of fixed assets over time. Depreciation is the process of reducing the percentage of the asset's cost from the applicable cost to determine or calculate profit. There are several methods that can be used to apply the acquisition cost of fixed assets over their ownership period, namely:

a. Straight-line method, which is a depreciation method that connects cost allocation with the useful life of the asset. The straight-line method can be calculated using the following formula on Equation (4).

$$despreciation\ expense = (acquisition\ cost - residual\ value\ )/(useful\ life) \quad (4)$$

b. The declining balance method is one of the depreciation methods that results in a high expense at the beginning of the depreciation period and lower expenses in the subsequent periods. The declining balance method is divided into two depreciation methods, namely the sum-of-the-years'-digits method and the declining balance method. The formula used to calculate the sum of the years' digits is as on Equation (5).

$$number\ of\ years = \frac{n(n+1)}{2} \quad (5)$$

Meanwhile, to calculate the depreciation expense using the sum-of-the-years'-digits method, it can be calculated as on Equation (6).

$$despreciation\ expense\ = (useful\ life)/(number\ of\ years) \times acquisition\ cost \quad (6)$$

In the following year, the depreciation expense using the sum-of-the-years'-digits method can be calculated with the following formula on Equation (7).

$$depreciation\ expense = \ (the\ years\ to\ (n))/(numbers\ of\ years) \times acquisition\ cost \quad (7)$$

To determine the depreciation expense using the declining balance method, it can be calculated with the following formula on Equation (8).

$$depreciation\ expense = \{(100\% \div useful\ life) \times 2\} \times acquisition\ cost \quad (8)$$

The useful life of fixed assets refers to the period of economic use of fixed assets before those assets can no longer provide benefits to the company. The useful life is an important basis for determining the method and amount of annual depreciation that must be charged in the financial statements [20]. The assessment of the useful life must be reviewed periodically to ensure the fair presentation of asset value. Furthermore, the useful life of fixed assets must reflect the pattern of economic benefit consumption from those assets [21]. In practice, the useful life is influenced by various factors such as production capacity, operational conditions, and

technological innovations that can shorten or extend the asset's lifespan. Therefore, the depreciation method and useful life must always be updated to reflect real-world conditions [22].

Revaluation of fixed assets is a method of reassessing the carrying value of a fixed asset to reflect its fair value based on current market conditions. According in the context of the implementation of PSAK No. 16, revaluation is carried out after the fixed asset is initially recognized and aims to ensure that the information presented in the financial statements remains relevant and reliable for stakeholders [23]. This revaluation reflects accounting policies that support transparency, especially in non-profit and educational institutions that require accurate financial statements [24].

Revaluation of fixed assets is the process of adjusting the value of fixed assets to reflect their current fair value, rather than the historical value at the time of acquisition. This revaluation is important to provide a more accurate financial picture of the company, especially in the balance sheet, and to anticipate changes in the market value of the assets [25]. The revaluation process can increase the company's equity if the asset value rises, or decrease equity if the asset value falls. In this context, asset revaluation becomes an important strategy in enhancing the transparency and accountability of the company's financial statements [26].

2. Research Method

This type of research is descriptive quantitative research that aims to analyze the influence of depreciation methods, useful life, and fixed asset revaluation on company financial performance. This research is descriptive-comparative, meaning that in addition to describing the data and phenomena that occur, the study also compares various accounting methods and policies applied to their impact on financial performance ratios.

This research was conducted at PT Perkebunan Nusantara IV Regional I, which is part of PT Perkebunan Nusantara III (Persero) after the merger of several entities thru the restructuring of the Perkebunan Nusantara Holding [27]. The research location administratively refers to the company's consolidated financial statements obtained thru official publications for the fiscal years 2021 and 2022. The research objects consist of three main elements:

a. Fixed Asset Depreciation Methods: including the straight-line method, declining balance method, and sum-of-the-years' digits method.

b. Fixed Asset Useful Life: which is an estimate of the economic use period of fixed assets that affects the annual depreciation expense.

c. Fixed Asset Revaluation: which is an adjustment of the fair value of fixed assets based on revaluation.

The influence of these three objects on the company's financial performance was analyzed, measured thru the ratios of Return on Assets (ROA), Fixed Asset Turnover (FAT), and Return on Fixed Assets (ROFA). Data collection techniques were carried out thru documentation studies, which involved collecting official and legal company financial statements and then recording data relevant to the research focus. Data collection was done online thru the parent company's official website or other reliable sources.

The data used in this study is secondary quantitative data, which is data obtained indirectly from the company in the form of published financial statements. Data is taken from Consolidated Financial Position Reports of PT Perkebunan Nusantara for 2021 and 2022, Consolidated Comprehensive Income Statements for 2021 and 2022, Notes to the Financial Statements (CALK).

3. Result and Discussion

3.1. Result

Here is the table of fixed asset data owned by PT Perkebunan Nusantara IV Regional I in 2022 that can be seen on Table 4.

Table 4. Fixed assets of the company

No	Description	Amount (Rp)
1	Producing plants	41.619.046.322.983
2	Non-producing plants	5.086.154.906.303
3	Land	56.007.981.682.995
4	Buildings and infrastructure	12.004.409.335.499
5	Machines and equipment	27.148.567.114.615
6	Vehicles and other transportation tools	1.408.003.497.540
7	Agricultural, health, and office equipment	2.391.074.485.292
8	Nursery installations	79.054.156.468
9	Agrotourism assets	6.696.021.110
10	Other fixed assets	62.764.047.872
11	Assets under construction	2.287.773.943.296
	Total fixed assets	148.101.525.513.970

The accounting policy for fixed assets applicable at PT Perkebunan Nusantara IV Regional I is as follows:

a. Fixed assets are tangible assets acquired in ready-to-use form, either through purchase or constructed beforehand, used in the company's business activities and not intended for sale in the normal course of business, with a useful life of more than one year.

b. The acquisition cost of fixed assets consists of: The purchase price, including import duties and purchase taxes that cannot be credited after deducting purchase discounts and other deductions; Costs that can be directly attributed to bringing the asset to the desired location and condition so that the asset is ready for use according to the wishes and intentions of management; Initial estimate of the cost of dismantling and relocating fixed assets, as well as restoring the asset location.

c. Costs incurred after the initial acquisition are recognized as expenses in the period they occur, including usage and development costs of the asset.

d. Costs incurred after the initial acquisition are recognized as an increase in the carrying amount of fixed assets (capitalized) if they meet the following qualitative and quantitative criteria: Qualitative requirements, namely extending the useful life of fixed assets; Most likely to provide economic benefits in the future in the form of increased production capacity, improved production quality, or enhanced work standards; Quantitative criteria, which is the amount of cost that can be capitalized; The capitalizable costs should be presented/recorded together with the initial acquisition cost and provided with an explanation in AU-91 (Details of Fixed Assets and Commercial Depreciation).

e. Costs incurred to maintain fixed assets that do not extend their useful life or costs that restore fixed assets to their normal condition are charged to the period in which they occur, such as routine maintenance and repair costs.

f. Fixed assets that can no longer be used are reclassified from fixed asset accounts to non-productive asset accounts, and fixed assets that will be sold are reclassified from fixed asset accounts to non-productive asset accounts at their book value.

g. Gains or losses from the sale of fixed assets are charged or credited to the current year's income statement.

h. Fixed assets that are revalued are depreciated by dividing the remaining value of the fixed assets after deducting the residual value and dividing it by the remaining useful life.

i. Assets under construction include buildings and other infrastructure, which are stated based on construction costs, borrowing costs used to finance the assets during the construction period, and other costs that can be directly attributed to bringing the assets to the desired location and condition. Construction costs accumulated in process will be reclassified to fixed assets, and the capitalization of borrowing costs will cease when the construction of the asset is complete and the asset is ready for use.

Land fixed assets are not depreciated and are initially recognized at cost (purchase cost and legal administration costs for land rights). The administration costs for the extension or renewal of legal land rights are recognized as intangible assets amortized over the period of land rights or the economic life of the land, whichever is shorter. According to PSAK 16 regarding "Fixed Assets" points 31 and 34, the company will revalue the land at fair value to obtain a reliable value for its recording in the financial statements.

Table 5. Comparison of fixed asset depreciation methods

Description	Straight-line method (Rp)	Declining balance method (Rp)	Year sum method (Rp)
Producing plants	39.538.094.006.834	37.457.141.690.685	37.655.331.589.275
Buildings and infrastructure	11.404.188.868.724	10.803.968.401.949	10.861.133.399.205
Machines and equipment	25.791.138.758.884	24.433.710.403.154	24.562.991.876.753
Vehicles and other transportation tools	1.337.603.322.663	1.267.203.147.786	1.273.908.060.441
Agricultural, health, and office equipment	2.271.520.761.027	2.151.967.036.763	2.163.353.333.462
Nursery installations	75.101.448.645	71.148.740.821	71.525.196.714
Agrotourism assets	6.361.220.055	6.026.418.999	6.058.305.452
Other fixed assets	59.625.845.478	56.487.643.085	56.786.525.481
Total fixed assets	80.483.634.232.310	76.247.653.483.241	76.651.088.289.782

In the straight-line method, the total recorded value of fixed assets that shown on Table 5 is Rp 80.483.634.232.310. This value is the highest among the three methods because the straight-line method recognizes depreciation expense evenly each year over the asset's useful life. As a result, the book value of fixed assets does not experience a sharp decline at the beginning of their useful life. For example, in the category of Producing Plants, the recorded value reached Rp 39.538.094.006.834, higher than the declining balance method of Rp 37.457.141.690.685 and the sum-of-the-years'-digits method of Rp 37.655.331.589.275. Similarly, in the category of Buildings and Infrastructure, which recorded a value of Rp 11.404.188.868.724 using the straight-line method, while the declining balance method only recorded Rp 10.803.968.401.949. Unlike the straight-line method, the declining balance method shows a smaller value for fixed assets, namely Rp 76.247.653.483.241. This happens because the declining balance method applies a larger depreciation expense in the early years, causing the remaining book value of fixed assets to depreciate more quickly. For example, in the category of Machinery and Equipment, the remaining book value after depreciation using the declining balance method is Rp 24.433.710.403.154, lower than the straight-line method which records a value of Rp 25.791.138.758.884. This pattern is similarly observed in the category of Vehicles and Other Transportation Equipment, where the book value using the declining balance method is only Rp 1.267.203.147.786 compared to the straight-line method. which reaches Rp 1.337.603.322.663. Meanwhile, the sum-of-the-years-digits method results in a total fixed asset value of Rp 76.651.088.289.782, which is positioned in between the straight-line and declining balance methods. This method depreciates the asset value in a declining manner, but with a more even pattern compared to the declining balance method. For

example, in the category of Agricultural. Health. and Office Equipment, the remaining book value is Rp 2.163.353.333.462, higher than the declining balance method (Rp 2.151.967.036.763) but still lower than the straight-line method (Rp 2.271.520.761.027).

Overall, this comparison shows that the depreciation method has a significant impact on the final value of reported fixed assets. The straight-line method maintains the value of fixed assets higher in the long term, making it more suitable for companies that want to display asset value stability on the balance sheet. On the other hand, the declining balance method is more effective if the company wants to accelerate the recognition of depreciation costs for tax savings in the early years. Meanwhile. the sum-of-the-years'-digits method offers a balanced intermediate approach between recognizing a larger depreciation expense in the early years but not as extreme as the declining balance method. Thus, the choice of depreciation method should be aligned with the company's financial strategy and the financial reporting objectives to be achieved.

3.2. The Impact of Useful Life on Financial Performance.

Useful life affects depreciation expense, which directly impacts the company's net income and financial performance. If the company uses a useful life that is too long or too short, the depreciation expense and asset value will provide an inaccurate picture of financial performance. This impacts the company's net profit and operational efficiency. In general, based on the financial statements of PT Perkebunan Nusantara IV Regional I, the useful life used has been conducted in accordance with PSAK 16 standards, where the useful life of fixed assets must reflect the pattern of asset usage in operational activities, thus the applied useful life helps maintain a balance between operational efficiency and profitability.

3.3. The Impact of Fixed Asset Revaluation on Financial Performance

Based on the company's financial statements, the fair value of fixed assets increased by Rp45.050.291.089.385 after the revaluation of fixed assets. Thus, the revaluation had a significant impact on the balance sheet and equity, although it increased depreciation expenses in the short term. The revaluation surplus increased the company's equity, improved the debt-to-equity ratio, and provided a more accurate picture of the fair value of fixed assets.

3.4. Comparison of Financial Performance Ratios Positioning

The following financial ratios are used to assess the company's financial performance related to fixed assets. These ratios include the return on assets (ROA), fixed asset turnover ratio, and return on fixed assets (ROFA). The calculation table can be shown on Table 6.

Table 6. Comparison of financial performance ratios

Descriptive	Straight Line Method (%)	Declining Balance Method (%)	Method of Yearly Number Count (%)
Return on asset	5.43	7.86	7.62
Fixed assets turnover	25.39	25.64	25.61
Return on fixed asset	4.66	6.65	6.46

Based on the calculations in the Table 6, the Declining Balance and Sum-of-the-Years'-Digits methods show a higher ROA compared to the Straight-Line method. This indicates that depreciation methods that accelerate depreciation costs (declining balance and sum-of-the-years'-digits) provide higher net income relative to assets, especially in the early periods of asset use.

The Straight-Line method results in a lower ROA because the depreciation expense is evenly distributed each year, thus not maximizing the initial net income. In the FAT ratio, this is relatively consistent across the three depreciation methods. This means that the depreciation method does not significantly affect the effectiveness of using fixed assets to generate income. The small difference between the methods (Declining Balance and Sum-of-the-Years-Digits being slightly higher) may indicate the impact of accumulated depreciation on the book value of fixed assets.

The Declining Balance method yields the highest ROFA ratio, followed by the Sum-of-the-Years-Digits and Straight-Line methods. This indicates that methods that accelerate depreciation yield higher profits compared to the remaining value of fixed assets. Higher depreciation expenses at the beginning of the period (under the Declining Balance and Sum-of-the-Years'-Digits methods) can reduce net income, but the smaller book value of fixed assets improves this ratio.

4. Conclusion

This research was conducted to understand how the analysis of the application of depreciation methods. useful life. and asset revaluation affects the company's financial performance as reflected through the calculation of financial ratios related to fixed assets. The results of the research and discussion indicate that an accurate estimation of the useful life of fixed assets is crucial to ensure the relevance of financial statements. A longer or shorter useful life affects depreciation expense, net asset value, net income, and cash flow. Choosing an accurate useful life helps the company in reserving for future asset replacements, thereby better supporting equity stability and long-term financial performance. Revaluation of fixed assets increases asset and equity value, strengthening the company's financial position. However, it can also increase depreciation expenses,

which may pressure net income in the short term. Revaluation requires operational efficiency to maintain net income, although it overall improves the company's financial stability. The Declining Balance and Sum-of-the-Years'-Digits methods show a higher ROA compared to the Straight-Line method. This is because the larger depreciation at the beginning results in a higher net income relative to the assets. The Straight-Line method yields a lower ROA due to the even distribution of depreciation each year. Meanwhile, the Fixed Assets Turnover ratio is relatively consistent among the three depreciation methods, indicating that the effectiveness of using fixed assets to generate revenue is not significantly affected by the depreciation method. The Declining Balance Method yields 2the highest ROFA ratio, followed by the Sum-of-the-Years'-Digits and Straight-Line methods. This is due to the lower book value of fixed assets in the Declining Balance Method, which increases the profit-to-fixed-assets ratio.

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