

# Accounting Treatment Evaluation of Fixed Assets under PSAP No.7 at Ministry of Food Crops and Horticulture

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## ABSTRACT

Fixed Assets has an important role to maximize the role of recording of recognition of fixed assets arising from transactions financed by the Regional Government. Under these circumstances' decision-makers will urgently need information tools regarding fixed assets. This study aims to analyze the accounting treatment of fixed assets according to Financial Statements of Public Number 7 in the Department of Agriculture of Food Crops and Horticulture of South Sumatra Province. From the results of research, the authors can conclude that the Department of Agriculture Food Crops and Horticulture of South Sumatra Province in carrying out its accounting activities whether already guided by Financial Statements of Public Number 7 About Fixed Assets.

## INTRODUCTION

Fixed asset accounting has been regulated in the Statement of Government Accounting Standards (PSAP) Number 7 (PSAP 07), from attachment I Government Regulation Number 71 of 2010 (Indonesia, 2010). PSAP 07 provides guidelines for the government in recognizing, classifying, measuring, and presenting and disclosing fixed assets based on events that occur, such as acquiring fixed assets for the first time, maintaining fixed assets, exchanging fixed assets, acquiring assets from grants/donations, and depreciation. fixed assets (Mustaqim & Pardana, 2022).

The Food Crops Agriculture and Horticulture Service of South Sumatra Province, which is part of the government, is obliged to follow government policies (Abidin, 2015). And as an accounting entity for government units, budget users/ goods users, the Agriculture, Food Crops and Horticulture Service of South Sumatra Province is required to carry out accounting and prepare financial reports to be reported to reporting entities that are guided by the Regulation of the Minister of Home Affairs Number 17 of 2007 concerning Technical Guidelines for Regional Property Management.

South Sumatra is a province where most of its income comes from agriculture (Efendy & Hutapea, 2010). The use of Fixed Assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is very important. Some of the fixed assets here are Agricultural Equipment and Laboratory Equipment which are used to assist farmers in seeding. Such tools have a limited useful life. Some of the tools may have expired but they may still be recorded in the Balance Sheet of the Agriculture, Food Crops and Horticulture Office of South Sumatra

Province. Here the researcher is interested in conducting research on the accounting treatment of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province because fixed assets always have several problems in recording, deleting, depreciating and disclosing, which are in accordance with PP No. 71 of 2010 which is regulated in PSAP No. 07 of 2010 (Ahmad, 2016; Merina et al., 2019). Researchers are interested in evaluating whether the Food Crops Agriculture and Horticulture Office of South Sumatra Province is in accordance with PP No. 71 which has been regulated in PSAP No. 7 of 2010, looking at the number of fixed assets in the Food Crops and Horticulture Service of South Sumatra Province in 2015 amounting to IDR. 106.939.703.147

Public sector accounting is a technical mechanism and accounting analysis that is applied to the management of public funds in high state institutions and their subordinate departments, local governments, State Owned Enterprise, Municipally Owned Corporation, NGOs, and social foundations, as well as in public and private sector cooperation projects (Bastian, 2010; Pebrianti, 2021). From this definition, it can be concluded that public sector accounting implies a process of collecting, processing, and communicating information that is useful for decision makers and for assessing organizational performance. Because the information needs in the public sector are more varied, information is not limited to financial information generated from an organization's accounting system (Kawatu, 2019). Non-monetary information such as the size of community service output must also be considered in making decisions.

Statement of Government Accounting Standards No. 07 of 2010 states that fixed assets in the government are fixed assets are tangible assets that have a useful life of more than 12 (twelve) months to be used or intended to be used in government activities or utilized by the general public (Masipuang et al., 2015; Moray et al., 2021).

The accounting policy used in the Food Crops Agriculture and Horticulture Service of South Sumatra Province is Government Regulation no. 71 of 2010 in which the Treatment of Fixed Assets is Regulated in Appendix I, namely PSAP No. 7 of 2010. PSAP No. 7 of 2010 provides guidelines for the government in recognizing, classifying, measuring, and disclosing fixed assets based on events that occur, such as acquiring fixed assets for the first time, maintaining fixed assets, exchanging fixed assets, acquiring assets from grants/donations, and depreciating assets (Princess et al., 2016).

Accounting Policies are the specific principles, foundations, conventions, rules and practices adopted by a reporting entity in the preparation and presentation of financial statements (Apriyani, 2010). Local Government Accounting Policies are the principles, foundations, conventions, rules and specific practices selected by local governments as guidelines in preparing and presenting local government financial reports to meet the needs of users of financial reports in order to increase comparability financial reports against the budget, between periods and between entities (Sulaiman & Abdullah, 2016).

Classification of Fixed Assets the Governmental Accounting Standards Committee stated in the Statement of Governmental Accounting Standards No. 07 (2010) classifies fixed assets as follows: (a) Land; (b) Equipment and Machinery; (c) Buildings and Structures; (d) Roads, Irrigation, and Networks; (e) Other Fixed Assets; and (f) Construction in Progress.

Government Accounting Standard Statement No. 07 (2010) states that in order to be recognized as a fixed asset, an asset meets the criteria for being tangible, has a useful life of more than 12 (twelve) months, the cost of acquiring an asset can be measured reliably, is not intended to be sold in the entity's normal operations, and is acquired or built for the purpose of being used. A fixed asset will be recognized if future economic benefits will flow to the entity

## Accounting Treatment Evaluation of Fixed Assets under PSAP No.7 at Ministry of Food Crops and Horticulture

concerned (Pradana & Herawati, 2015). In addition, an asset can be recognized as belonging to an entity if there is evidence that there has been a transfer of ownership rights supported by legal evidence (Aring et al., 2020).

Government Accounting Standard Statement No. 07 (2010) states that the acquisition cost of a fixed asset "the purchase price or construction, including import duties and any costs directly attributable in bringing the asset to a working condition for intended use". Fixed assets should initially be measured at cost which is a reflection of market value (Bastian, 2010). The cost of a fixed asset comprises its purchase price, including import duties and input VAT and any direct distributable costs of bringing the asset to a working condition for its intended use.

Measurement of Fixed Assets Statement of Governmental Accounting Standards No. 07 of 2010 stated that "Fixed assets are valued at cost. If the valuation of fixed assets using acquisition cost is not possible, then the value of fixed assets is based on the fair value at the time of acquisition. If the fixed assets are obtained by way of self-management. From Measurement of Fixed Assets Statement of Governmental Accounting Standards No. 07 (2010: 173) it can be stated that "the cost of acquiring fixed assets includes direct costs for labor, raw materials, and indirect costs including planning and monitoring costs, equipment, electricity, equipment rental, and all other costs incurred regarding the construction of fixed assets.

Fixed Asset Disclosure Effective financial reporting function, all relevant information must be presented in an unbiased, understandable and timely manner (Savitri, 2016). In this case, financial reports must provide the complete information needed by users. Regarding the disclosure of fixed assets, the Statement of Governmental Accounting Standards (2010) states in stating that "Financial reports must disclose for each type of fixed asset as the basis for valuation used to determine the carrying amount (carrying amount), reconciliation of the carrying amount at the beginning and end of the period which shows additions, disposals, accumulated depreciation and changes in value, if any and mutations of other fixed assets. Depreciation information, including depreciation value, depreciation method used, useful life or depreciation rate used, gross carrying amount and accumulated depreciation at the beginning and end of the period.

The objectives to be achieved in this research are; (1) to evaluate and assess the accounting treatment of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province, (2) to examine whether the accounting treatment of the fixed assets of the Agriculture, Food Crops and Horticulture Service of South Sumatra Province is in accordance with PSAP No. 7 of 2010

### **METHOD**

This study uses a qualitative approach method. The research location is at the Food Crops and Horticulture Service of South Sumatra Province at Jalan Captain Tendean No. 1056, South Sumatra. The object of research is the scope of this study is limited to the treatment of fixed assets in the financial reports of the Food Crops and Horticulture Service of South Sumatra Province according to PSAP No. 7 of 2010. The data sources used in this study are primary and secondary data. Primary data was obtained through direct observation, interviews with accounting department staff in the fixed assets division who have the authority to provide data relating to the treatment of fixed assets. The data analysis method used in this research is descriptive qualitative.

**RESULTS AND DISCUSSION****Evaluation of Recognition of Fixed Assets at the Food Crops Agriculture and Horticulture of South Sumatra Province****Table 1. Fixed Assets Recognition Evaluation**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture of South Sumatra Province	Information
1	The useful life is more than 12 (twelve) months.	Recognition of fixed assets at the Food Crops and Horticulture Service of South Sumatra Province is recognized if the asset has a useful life of more than 12 (twelve) months	Suitable
2	The cost can be measured reliably	Acquisition costs charged to fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province can be measured reliably	Suitable
3	Not intended for sale in the normal course of the entity's operations	All fixed assets of the Food Crops and Horticulture Service of South Sumatra Province purchased or obtained from grants/donations are used for activities to fulfill the main tasks and functions of the entity.	Suitable
4	Acquired or built with the intention of being used	All construction buildings built by the Food Crops Agriculture and Horticulture Service of South Sumatra Province are used for the benefit of the entity	Suitable

**Evaluation of Measurement of Fixed Assets by the Food Crops Agriculture and Horticulture of South Sumatra Province****Table 2. Fixed Assets Measurement Evaluation**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture of South Sumatra Province	Information
1	Fixed assets are valued at cost. If the valuation of fixed assets at acquisition cost is not possible, then the fixed assets are based on the fair value at the time of acquisition	Fixed assets at the Food Crops and Horticulture Service of South Sumatra Province are valued and charged directly when the assets are acquired.	Suitable
2	The cost of a fixed asset comprises the purchase price or construction, including import duties and any costs that are directly attributable	Fixed assets at the Food Crops and Horticulture Service of South Sumatra Province consist of the purchase price plus all acquisition costs including import duties. Meanwhile, for self-built assets, the recording is based on all costs incurred in connection with the construction of the relevant assets until the assets are still ready for use	Suitable
3	Fixed assets acquired by donation must be recorded at fair value at acquisition	Fixed assets at the Food Crops and Horticulture Service of South Sumatra Province obtained from donations or grants, are recorded using the acquisition value	Suitable

**Expenditure Evaluation After Acquisition of Fixed Assets at the Food Crops Agriculture and Horticulture of South Sumatra Province**

**Table 3. Expenditure Evaluation After Acquisition of Fixed Assets**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture of South Sumatra Province	Information
1	Expenditure after the initial acquisition of a fixed asset that extends its useful life in the future in the form of increasing capacity, increasing work standards, or quality of production is added to the amount of the related asset	Some assets in the form of harvesting equipment lent to farmer groups by the Food Crops and Horticulture Service of South Sumatra Province, maintenance costs and costs for increasing production capacity are borne by the farmer groups so that the entity does not record expenses after acquisition	Not Suitable
2	Expenditures for the repair or maintenance of fixed assets to maintain the future economic benefits expected of the original performance standards for an asset, are recognized in profit or loss as incurred.	At the Food Crops Agriculture and Horticulture Office of the Province of South Sumatra, expenses for routine maintenance that provide benefits in the current year are recognized directly as operating expenses in the current year.	Suitable

**Evaluation of Depreciation of Fixed Assets at the Food Crops Agriculture and Horticulture of South Sumatra Province**

**Table 4 Evaluation of Depreciation of Fixed Assets**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture of South Sumatra Province	Information
1	Each part of fixed assets that has a significant acquisition cost to the total cost of all fixed assets must be depreciated separately	Each fixed asset in the Agriculture, Food Crops and Horticulture Service of South Sumatra Province experiences depreciation by dividing the categories of fixed assets through their useful lives, so that depreciation will occur separately according to the type of fixed assets	Suitable
2	The depreciable amount of an asset is allocated systematically over its useful life	Depreciation at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is carried out based on the useful life of the fixed assets concerned.	Suitable
3	Methods of depreciation that are depreciated systematically over their useful lives include: 1. Straight-line method, 2. Declining balance method, 3. Total units method	The Food Crops Agriculture and Horticulture Service of South Sumatra Province uses an accounting application set by the local government to calculate depreciation so they do not know for sure which depreciation method to use	Not Suitable

## Types of Fixed Assets and Useful Lifespan Food Crops Agriculture and Horticulture of South Sumatra Province

**Table 5. Types of Fixed Assets**

No	Types of Fixed Assets	Usage time
1	<b>Equipment and Machinery</b>	
	Huge tools	10 years
	Transportation tools	10 years
	Workshop tools and measuring tools	4 years
	Farming tools	4 years
	Office and household tools	4 years
	Studio tools and communication	4 years
	Medical tools	8 years
	Laboratory Equipment	8 years
	Weapons/ security tools	4 years
2	<b>Buildings</b>	50 years
3	<b>Roads, Irrigation and Networks</b>	
	Road	10 years
	Irrigation	30 years
	Network	30 years
4	<b>Other fixed assets</b>	5 years

## Evaluation of Termination and Disposal of Fixed Assets at the Food Crops Agriculture and Horticulture of South Sumatra Province

**Table 6. Evaluation of Termination and Disposal of Fixed Assets**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture Office of South Sumatra Province	Information
1	A fixed asset is eliminated from the balance sheet when disposed of or when the asset is permanently retired from use and no future economic benefits are available	Fixed assets that are no longer used in the operations of the South Sumatra Province Food Crops and Horticulture Service will be written off on the balance sheet, and physically destroyed	Suitable
2	Fixed assets that are permanently retired or disposed of must be eliminated from the balance sheet and disclosed in the notes to the financial statements	Fixed assets that have passed their useful life and are no longer used can be disposed of, while the method of disposal of fixed assets is carried out by the Food Crops and Horticulture Service for South Sumatra Province, namely by physically destroying them or by auctioning them.	Suitable

## Evaluation of Presentation and Disclosure of Fixed Assets by the Food Crops Agriculture and Horticulture of South Sumatra Province

**Table 7. Evaluation of Presentation and Disclosure of Fixed Assets**

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture Office of South Sumatra Province	Information
1	The financial statements must disclose the valuation basis used to determine the carrying amount	Presentation of Fixed Assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is stated at book value, namely the acquisition cost minus accumulated depreciation.	Suitable
2	Any type of fixed assets such as land; buildings and buildings; equipment and machines; roads and irrigation; as well as	The Food Crops Agriculture and Horticulture Office of South Sumatra Province records details of each type of fixed asset using the Goods Inventory Card	Suitable

## Accounting Treatment Evaluation of Fixed Assets under PSAP No.7 at Ministry of Food Crops and Horticulture

No	PSAP No. 07 of 2010	Food Crops Agriculture and Horticulture Office of South Sumatra Province	Information
	other fixed assets must be stated in a separate or detailed balance sheet in the notes to the financial statements		
3	Reconciliation of the carrying amount at the beginning and end of the period showing the addition of disposals, and impairment if there is a mutation of fixed assets	Calculations are made at the end of the year which are included in the Recapitulation Report of Goods to the Balance Sheet by the Food Crops Agriculture and Horticulture Service of South Sumatra Province	Suitable
4	Depreciation information discloses: 1. Depreciation value; 2 Depreciation method used; 3. The useful life or depreciation rate used; 4. Gross carrying amount and accumulated depreciation at the beginning and end of the period	The Food Crops Agriculture and Horticulture Service of South Sumatra Province uses an application that directly calculates the depreciation of fixed assets, but does not explain what method is used to depreciate these fixed assets.	Not Suitable

### CONCLUSION

Based on the results of the research and discussion that have been put forward it can conclude that: (1) the recognition of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is in accordance with PSAP No. 07 of 2010, (2) the measurement of fixed assets by the Food Crops Agriculture and Horticulture Service of South Sumatra Province is in accordance with PSAP No. 07 of 2010, (3) expenditures after the acquisition of fixed assets by the Food Crops and Horticulture Service of South Sumatra Province as a whole are almost in accordance with PSAP No. 07 of 2010. The inappropriate treatment of spending on fixed assets is on fixed assets whose user authority is given to farmer groups as borrowers. The Food Crops and Horticulture Service of South Sumatra Province does not record expenses related to fixed assets lent by farmer groups, whereas if farmer groups incur costs to increase production capacity, they should be recorded by the Food Crops and Horticulture Service of South Sumatra Province as the owner of the assets. Because these costs are directly related to these fixed assets, this is not in accordance with PSAP No. 07 of 2010, (4) the depreciation of fixed assets in the Agriculture, Food Crops and Horticulture Service of South Sumatra Province is almost in accordance with PSAP No. 07 of 2010. What makes the treatment of fixed assets incompatible with the Food Crops and Horticulture Service of South Sumatra Province due to the depreciation method in the Food Crops and Horticulture Service of South Sumatra Province uses an application that has been determined by the Regional Government, the application does not describe what method is used to calculate the depreciation of its fixed assets which has been recommended by PSAP No. 07 of 2010, (5) termination and disposal of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is in accordance with PSAP No. 07 of 2010, and (6) the presentation and disclosure of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province is almost in accordance with PSAP No. 07 of 2010. It's just that there is incomplete information about the method of depreciation which makes the treatment of fixed assets at the Food Crops Agriculture and Horticulture Service of South Sumatra Province not fully in accordance with PSAP No.07 of 2010.

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