

ANALYSIS OF FIXED ASSET IN INDONESIA'S CONSTRUCTION COMPANIES BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS 16) CONSISTENT WITH (PSAK NO.16)

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Abstract

The primary purpose of this research study is to thoroughly examine the implementation of Statement of Financial Accounting Standard Number 16 at a construction company in Indonesia, particularly fixed assets, from purchasing fixed assets to disposal of the asset. In almost every company, a fixed asset is considered one of the main valuable factors for the company's existence to carry on with its daily operations to produce outputs. Without fixed assets, the companies cannot perform in the business cycle, and the significance of fixed assets for the business is immeasurable. Almost publicly-traded entities in Indonesia's, fixed asset presentation following PSAK No.16. However, the disclosure of fixed assets still does not imply the standard due to the company's business combination activity. This research is designed based on the qualitative descriptive method. Proven by research, it led to the conclusion that the construction companies like PT. Alam Sutera Realty and PT. Akam Indonesia presents its fixed assets according to the Statement of Financial Accounting Standard number 16.

Keywords: Kristen Fixed Assets; SFAS No.16; Financial Accounting; PSAK No. 16

Introduction

In simple term, the main goals of the companies are making a profit in every legitimate and possible process, this gives companies meaningful vision and results getting maximum profit in achieving that target which companies have to meet the conditions "Profitable activity" this means to assure long-term sustainable returns for the enterprises (long-term sustainable returns) in supporting companies' operational activities, every company must have supporting factors in the production process to produce output in the form of goods and services.

Fixed assets are the main sources of supporting operational activities in companies. Fixed assets in the company are a significant part of all assets owned by the companies which is even broader its names suggest which may resemble assets owned and stored in companies accounts without influences, fixed assets in the companies are only for Participating company's production process, to provide income for rental purposes, or for administrative purposes they are for sale and they include: land,

vehicles, building, and equipment! In order to maximize this role, fixed assets must be given adequate attention and appreciate policies in management.

Assets are the recourses which economically has a value that personnel, enterprises, organizations, states or countries posses with feasibility of gaining long-term beneficial sources. Asset is usually displayed at company's financial report specifically in balances sheet and they are purchases or created to improve company's value or profit in company's operational activities. Meanwhile fixed assets are assets used by the companies as business entities to generate income flows from the company's investment activities. fixed assets are physically observable and provide economic benefits to businesses for more than one year accounting period. (Lubis, 2019) "defines fixed assets such as assets owned by companies with a period of more than year and have a useful life that has a depreciable value (the value used to assess the decreasing asset over time)".

Fixed assets except land that is used by the company will eventually experience value decreasing or shrinkage value. Therefore, there are fixed assets that are depreciated. Depreciation of property, plant and equipment is a method of allocating from the cost of fixed assets to costs in each accounting period. The value of asset falls below its net book value, the assets is impaired. This means that the carrying amount on the balance sheet is adjusted downwards to reflect that it is overvalued compared to market value. When a fixed asset has reached the end of its useful life, its usually sold at a salvage price, which is the estimated value of the asset, by the time it is divided and sold in parts.

There are several methods applied to evaluate the depreciation amount of fixed assets including: The Straight-line method (declining balance method) which method of calculating depreciation and amortization asset over a period of time when that asset was purchased, this method is divided into other parts, namely: The sum of numbers method and Double declining balance method, and The production unit method which is divided into two, namely: based on hours, services and unit produced, there are three factors considered in determining depreciation expenses such as: residual value, cost, and estimated economic life. The termination of the process using fixed assets is carried out by the selling fixed assets to others parties or by exchanging them with other similar or dissimilar assets.

Auditor does not consider the impact of assets after the preparation of the balance sheet. As a result, when it is not in accordance with International Accounting Standards it may result in misinterpretation, material misstatement of operating costs, reported net income, asset value, and premature disposal of used assets, which can lead to economic or significant losses for the company. In case, the problem is how the company presents fixed assets reports which generally includes: overcoming manual errors and inefficiencies, and a voiding spreadsheet trap. Moreover, it is not uncommon for more than 40% to 50% of company's fixed asset data to become incomplete or inaccurate during financial report display or prepared. Certainly, tangible assets are

tracked down across tax jurisdictions, the amount of data will double as the need to handle it correctly is still there.

This research aims to discover the application of Statement of Financial Accounting Standards in Fixed asset management, although the results showed that there is inappropriate or mistakenly recorded depreciation of fixed assets in certain companies that is accordance with financial accounting standards and some amounts of assets are not the same asset statement with balance sheet, recording of land and buildings is not separated as PSAK NO.16 states in some companies. Besides the problems the result shows that most companies present their assets accordance with the Statement of Financial Accounting Standard number 16.

Based on previous researches conducted by (Hutabarat, Daud, & Yusnaini, 2019), showed that the accounting treatment for the termination and disposal of property, plant and equipment was in accordance with PSAK NO.16. Then presentation of fixed asset in the financial statement was also accordance with PSAK NO.16 and PERUM Bulong Divre Sulawesi Utara dan Gorontalo 43 don't have accounting guidelines for fixed assets regarding the revaluation method. (Anggraini, n.d.) in this study indicated that the level of suitability of the accounting treatment of fixed assets at PT. PISMA PUTRA TEXTILE with PSAK NO.16 is 78% this discrepancy occurs in the classifications of fixed assets 44 and expenses after fixed assets.

The emergence of the above problems makes the topic of fixed assets interesting to discuss and conduct research. As done by (Rasni, 2020) in her thesis, namely: "Analysis of the Accounting Treatment of Fixed Assets Based on the Statement of Financial Accounting Standards (PSAK) Number 16 at PT. Rajawali Indah Pekanbaru (Case Study at PT. Rajawali Indah Pekanbaru)". In his research, he uses a qualitative descriptive analysis method with a problem focus in the form of: is the treatment?

fixed asset accounting at PT. Rajawali Indah is in accordance with Statement of Financial Accounting Standards (PSAK) Number 16 of 2018. The results show that the accounting treatment of fixed assets carried out by the company is in accordance with PSAK Number 16 of 2018, but has not been fully implemented. Furthermore, a similar study was also conducted by (Marchell et. 2011) in his article entitled "Evaluation of the Implementation of Accounting for Tangible Fixed Assets Based on the Statement of Financial Accounting Standards No. 16 at the Republic of Indonesia Television Public Broadcasting Institution, North Sulawesi Station. The research analysis used is descriptive qualitative. As for the focus of the research, namely how the process of classifying fixed assets; why machines and official vehicles are combined as part of office equipment; why the company does not derecognize property, plant and equipment; and how the method is carried out. Analysis through PSAK No. 16 Revision (2014), the results of this study indicate that: fixed assets are not fully in accordance with PSAK No. 16, because LPP TVRI North Sulawesi Station does not classify its fixed assets based on their nature, using the sum of years digits method, resulting in the total number of years, resulting in the total number of years. the tariff is not known and

also LPP TVRI North Sulawesi Station does not terminate fixed assets whose useful lives have expired.

The difference between this research and previous research is in the focus of the research and the indicators used, namely how to evaluate the application of fixed asset accounting based on PSAK No. 16 of 2018 as a whole starting from the acquisition, measurement, recognition, depreciation, termination and disposal, to disclosure and presentation, which this has not been done in previous research. Therefore, this study will complement the results of previous studies.

Methods

This type of research is qualitative with a case study approach. Qualitative research methods as an approach or search and to explore and understand a major phenomenon (Creswell & Poth, 2016). To understand the main phenomenon, the researcher interviewed the research participants or participants by asking general and rather broad questions. Information is then collected in the form of documentation, interview and literature study, the collection of information is then analyzed. From the results of the analysis, the researcher then describes it with the studies of other scientists made previously. The final results of qualitative research are stated in the form of a written report.

Type of data that will be applying in order to be able to answer this research questions are based on primary which interview with the participants of certain construction companies in Indonesia and secondary data which is documentation written before this research and literature study. Primary data is a type of data that is collected directly at the construction company through interviews with competent parties in the company who know about fixed assets problems, namely the accounting section, administration, and fixed asset control section. Secondary data is documentation sourced from the company or various scriptures, research, websites, and company's financial statement report and the list of its fixed assets.

Data collection technique used is by triangulating three methods, namely; documentation, interview, and literature study. Triangulating is a collection technique that connects various data collection techniques and existing sources (Sugiyono, 2019). Documentation of this method is a method of collection qualitative data viewing or analyzing documents made by the subject himself or another person by the subject. This method is way that qualitative researchers can do to get an overview from the subject's point view through a written media and documents from the company itself or an overview of the company's activities and financial reports and other relevant documents. The interview is direct dialog between the researcher and the informant. Literature study is a series of methods related to collecting library data, reading, and taking notes, seeking information relevant to the problem to be studied, studying basic theories relevant to the problems, and managing research materials (Zed, 2008).

The location of this research is at PT. Akam, Jl.am.Sangaji, Klasaman Village, Sorong, Sorong City West Papua. PT. Akam and PT. Alam Sutera Realty Tbk which is

a company engaged in the property business. The company was originally named PT Adhiutama Manunggal which was founded by Harjanto Tirtohadiguno on November 3, 1993, this company is also a subsidiary of the Argo Manunggal group. They are both a construction company registered with Gapensi (Indonesian National Construction Executor Association). Type K1 AND B Qualification. These such as PT. AKAM company has a very strategic location and is famous for its natural resources such as oil and natural gas, sometimes this city is known as the oil city in Indonesia because of its wealth of oil. Many foreign companies operate in the city including the Netherlands, Maatschppji Petroleum and Papuan New Guinea.

Data analysis steps taken in this study described as follow: a) collecting data and information needed about the description of existing business activities in the companies through interviews and documentation. b) identifying existing problems and analyze in-depth with several approaches such as evaluation of fixed assets and analysis of presentation, measurement and recognition of fixed assets. c) perform analysis on the presentation, recognition, measurement, valuation, and depreciation of property, plant and equipment that have been applies based on their conformity with International Accounting standards no.16 regarding fixed assets. d) the final step is to compare the information processed with the theory related to problems that has been found and finally research conclusion is obtained.

Results and Discussion

A. Accounting policies in companies

These are the accounting policy for property, plant and equipment is that fixed asset is recognized at acquisition cost after deducting accumulated depreciation cost of all assets except land rights which is not depreciated according Standard, most of the companies use Straight-line method of depreciations, this method is often used to calculate depreciation expenses. Depreciated is an accounting proses in allocating or decreasing the cost of tangible asset to be an expense in systematic and rational way during the period of benefiting from that asset. Using this method, maintenance and repair expenses are recognized as expense when incurred. Expenditures that extend the useful life of asset provide economic benefits in the form of increasing production capacity, quality, capitalized and depreciated according to the rete.

B. Presentation of Fixed Assets in Financial Statements

Fixed assets are the company's sources of income as they are used in business productions to provide financial benefits after they are used to produced goods and services to generate income revenues and they are not for sale or investment; generally fixed assets are expected to last long time in the company and can be liquidize after the last year of depreciation. Fixed asset is presented in balance sheet of the company in long-term asset sections as property, plant and equipment all assets are depreciation expect land and their allocation amount of

declining is reported below fixed asset as table 1 in table sections demonstrates that after accumulation depreciation is subtracted from fixed asset plus construction in process the ending balance in year 2018 shows Rp 1,573,323,727,930.

C. Recognition of fixed asset in the company

Generally, almost all entities follow Standard Financial Accounting Regulations and recognize their fixed assets accordance with that standard, nevertheless; fixed are recognized when future economic beneficial is undergoing and can be obtained, their value can be measured reliably. The period of assets recognition will be reliable if there is evidence that there has been a transfer of ownership rights and/or legal control, for example land certificate and proof of ownership of motorized vehicles. If the acquisition of fixed assets has not been supported by legal evidence and there is still a required admirative process, such as the purchase of land which still has not been completely by sale and purchase process and a certificate ownership the competent authority, the fixed must be recognized when there is evidence that the control over fixed assets has moved, for example there has been a payment and control over the land certificate name of previous owner. Recognition of fixed asset has these criteria to be officially accepted their recognition the company's balance sheet; has a useful life of more than 12 months, their cost can be measured reliably, not intended for sale in normal operations of the entity; and acquired constructed with intent to use.

D. Measurement of fixed Assets in the company

Asset measurement is the number of currencies attached to the asset owned and will be used as basis for following the physical flow of the asset. The amount of currency attached to the asset is called the amount of cash equivalent or implicit in the form of appreciation given by the acquirer of the asset. Fixed asset owned or controlled by the government must be valued or measured to be reported in balance sheet. According Government Accounting Standard (SAP), property, plant and equipment acquired or built on a self-managed basis are valued at cost. in general, what is meant by acquisition cost is the total cost incurred to acquire fixed asset until the fixed assets are in a condition and place that is ready for use. This are implemented on fixed assets that are purchased or built on a self-managed basis. Fixed measurement methods include; initial measurement when asset is acquired, measurement after initial recognition which applies; cost model and revaluation model, and the final stage of asset measurement is measurement after acquisition of fixed asset which basically applies sacrificing cost like; capital expenditure, addition costs, repair/improving cost, rearrangement cost and revenue expenditure for the wellbeing of that asset.

**Table 1
Fixed Assets**

Fixed Assets 2018 (Rupiah)	Beginning balance <i>Saldo awal</i>	Addition <i>Penambahan</i>	Decution <i>Pengurangan</i>	Reclasification <i>Reklasifikasi</i>	Ending Balance <i>Saldo akhir</i>
Acquisition cost					
Land	674,478,558,184	1,845,107,698	-	-	676,323,665,882
Buildings	610,057,164,472	3,455,839,151	-	66,537,815,909	680,050,819,532
Project Equipment	457,528,371,374	132,888,242,250	-	13,899,349,529	604,315,963,153
Vehicles	54,462,305,095	437,200,000	391,759,150	(1,388,376,316)	53,119,369,628
Office equipment	52,475,721,109	7,192,255,106	-	-	59,649,976,215
Sub total:	1,848,984,120,234	145,818,644,205	391,759,150	79,048,789,122	2,073,459,794,411
Construction in proses					
Buildings	9,000,000	12,392,100,828	-	(8,046,800,000)	4,354,300,828
Sub total	9,000,000	12,392,100,828	-	(8,046,800,000)	4,354,300,828
Total:	1,848,993,120,234	158,210,745,033	391,759,150	71,001,989,122	2,077,814,095,239
Accumulated depreciation					
Buildngs	83,835,599,885	40,171,076,774	-	-	121,437,676,662
Project equipmets	175,944,315,241	126,488,683,860	-	1,388,376,316	302,821,375,417
Vehicles	48,690,884,541	2,545,880,735	391,759,150	(1,388,376,316)	49,456,629,810
Office equipment	19,591,598,155	10,183,087,265	-	-	29,774,685,420
Total	328,062,397,822	179,388,728,635	391,759,150	-	504,490,367,309
Carrying value	1,520,930,722,412		1,573,324,727,930		

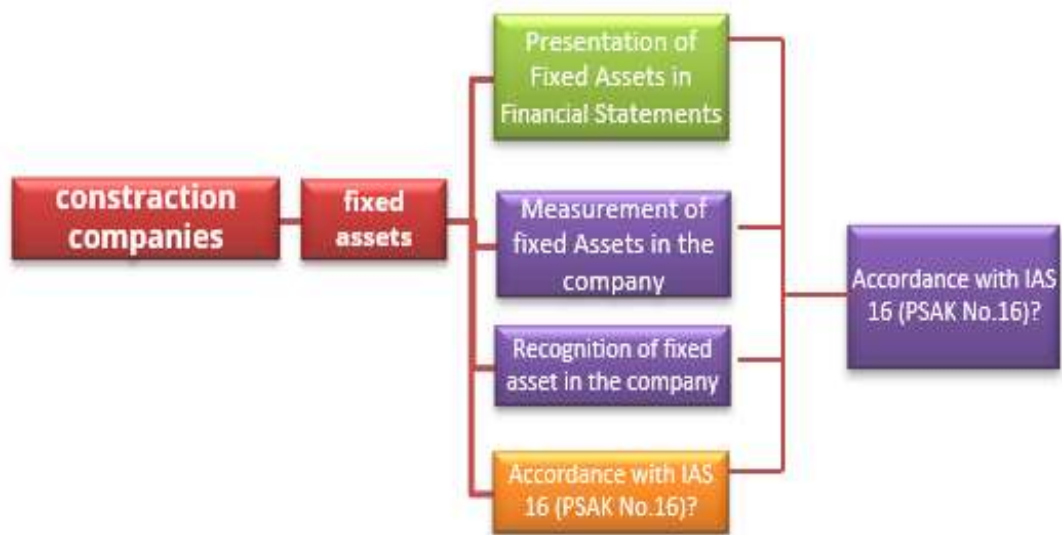


Figure 1

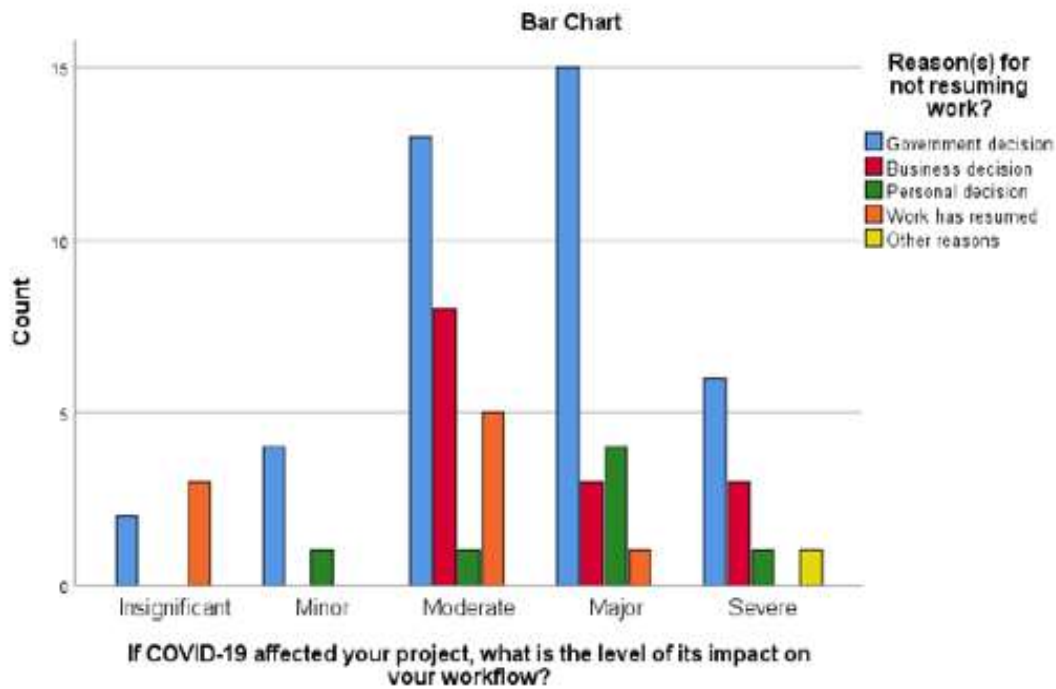


Figure 2. how government and business decisions affect constructions workflow during in pandemic 2019
Sources: Ogunnusi et al / INTREST – International Journal of Real Estate Studies 14: S2 (2020), 120-128

Conclusion

Based on the data and results after the analysis carried out, indicates that the following conclusion can be drawn. Constructions companies in this case for example PT. AKAM in Papua Barat Indonesia, PT. Pelindo I (Persero) cabang belawan, and LPP TVRI Stasiun Sulawesi Utara their accounting activities and policy principles is close to the Standard Financial Accounting. Presentation of fixed asset in these companies' financial statements is adequate because in average they have accordance with Statement of Financial Accounting Standards but not fully applied such as asset classification and disposal procedure.

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