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Calculation of depreciation Fixed Assets based on Government Accounting Standards and their impact on Financial Statements

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Abstract

This study aims to determine the calculation of depreciation of fixed assets based on Government Accounting Standards for Financial Statements. The calculation used is the calculation of depreciation of fixed assets at the Regional Financial and Asset Agency in Majene Regency. The data analysis method used is a qualitative descriptive analysis method through data triangulation. The results showed that the depreciation method used by the government was determined using the straight-line method. This method is considered the simplest method. Besides there must be data about the depreciated value, to calculate the depreciation must determine the useful life of each fixed asset. Reducing depreciation in Majene Regency's Regional Financial and Asset Agency (BKAD) for fixed assets in accordance with Government Accounting Standards. Calculating depreciation of fixed assets is very important and very influential on financial statements.



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1 Introduction

This study deals with fixed assets which are the means used by an organization in carrying out its operational activities to support all company activities (Sunyatama & Ngumar, 2017). In the government sector, the calculation of depreciation of fixed assets is an important enough part to be studied because if the fixed assets are not measured and calculated appropriately, it will have an impact on the presentation of misleading financial statements. Therefore, the recording made at the time of acquisition of fixed assets, depreciation of fixed assets and disposal of fixed assets must be carried out in accordance with applicable standards in order to describe the actual condition of fixed assets (Sahara & Wahyuningsih, 2017). To realize good governance, accountability and transparency from government agencies is very important in carrying out its main tasks and functions to the community (Mardiasmo, 2006). One of the media used to fulfill this is by presenting reliable financial reports that can be accounted for (Muslim M, 2014). One of the objectives of making financial reports is for stakeholders to be able to know the picture of an organization's financial condition (Muslim et al., 2018).

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Currently, research relating to fixed assets has been in great demand by researchers such as (Mufdiarto et al., 2014; Rizal, 2015; Riski Catur Fina Sari, Mashhad, 2015; Mardjani et al., 2015; Sunyatama & Ngumar, 2017; Sahara & Wahyuningsih, 2017; Mulyanti et al., 2018; Wahyu Hidayati, Noviansyah Rizal, Muchamad Taufiq, 2019). This research is quite interesting because from some of the studies that have been mentioned, no one has yet discussed how the calculation of fixed assets is especially in the regional government and examines how their impact on the financial statements presented. This research was conducted at the Regional Government of Majene Regency. The selection of the location of this study was triggered by the phenomenon of opinion acquisition on LKPD of Majene Regency Government before the implementation of PP71 of 2010 based on accrual basis had not yet received the Fair With Exception opinion. The results of the BPK evaluation contained in each Opinion Report and contained in several BPK Press Releases from the representatives of the West Sulawesi Province which stated that the audit included an assessment of the use of SAP by the entity and the presentation of the financial statements as a whole, that the problems were the basis for consideration of opinion determination among other things is the issue of fixed assets.

Public sector organizations are currently facing pressure to be more efficient in effectively calculating economic and social costs in an ever-changing and evolving environment over time (Rasyid & Kustaman, 2013; Manggu, 2019). Financial statements are one of the activities that measure the success of a government determined on fixed assets. The responsibility of regional governments in regulating and managing the interests of government and society in the form of financial reports and performance reports. The central government regulates that financial statements must be prepared and presented in accordance with Government Accounting Standards (SAP). The Regional Government Financial Report (LKPD) must use accrual-based SAP in accordance with PP 71 of 2010, which is SAP that recognizes revenues, expenses, assets, debt, and equity in financial reporting on an accrual basis, and recognizes revenue, expenditure, and financing in reporting budget execution based on the basis specified in the State Revenue and Expenditure Budget / Regional Revenue and Expenditure Budget (APBN / APBD).

The application of PP 71 of 2010 is an obligation that must be applied by all Regional Governments in Indonesia including the Government of Majene Regency in compiling accrual-based LKPD. The assets presented consist of current assets and fixed assets, which must be presented at fair value. Fair value is the exchange value of assets or settlement of obligations between parties who understand and wish to conduct fair transactions, while depreciation is a systematic allocation of the value of a fixed asset that can be depreciated over the useful life of the asset concerned. If the fair value of an asset has been included in the financial statements, the report can already be said to be trustworthy and reliable. Assets remain a major part of local government assets because of their very significant value on the balance sheet (Winarno, 2012). Asset valuation is very important not only in the context of carrying out the elimination and transfer of assets / goods belonging to the area being auctioned / sold, but practically has a direct relationship with the presentation of regional balance sheets. According to Setiadi (2010) if fixed assets are not managed properly, it can affect the opinion given by the Supreme Audit Agency (BPK), because fixed assets are a significant component of financial statements.

Fixed assets are an important component of government operating assets in carrying out government operations so researchers are interested in conducting this research because the fixed assets are vulnerable to a decrease in capacity in line with their use or utilization. Therefore the government must present information about the value of fixed assets sufficiently so that they can be used for decision making in asset management. Regarding the fixed assets, it is explained in PSAP number 07 that the fixed assets account is a balance sheet component that has a material value. Presentation of fixed assets accounts that do not refer to SAP can provide information that might be misleading for its users because Public Sector Accounting (ASP) is an information tool used by the government in management control processes starting from strategic control.

Mardiasmo (2012) revealed that public sector accounting is closely related to the application and treatment of accounting in the public domain which has a wider and more complex area than the private or business sector. Public sector accounting is related to three things, namely information providers, management control, and accountability. To meet these needs, the government needs information about the value of adequate fixed assets, this can be met if the government implements an accounting system of fixed assets that is informative in an orderly and timely manner. One of the information that is needed in decision making related to the management

of fixed assets is information on the fair value of assets, in the context of the fair presentation of the value of these fixed assets, the government can do so through establishing depreciation policies.

The importance of measuring fixed assets is that because of their long useful lives, fixed assets are the most concrete element of government financial statements assuming the need for the government to maintain a balance of intergenerational interests by calculating depreciation of fixed assets based on SAP owned by local governments. Depreciation will allow the government to estimate the remaining useful assets of a fixed asset which can still be expected to be obtained in the next few years.

Depreciation allows local governments to obtain information about the potential state of their assets. This study aims to determine the calculation of depreciation of fixed assets based on government accounting standards to the Majene district government financial statements. This will inform Majene district government of a more systematic and logical approach in budgeting various maintenance expenditures or even capital expenditure to replace or add fixed assets that are already owned. This research will examine the calculation of depreciation of government fixed assets based on the statement of PSAP No 07 and how the calculation of depreciation of fixed assets on the financial statements of the Government of Majene Regency.

2 Research Method

The location used as a place of research is in the office of the Regional Finance and Assets Agency (BKAD) of Majene Regency. This study includes qualitative research that is rainy to interpret, interpret and examine the research problem. The use of various research methods called triangulation, is intended so that researchers gain a comprehensive (holistic) understanding of the phenomenon under study. In accordance with the epistemological principle, qualitative researchers usually examine things that are in the natural environment, trying to understand, or interpret, phenomena based on the meanings that people give to these things (Mulyana, 2013). The informants in this study were all employees in the office of the financial agency and regional assets totaling 114 employees. The sample in this study were employees in the Assets and Accounting section, totaling 6 people. Sampling of respondents is done by purposive sampling with certain considerations because the information to be taken comes from sources that are deliberately chosen based on criteria set by researchers (Sugiyono, 2015).

Data analysis uses descriptive qualitative techniques to describe the real situation in accordance with problems arising in the field, then interpretations are made so as to obtain a conclusion (Sugiyono, 2015). Data analysis activity, in this study consists of three parts namely 1) Reducing data means summarizing, choosing the main points, focusing on the important matters, looking for themes and patterns. 2) After the data has been reduced, the next step is to display the data in the form of brief descriptions, charts, relationships between categories. 3) then make preliminary conclusions that are still temporary, and will change if not found strong evidence that supports the next stage of data collection, then the conclusions put forward are credible conclusions (Sugiyono, 2015).

3 Result and Discussion

Result

Depreciation will allow the government to estimate the remaining useful assets of a fixed asset that can still be expected in the next few years and allow the government to obtain information about the potential state of its assets. Depreciation is one of the risks of the use of fixed assets, where assets will experience depreciation, ranging from depreciation of functions to depreciation in value. But with the management of assets (assets), the company will be easier to monitor depreciation, with asset management we can also maintain the value of assets to create risk management.

The purpose of the depreciation expense is to allocate the use of fixed assets for 1 period. This shows that over time, the value of fixed assets will continue to decrease due to continuous use. While the purpose of

accumulated depreciation is as a contra account of a fixed asset. As we know that fixed assets must be recorded at cost, but they must reflect the book value.

The procedure for calculating depreciation of fixed assets is as follows:

Identification of fixed assets that can be depreciated

1. Steps to take are:

- a) Get a list of fixed assets presented in the balance sheet.
- b) Identify whether the balance sheet presents land and construction items in progress.
- c) If the balance sheet presents land and construction items in progress, remove them from the list of fixed assets to be depreciated.

2. Asset Grouping

a) Group assets

Depreciation can be carried out on fixed assets individually. The steps to group assets that need to be done is to get the entire list of fixed assets and then identify assets that can be considered as assets that must be depreciated in groups with the following criteria:

1. These assets are obtained at the same time and have the same useful life.
2. The technical benefits of an asset are very dependent on other assets.
3. Purchase of assets is done in pairs and the purchase price is the overall price of the pair although its utilization is not very dependent on other assets.
4. Get a record of the initial value of all assets in the group;
5. Arrange a list of assets per group and their initial value.

b) Individual Assets

Assets that do not meet the criteria required by step 2, for example buildings and buildings, get a record of the initial value of each individual asset.

3. 3. Determining Fair Value of Fixed Assets

The most important depreciation problem is the determination of the value of fixed assets. The value of fixed assets is a prerequisite to determine the value that can be depreciated. However, as found in the preparation of the initial balance sheet, the valuation of fixed assets is a fairly complicated problem because of the following matters:

- a. The document of proof of ownership of fixed assets is unclear so the recognition of assets as an asset of an accounting entity is unclear.
- b. Deed of sale and purchase, purchase receipt, or other record that shows the value of a fixed asset at the time of acquisition is missing or incomplete.
- c. As for the fixed assets classified as problems, no professional appraisal has been assessed

4. Determination of value that can be depreciated

Government fixed assets are obtained not for sale purposes, but to be fully used in accordance with the duties and functions of government agencies, the residual value is not recognized.

5. Determination of depreciation methods

The amount of depreciation for each period is calculated using the depreciation method. PSAP 07 provides, inter alia, three methods that can be used.

6. Calculation and Recording of Depreciation

Steps in calculating and recording depreciation:

- a. Calculate and record the portion of depreciation for the current year using the formula for the method chosen.
- b. Perform calculations and record the depreciation of these fixed assets consistently.
- c. Make a list of depreciation to facilitate the calculation of depreciation of the following years.

Illustration of depreciation calculation and recording according to depreciation method:

a) Straight-line method

Under the straight-line method, depreciation on the value of fixed assets is carried out by allocating impairment losses equally over the useful life.

b) Double Decreased Balance Method

Under the double-declining balance method, depreciation on the value of property and equipment is carried out by allocating impairment over the useful life as well as in the straight-line method.

c) Unit Production Method

By using the depreciation production unit method is calculated based on the estimated output (production capacity produced) the relevant fixed assets.

7. Presentation of Depreciation

The amount of depreciation is recorded annually in the balance sheet by adding to the accumulated depreciation value and reducing the equity of funds in the account invested in fixed assets.

8. Disclosure of Depreciation in Notes to Financial Statements

Paragraph 79 PSAP 07 states that the depreciation information that must be disclosed in the financial statements are the depreciation value, the depreciation method used, the useful life or depreciation rate used and the gross carrying value and the accumulated depreciation at the beginning and end of the period.

Discussion

The results showed that the results of the calculation of depreciation of fixed assets at the Regional Office of Finance and Assets (BKAD) Majene Regency in 2017 by looking at how they affect the financial statements, as well as the results of observations, documentation and interviews (interview techniques) conducted with selected informants. In the results of this study indicate that the process of calculating depreciation of fixed assets of the Majene district government uses the straight-line method calculated by the application of the Regional Management Information System (SIMDA) a technology-based application system developed to support the achievement of accountability for local governments specifically related to the management of regional property, regional property management information system that is used has the function of collecting and processing data on assets / belongings of the region and releasing it in the form of reports.

The calculation of depreciation of fixed assets is very important to do because fixed assets that are impaired in value will not be declared accurate when depreciation is not calculated. Regarding its effect on the financial statements, it is very influential to calculate the depreciation of fixed assets on the financial statements because the financial statements will not meet one of the qualitative characteristics of financial statements according to PP 71 of 2010, which are relevant. Financial statements are usually said to be relevant if the information contained in them can influence user decisions by helping to evaluate past, present and predict future events. This is the purpose of calculating depreciation of fixed assets to predict the future. Reliability, related to the calculation of fixed assets also must be reliable information. Can be compared, the calculation of depreciation of fixed assets must be compared from year to year. Understandable, the important quality of information contained in financial statements is easy to be immediately understood by users, that is the importance of calculating depreciation of assets still carried out so that the balance sheet is easier to understand.

4 Conclusions

In the calculation of depreciation of fixed assets the Majene district government uses the straight-line method and is in accordance with Government Accounting Standards namely PP 71 of 2010. It is necessary to calculate the depreciation of fixed assets for fixed assets that have met the requirements: Identity of assets whose capacity is declining, the value can be depreciated, has a useful life and capacity of fixed assets. It is very important to do the calculation of depreciation of fixed assets to the financial statements because the characteristics of financial statements that are relevant, reliable, comparable and easy to understand will not be fulfilled when the calculation of fixed asset depreciation is not carried out. The results of this study suggest to future researchers to be able to continue by researching the inventory of fixed assets and expanding the use of applications used in calculating depreciation of fixed assets.

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