

Literature Review: Accounting For Assets and Liabilities In Local Government Financial Statements

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Informasi Artikel	Abstract
<p>Vol: 1 No : 4 2025</p> <p>Page : 128-137</p> <p>Keywords: Assets, Liabilities, Local Government Financial Statements</p>	<p><i>This study's objective is to help us comprehend how assets and liabilities are categorized and journalized in local government financial reports. Using a qualitative methodology, this study gathers data by reviewing existing literature. Data is collected by tracing and examining information or results from multiple sources, including books, proposals, articles, and relevant journals. The information gathered was then analyzed and arranged systematically, both from internal and external sources. Systematically, both from internal and external sources, and then described in the form of a narrative. In a narrative format. Based on the results of the literature study review, it can be concluded that all the sources analyzed agreed that assets and liabilities assets and liabilities must be clearly classified based on certain categories, such as current assets, fixed assets, current liabilities, and non-current liabilities followed by appropriate accounting journaling, and with appropriate accounting journaling, which reflects the transactions that have occurred and ensures that the declaration of finances occur and ensure that the declaration of finances reflect the true financial condition financial condition.</i></p>

Abstract

Studi ini bermaksud agar kita dapat mengetahui pengklasifikasian serta penjurnalan akuntansi aset dan kewajiban dalam laporan keuangan pemerintah daerah. Penelitian ini menerapkan pendekatan kualitatif dan mengumpulkan data melalui studi literatur. Data dikumpulkan dengan menelusuri dan memeriksa informasi atau temuan dari bermacam sumber, seperti buku, proposal, artikel, dan jurnal yang relevan. Data yang diperoleh kemudian dianalisis dan disusun secara menyeluruh dari sumber yang berasal dari dalam dan luar, kemudian diuraikan dalam bentuk narasi. Berdasarkan hasil kajian studi literatur, dapat disimpulkan semua sumber yang dianalisis sepakat bahwa aset dan kewajiban harus diklasifikasikan dengan jelas berdasarkan kategori tertentu, seperti aktiva lancar, aktiva tetap, hutang lancar, dan hutang tidak lancar diikuti dengan penjurnalan akuntansi yang sesuai, yang mencerminkan transaksi yang terjadi dan menjamin suatu laporan keuangan mencerminkan keadaan keuangan yang sesungguhnya.

Kata Kunci: Aset, Kewajiban, Laporan Keuangan Pemerintah Daerah

INTRODUCTION

Various changes are needed to support changes in the economic aspects of a nation. One of the major changes lies in government accounting, because financial information is generated through the accounting process, which can be utilized by various stakeholders to meet their respective needs and objectives. The Indonesian government continues to strive to build transparency and accountability in state financial administration to implement good governance government. One of the steps taken is to implement Government Accounting Standards (SAP), which are intended to provide the main standards for preparing and submitting financial reports for central and local governments in Indonesia. As criteria with legal authority, SAP helps develop the quality of government financial information. Law No.17 of 2003, Article 32 stipulates that evaluation reports on the implementation of APBN/APBD must be made using SAP. Government Regulation No.24 of 2005, which later became PP No.71 of 2010, is the basic set of accounting to make and submit government financial reports. The accountability report for the implementation of the APBN must at least include notes to the financial statements, operational reports, budget realization reports, statements of changes in equity, cash flow statements, and balance sheets.

Having the legal power to develop the quality of Indonesian government financial statements, SAP is a reference. The Presidential Decree on the SAP Committee established an independent standards committee to draft these standards. All autonomous districts, cities, or provinces must follow this regulation when preparing and providing financial statements on an accrual basis. PP No. 71/2010 on SAP requires the preparation of financial statements with the aim of developing the quality of financial statements. The ultimate target is to improve the credibility of these reports, which when the time comes can result in transparency and accountability on how local government finances are managed, which in turn will enable the implementation of good governance.

The focus of this study is to evaluate the extent to which the classification of local government actions is in accordance with the standards and how this impacts on the clarity of information provided to the public. The aim is to improve the financial statements, especially with regard to the management of fixed assets, current assets, current debt and non-current debt. It will be easier for local governments to organize and plan for future funding needs with good classification. Based on these causes, the purpose of this study is to compile and describe research on how asset and liability transactions are classified in local government financial statements and accounting journaling of assets and liabilities.

METHOD

Type of research

This research uses a literature study. This research involves reading and recording literature and managing research data systematically, objectively, analytically, and critically to classify asset and liability transactions and the accounting journaling system for assets and liabilities in local government financial reports (Sarwono, 2019). This research, which was conducted using a literature study approach, has a similar preparation with other studies. However, this research differs in terms of references and data collection procedures, because this research uses access to books, interpreting, writing, and working on research materials that are relevant to the research variables.

Data source

This research uses the Miles and Huberman pattern (Sugiyono, 2017), which concludes that data analysis includes data preparation, conclusion drawing, and data reduction. Data for this study were obtained from relevant theses, scientific articles, books, and journals. The data were collected and examined critically, systematically, and in depth before being presented in the form of narrative descriptions.

RESULTS AND DISCUSSION

Cash and Cash Equivalents

PSAP No. 11 (Revised 2013) on Accounting for Cash and Cash Equivalents explains that cash is cash and checking account differences held by government entities, such as cash, checking account balances, and checks and demand deposits. Cash is used to finance operational activities, pay obligations, and pay dividends. As short-term investments, cash equivalents are easily liquid and can be converted into cash quickly without taking any risk. Examples of cash equivalents are time deposits, bonds, stocks and other obligations with terms of less than three months. Investments must meet the following criteria: Less than three months term, highly liquid, no significant risk, and easy to convert into cash.

Research by Kadek (2018) states that cash is anything (whether it is money or not) that can be accessed quickly and recognized as payment for responsibilities based on its nominal value. Components consisting of cash include cash in the regional treasury, cash in the receiving treasury, cash in the expenditure treasury, and cash in BLUD. Cash equivalents are short-term liquid investments that can be converted into cash and do not pose a significant threat of loss of value.

According to Nelson and Peter (2014:372), cash equivalents are used for cash commitments in the short term and are almost similar to cash. If investments fail to convert to cash and face the threat of changes in value, they should not be cash equivalents. Only investments with a short maturity period, such as three months or less from the time of acquisition, are required.

Some revenue and expenditure transactions, and their journals, are presented below:

Cash and Cash Equivalent Transactions in SKPD

- 1) The treasurer receives a payment of Rp4m in rural and urban PBB tax receivables.

Financial journal:

Cash in revenue account	Rp xxx	
Local tax receivable		Rp xxx

Journal of budget execution:

Changes in Excess Budget Balance	Rp xxx	
Rural & urban PBB revenue LRA		Rp xxx

- 2) As market retribution of Rp2.5m, the treasurer receives cash.

Financial journal:

Cash in revenue account	Rp xxx	
Market levy LO		Rp xxx

Journal of budget execution:

Change in SAL	Rp xxx	
Market retribution revenue LRA		Rp xxx

- 3) BUD gave SP2D UP to me for SKPD operational needs in the amount of Rp2m.

Financial journal:

Cash in receipt account	Rp xxx	
RK PPKD		Rp xxx

Journal of budget execution:

No journal entry.

- 4) Rural and urban PBB receipts are allocated to the expenditure treasury in the amount of Rp 4m and market levy receipts in the amount of Rp 2.5m.

Financial journal:

RK PPKD	Rp xxx	
Cash in expenditure account		Rp xxx

Journal of budget execution:

No journal entry.

- 5) To pay off the electricity bill, the expenditure treasurer used UP amounting to Rp1.2jt.

Financial journal:

Office service expense	Rp xxx	
Cash in expense account		Rp xxx

Journal of budget execution:

Office service expenditure	Rp xxx	
Change in SAL		Rp xxx

Cash and Cash Equivalent Transactions in PPKD

- 1) Cash amounting to Rp.6.5 million was received from regional taxes and levies and deposited by the SKPD Revenue Treasurer.

Financial journal:

Cash in regional treasury	Rp xxx	
RK SKPD		Rp xxx

Journal of budget execution:
No journal entry.

- 2) Reserve fund of Rp10m was disbursed
Financial journal:

Cash in regional treasury	Rp xxx	
Reserve fund		Rp xxx

Journal of budget execution:

Changes in SAL	Rp xxx	
Fund collection for reserve fund disbursement		Rp xxx

- 3) SP2D printed for Rp.2m supply money allocated to SKPD expenditure treasurer
Financial journal:

RK PPKD	Rp xxx	
Cash in regional treasury		Rp xxx

Journal of budget execution:
No journal entry.

- 4) Rp.400k VAT was remitted to the state treasury, which was deducted from the government's purchase agreement with the third party.

Financial journal:

Central VAT payable	Rp xxx	
Cash in local treasury		Rp xxx

Journal of budget execution:
No journal entry.

Receivables

According to (PSAP) Number 5 (Revised 2013) Receivables are the government's right to obtain cash or cash equivalents from other entities as a result of previous transactions or events, such as tax bills, retribution bills, loans to other parties sales of goods or services, and other contracts or agreements. To be classified as receivables, it must meet the criteria, namely, there is a right to receive cash or cash equivalents, there is evidence of past transactions or events, the amount of receivables can be measured with certainty, and receivables have a certain period of time. Types of receivables are divided into two: current receivables that are exhausted in terms of less than a year and non-current receivables that are exhausted in terms of more than a year. Receivables are recognized when there is a transaction or event that results in the right to receive cash, the amount of the receivable can be measured with certainty, and it is probable that the receivable will be collected.

According to (Batubara & Purnama, 2018) "Receivables should be classified as current assets." According to Efendi & Saprudin (2019), the longer one is if it is expected to be collected with a term of less than one operating cycle. In addition, they say, "Receivables are the amount of money that remains to be received from other parties after the sale of goods, services or installments to that party."

Based on some of these views, it can be concluded that the sale or extension of credit causes receivables, and the business or entity will collect payment within a set period.

The following presents some receivable transactions and their journals:

Accounts Receivable Transaction in SKPD

- 1) Established village and municipal PBB receivables amounting to Rp.4.8m

Financial journal:

Local tax receivable	Rp xxx	
Village and municipal PBB revenue LO		Rp xxx

Journal of budget execution:

No journal entry.

- 2) A third party has not paid for public roadside parking amounting to Rp.2.2m at the end of time.

Financial journal:

Retribution Receivable	Rp xxx	
Roadside parking retribution revenue LO		Rp xxx

Journal of budget execution:

No journal entry.

Receivable Transactions in PPKD

- 1) Received PMK from the Ministry of Finance that the local government is entitled to receive tax DBH Rp.3,5m, non-tax DBH Rp.4m, DAU Rp.9m, and DAK Rp2.5m.

Central government transfer receivable from balancing fund	Rp xxx	
Revenue DBH tax LO		Rp xxx
Non-tax DBH revenue LO		Rp xxx
Revenue DAU LO		Rp xxx
DAK revenue LO		Rp xxx

Journal of budget execution:

No journal entry.

- 2) Notification is received that DBH, DAU, and DAK have entered the regional treasury account at the amount stipulated in the PMK.

Financial Journal:

Cash at the local level	Rp xxx	
Receivable from central government for balancing fund		Rp xxx

Journal of budget execution:

Change in SAL	Rp xxx	
Change in tax DBH LRA		Rp xxx
Change in non-tax DBH LRA		Rp xxx
DAU revenue LRA		Rp xxx
DAU revenue LRA		Rp xxx

Inventory

According to (PSAP) Number 8 concerning Accounting for Inventories (Revised 2010) inventories are goods or materials that are held for sale, used in the production process, provided as services, or used for different purposes. Types of inventory include goods acquired or manufactured for sale or use, raw materials used in the production process, and goods in stock. The criteria for recognizing inventories are that they are owned or controlled by the government entity, acquired for sale, use or consumption, have economic value, and can be appropriately valued. Inventory valuation includes purchase price, production cost, and realizable value (selling price).

According to (Muhajir, 2020) "Goods or materials that are held for sale, utilized for the production process or procurement of services are called inventory."

According to (Hermawan, 2018) "Inventory is a current asset consisting of goods that are owned for sale, used, consumed in the company's operational activities."

According to (Sutanto, 2019) "Inventories are assets for sale, use or consumption in the company's operations, including goods in the production process."

The following are presented some inventory transactions and their journals:

Inventory Transaction

- 1) The SKPD expenditure treasurer uses inventory money to buy stationery Rp 150k, postal items Rp 200k, cleaning supplies Rp 300k, and gas cylinder refills Rp 250k

a. Expense Approach

Financial Journal:

Consumables expense	Rp xxx	
Cash in expense account		Rp xxx

Journal of budget execution:

Consumables expenditure	Rp xxx	
Changes in SAL		Rp xxx

b. Asset Approach

Financial Journal:

Consumables inventory	Rp xxx	
Cash in expense account		Rp xxx

Journal of budget execution:

Consumables expenditure	Rp xxx	
Changes in SAL		Rp xxx

Investment

According to (PSAP) Number 10 concerning Investment Accounting (Revised 2010). Investment is the expenditure of economic resources in the hope of obtaining economic benefits in the future. Assets are held to generate income or profit, not to be used in daily operations. The types of investments are short-term investments (less than 1 year) deposits, bonds, stocks, long-term investments (more than 1 year) stocks, bonds, property, direct investments such as stock and property purchases, and indirect investments, namely investments through other companies. The criteria for recognizing investments are that they are owned or controlled by a government entity, acquired for the purpose of earning income or profit, have economic value, and can be measured with certainty. For investment measurement, there are acquisition cost (purchase price), fair value (market value), and realization value (sales proceeds).

According to (Hermawan, 2018) "Government investment is the expenditure of economic resources to obtain social and economic benefits in the future."

According to (Sutanto, 2019) "Government investment is the allocation of resources to achieve economic and social development goals."

According to (Muhajir, 2020) "Government investment is an activity of spending actions taken by the government to improve the quality of life of the community."

The following are presented some investment transactions and their journals:

Investment Transactions

- 1) Unemployed cash is utilized to acquire investments as follows: shares of Rp.15m and short-term deposits of Rp.25m.

Financial Journal:

Investment in shares	Rp xxx	
Investment in time deposit	Rp xxx	
Cash in local treasury		Rp xxx

Journal of budget execution:
No journal entry.

- 2) Cash is disbursed by disbursing Rp.40m revolving fund and Rp.30m time deposit investment.

Financial Journal:

Revolving fund	Rp xxx	
Long-term deposits	Rp xxx	
Cash in regional treasury		Rp xxx

Journal of budget execution:

Financing expenditure for fund establishment revolving fund	Rp xxx	
Financing expenditure for the establishment of long-term deposits	Rp xxx	
Change in cash balance		Rp xxx

Fixed Assets

According to Indonesian Government Accounting Standards (PSAP), specifically PSAP No. 7 (Revised 2010) on Accounting for Fixed Assets and PSAP No. 13 (Revised 2013) on Accounting for Other Fixed Assets. Fixed assets are assets recognized by a government entity for use, lease, or sale, and have an economic life of more than one year. The criteria for recognizing fixed assets include: owned or controlled by the government entity, acquired for operational use, has economic value, can be measured with certainty, and has an economic life of more than one year. Types include land, buildings, roads and bridges, equipment and machinery, vehicles, and other fixed assets such as computers and laboratory equipment. Measurement of fixed assets can be done using acquisition cost (purchase price), fair value (market value), and realization value (sales proceeds).

According to Article 6 of Permendagri Number 19 of 2016, BMN/BMD includes goods acquired or obtained through APBN or APBD funds as well as goods obtained through other legal means, such as grants or donations, agreements or contracts, regulations, or control decisions that have permanent legal resistance.

Highly durable assets are assets whose existence is not expected to significantly exceed 144 months in support of government operations or contribution to society at large. These assets have a major role in supporting the implementation of core functions and supporting related public administration components. (Bagjana, et al, 2021: 132).

Regulation of the minister of home affairs Number 19 of 2016 concerning BMD Management regulates government asset management on the basis of efficiency, accountability, certainty of value, legal certainty, and transparency. Budgeting and planning, procurement, use, utilization, security, construction, supervision, and control are some of the elements in this management process.

The following presents some fixed asset transactions and their journals:

Fixed Asset Transactions

- 1) SP2D payment mechanism used to purchase fixed assets. For example, a tractor of Rp.45m, an official car of Rp.75m, and a computer of Rp.10m. VAT is included in this price. The regional treasurer deducts 10% VAT and 0.5% PPH ps 22.

Financial Journal:

Heavy equipment	Rp xxx	
Motorized land transportation equipment	Rp xxx	
Computer	Rp xxx	
RK PPKD		Rp xxx

Journal of budget execution:

Capital expenditure on procurement of heavy equipment	Rp xxx	
Capital expenditure on procurement of land accountant equipment motorized equipment	Rp xxx	
Capital expenditure on procurement of computers	Rp xxx	
Change in SAL		Rp xxx

- 2) A motor vehicle was purchased for Rp.50m and sold for Rp.21m, the Accumulated Depreciation at the time of sale was Rp.30m.

Financial Journal:

Cash in treasury	Rp xxx	
Accumulated depreciation of equipment & machinery	Rp xxx	
Motorized land accountant tool	Rp xxx	
Surplus on sale of non-current assets		
LO		Rp xxx

Journal of budget execution:

No journal entry.

Liabilities

According to (PSAP) No. 10 concerning Accounting for Liabilities (Revised 2010). Liabilities are defined as needs or obligations that must be met by government entities due to previous transactions or events. Liabilities arise from the obligation to deliver economic resources to other parties. The types of liabilities include, 1. current liabilities (less than 1 year) for example, accounts payable, tax payable, 2. long-term liabilities (more than a year) such as, securities payable, bank payable, and 3. contingent liabilities for example, liabilities that are likely to occur. The criteria for recognizing a liability include that the liability arises from past transactions, the liability can be measured with certainty, the liability has an impact on the entity's financial position, and the liability must be fulfilled by the entity. Examples of liabilities are payables to suppliers, taxes payable, bonds payable, pension obligations, and warranty obligations.

According to (Jason Fernando, 2023) "Liabilities are the amount of money owed by the company to outside parties, such as bills to suppliers to bond interest to creditors, rent, utilities, and salaries."

The following presents some liability transactions and their journals:

Liability Transactions

- 1) Received electricity bill of Rp.2.4m and telephone bill of Rp.1.2m.

Financial Journal:

Office service expense	Rp xxx	
Goods and services expenditure payable		Rp xxx

Journal of budget execution:

There is no journal entry because the bills have not been paid.

- 2) Receipt of invoice for house rental of Rp.8m.

Financial Journal:

House rent expense	Rp xxx	
Other expenditure payable		Rp xxx

Journal of budget execution:
No journal entry.

- 3) Payment of electricity bill of Rp 2,400,000 and telephone bill of Rp1,200,000 with supply money and house rent bill of Rp 8,000,000 with SP2D LS.

Financial Journal:

Goods & services expenditure payable	Rp xxx	
Other expenditure payable	Rp xxx	
Cash in expense account		Rp xxx
RK PPKD		Rp xxx

Journal of budget execution:

Office service expenditure	Rp xxx	
House rent expenditure	Rp xxx	
Change in SAL		Rp xxx

CONCLUSION

The conclusion of the mini-research was that all sources analyzed agreed that assets and liabilities should be clearly classified by specific categories, such as short-term and long-term debt, current assets and fixed assets. This is important to provide an accurate understanding of the financial state of the local government. And each classification is followed by appropriate accounting journaling, which reflects the transactions that occurred and ensures the financial statements show the true financial state. This study also emphasizes how important it is to use Government Accounting Standards (SAP) when creating financial statements if we want to have good governance.

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