

# Government Accounting Activities and Users in Indonesia

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## Abstract

Government Accounting in Indonesia has grown quite rapidly. Starting from single entry cash-based recording to now using accrual-based double entry. Changes in the government accounting system need to be carried out so that transparency and accountability in state administration can be realized and are expected to provide greater benefits to users. Government accounting is like private or commercial sector accounting. The difference is that the government is not a business entity, so the form of reporting needs to be adjusted to the needs of the public sector. In understanding the difference, it is necessary to first understand the basic concepts of government accounting. Through an analysis of book literacy, scientific work, and related regulations, the author examines how the government accounting process runs, its users, and what needs must be met by the preparers of financial statements for users of the information.

**Keywords:** Government Accounting Standar, accounting activities, accounting users.

## 1. INTRODUCTION

The accounting system has experienced rapid development. Although not as fast as private or commercial sector accounting, accounting in the public or government sector is also following development trends. Indonesia itself has gone through various accounting systems in its history.

In the early days of independence in 1945, Indonesia adhered to the Indische Comptabiliteits wet (ICW), which was a product of the legacy of the Dutch colonial government, in the system of state financial management and accountability. Then until 2003, the preparation of financial statements was based on the Law on Calculation of the State Budget (Perhitungan Anggaran Negara/PAN) (Hasibuan et al., 2020). The accounting record system uses a cash-based single entry. In 2003-2004, there was a State Financial Reformation with the issuance of Undang-Undang Nomor 17 Tahun 2003 concerning State Finances, State Law Number 1 Year 2004 concerning State Treasury, and Undang-Undang Nomor 15 Tahun 2004 concerning Audit of Management and Accountability of State Finances. In essence, it requires ministries/institutions/Regional Work Units (SKPD) to carry out accounting in the

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context of compiling financial reports for central and regional governments (Rifqi et al., 2020 and Oktavian, 2020). The accounting is in accordance with government accounting standards. Following up on the law, the government issued Peraturan Pemerintah Nomor 24 Tahun 2005 (PP 24/2005) concerning Government Accounting Standards (Standar Akuntansi Pemerintahan/SAP). This SAP uses the Cash Towards Accrual (CTA) basis. The cash basis is used for the recognition of revenue, expenditure, and financing. Accrual basis for the recognition of assets, liabilities, and equity (Dachi et al., 2020). The components of the financial statements that must be presented according to PP 24/2005 are the Budget Realization Statement (Laporan Realisasi Anggaran/LRA), Balance Sheet, Cash Flow Statement, and Notes to Financial Statements (Catatan atas Laporan Keuangan/CaLK). In 2010, through State Number 71 Year 2010 (PP 71/2010), accrual-based Government Accounting Standards (SAP) have been issued. The shift from the Cash Towards Accrual (CTA) basis to the accrual basis is carried out in stages and since January 1, 2015, the Central Government is required to prepare financial reports on an accrual basis. To be able to understand the government accounting system that already uses the accrual

basis, it is necessary to understand the basic concepts of government accounting activities and their users.

This study reviews the basic concepts of government accounting which consist of activities in government accounting and users of government accounting products.

## 2. LITERATURE REVIEW

To interpret accounting, there are several opinions that are basically the same. The American Institute of Certified Public Accountants (AICPA) in Harahap (2003) states that accounting is the art of recording, classifying, and summarizing in a certain way monetary measures, transactions and events that are generally financial in nature, including interpreting the results. American Accounting Association (AAA) in Soemarso SR. (2009) defines accounting as the process of identifying, measuring, and reporting economic information to enable clear and firm judgments and decisions for those who use the information. Meanwhile Warren et al (2005:10) explain accounting as an information system that produces reports to interested parties regarding economic activities and company conditions. From this definition, Hariyani (2016:2) concludes that:

- a. Accounting as an information system is economic information from the activities (transactions) of organizations or companies.
- b. Accounting is the process of identifying, measuring, recording, and reporting economic information in the form of financial statements.
- c. Economic information generated by accounting is expected to be useful for assessment and decision making for those who need it.

The government through PP 71/2010 defines accounting as the process of identifying, recording, measuring, classifying, summarizing financial transactions and events, presenting reports, and interpreting the results (Evionita et al., 2020).

Weygandt, Kimmel, and Kieso (2019) mention three basic activities in accounting, namely identification, recording, and communication. Identification is the step of collecting, researching,

and analyzing economic events. The results of the identification process are transactions that are the source of accounting records. Once identified, the financial impact caused by the economic event is recorded chronologically and systematically. The results of the recording are then recorded in financial reports which are then communicated to stakeholders.

The government as the organizer of government activities is required to convey accountability to users of accounting information or stakeholders in the form of financial reports as a form of implementation of the principles of transparency and accountability (Wahyudi et al., 2020). Accounting users are divided into two major groups, namely internal and external users. Internal users are part of the reporting entity itself, for example every section/division/department within a company or government agency/institution. Meanwhile, external users are users of accounting information who are outside the reporting entity but have an interest in the entity, such as investors, creditors, governments, and others.

## 3. METHODS

This study uses a descriptive approach through the collection of literature and examples on government accounting.

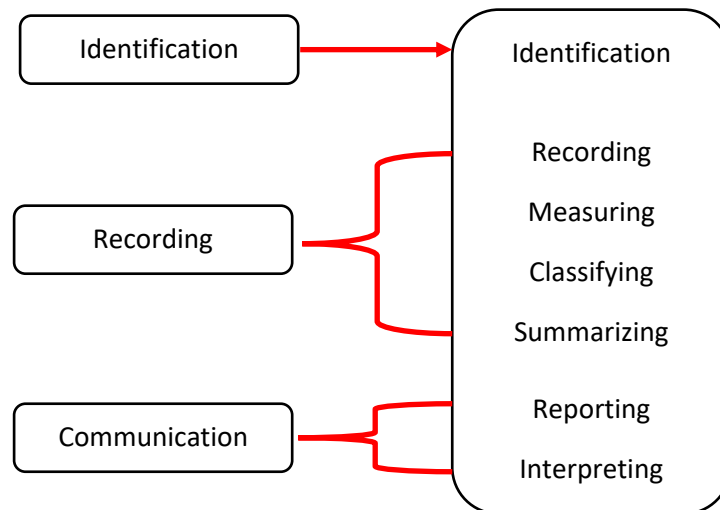
The purpose of this journal is to assist readers in understanding the basic concepts of activities and users of government accounting.

## 4. RESULTS DAN DISCUSSION

### 4.1. Result

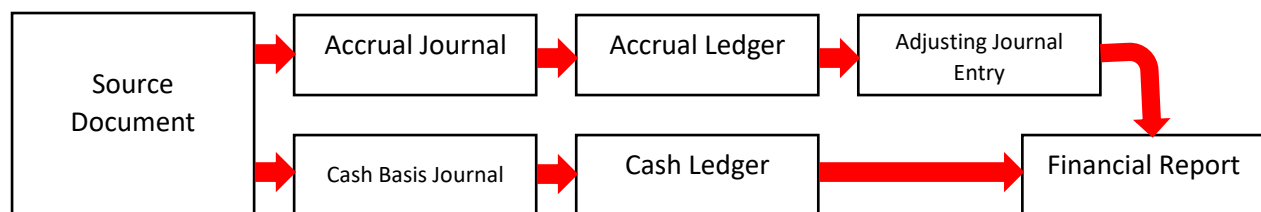
#### *Accounting Activities*

Accounting activities in the government or public sector are basically not much different from accounting activities in the private sector as shown in the figure below



All of these accounting activities become a series of procedures for the presentation of accounting

reports called the accounting cycle. The process of financial reporting in the government accounting system is as follows:



a. Identification

The identification process in government accounting starts from identifying accounting source documents. Accounting source documents are documents that will be used as the basis for recording transactions in the journal. If the source documents in private sector accounting are receipts, cash receipts, debit/credit notes, checks, or invoices, in government accounting there are generally two types of source documents, income transaction documents and expenditure transaction documents. Source documents for income transactions such as Tax Payment Letter (Surat Setoran Pajak/SSP), Non-Tax Deposit Letter (Surat Setoran Bukan Pajak/SSBP), or other equivalent documents. Source documents for expenditure transactions such as Payment Request Letter (Surat Permintaan Pembayaran/SPP), Payment Order Letter (Surat Perintah

Membayar/SPM), Fund Disbursement Order (Surat Perintah Pencairan Dana/SP2D), or other equivalent documents. This identification process is carried out to ensure the validity of the transaction evidence, the correctness of the calculation, and which accounts are affected by the transaction.

b. Recording

PP 71/2010 states that the government uses Accrual-Based Government Accounting Standards, which means that an accounting transaction or event is recognized when the transaction occurs without regard to cash receipts or disbursements. At this recording stage, items in the financial statements are generally measured using historical cost. Government accounting basically adheres to the concept of home office and branch office,

where the home office is a separate financial statement presentation unit as well as a consolidator for the financial statements of the branch office under it which will produce consolidated financial statements. Therefore, in government accounting, there are accounting entities and reporting entities. An accounting entity is a unit in the government that manages budgets, assets, and obligations that carries out accounting and presents financial reports on the basis of accounting held, for example a work unit or work unit in a government ministry/institution. reporting entity is a government unit consisting of one or more accounting entities that are required to present financial reports, for example the central government, regional governments, ministries/agencies within the central government, or organizations within the central/regional government that are required to present financial reports.

Operational Car	Rp800.000.000,00
RK PPKD	Rp800.000.000,00

\*RK PPKD = Account of Regional Financial Management Officer (Rekening Koran Pejabat Pengelola Keuangan Daerah)

RK PPKD is an equity account at the Regional Work Unit (SKPD) level, in this case The Public Works Office of Province A.

In contrast to private sector accounting, government accounting recognizes the existence of corollary journals. Corollary journals are journals made to recognize balance sheet account activities as a result of transactions involving the State Treasury or Regional Treasury. Why is there a need for a corollary journal? This journal is basically to facilitate the preparation of the Budget Realization Statement (LRA) using a cash basis, so that all cash-related transactions or events will create a corollary journal.

Example:

The Public Works Office of Province A purchased two units of four-wheeled vehicles for operations worth a total of Rp.800,000,000.00. The Public Works Office of Province A as the accounting entity records the transaction as follows:

Capital Expenditure – Operational Car	Rp800.000.000,00
Estimated Change in Budget Balance (Estimasi Perubahan SAL)	Rp800.000.000,00

\* Estimated Change in Budget Balance (Estimasi Perubahan SAL/Saldo Anggaran Lebih) is an intermediary account for compiling Budget Realization Statement A as PPKD records the following transactions:

As a corollary journal, The Public Works Office of Province A records the budget realization account as follows:

(LRA) and Statement of Change in Budget Balance.

The Regional General Treasurer of Province

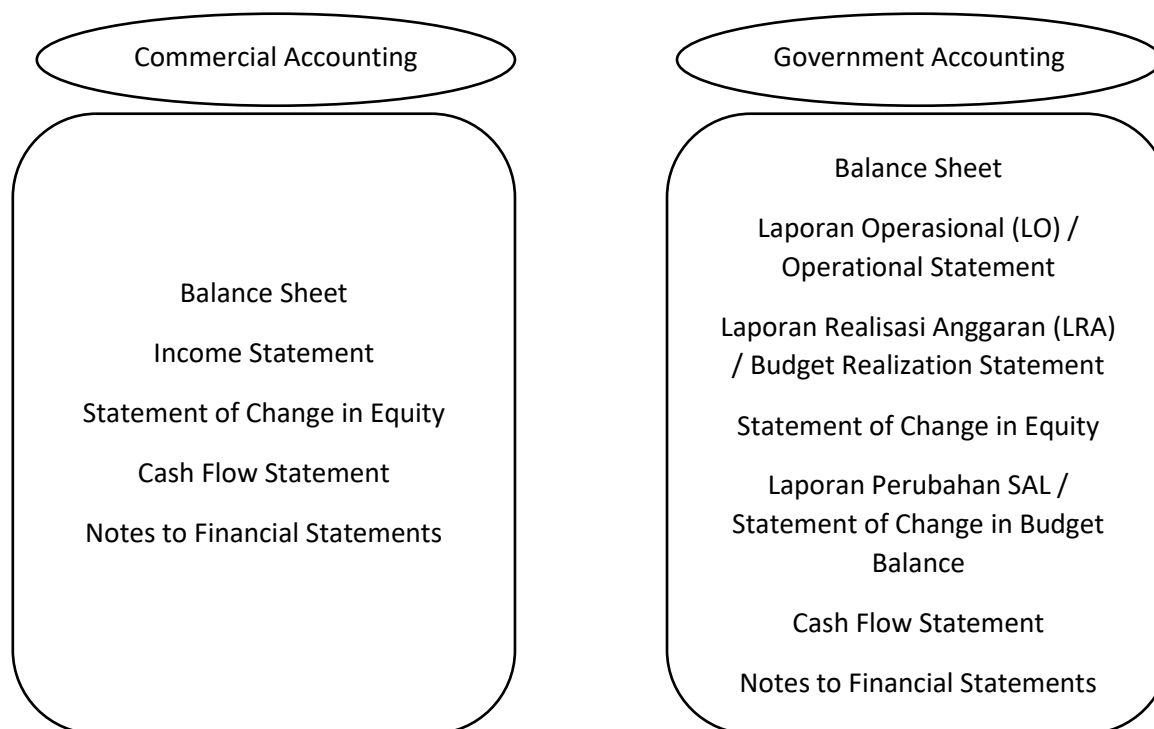
Account of The Public Works Office of Province A (RK Dinas Pekerjaan Umum Provinsi A)	Rp800.000.000,00
Regional Treasury	Rp800.000.000,00

\* Account of The Public Works Office of Province A (RK Dinas Pekerjaan Umum Provinsi A) is a current asset account in PPKD.

c. Communication Government

fin

ancial statements are generally the same as the private sector which consists of:



1) Balance Sheet

The balance sheet describes the financial position of a reporting entity regarding assets, liabilities and equity as of a certain date. The balance sheet consists of assets, liabilities and equity.

2) Operational Statement (Laporan Operasional/LO)

The government is an institution / agency that provides public services and is not focused on making a profit on the services provided. Therefore, the Income Statement was changed to an Operational Statement (LO) in government accounting. The operational statement describes the conclusion of the turnover of economic resources in the context of governance in one reporting period which increases equity. Operational statement consists of revenue – LO, expenses, transfers, and extraordinary items. The summary of this operational report is Surplus/Deficit – LO which will later be included in the Statement of Change in Equity.

3) Budget Realization Statement (Laporan Realisasi Anggaran/LRA)

One type of financial report that only exists in the public sector is the Budget Realization Statement (LRA). The LRA presents a summary of the use of financial resources by the government. LRA is prepared by recording a corollary journal using a cash basis. This means that all transactions or events that are directly related to financial resources will be presented in the LRA. In general, LRA describes the financial performance of a government agency through a comparison between the budget and its realization in one reporting period. LRA consists of revenue – LRA, expenditure, transfer and financing. The results of the LRA are the Remaining Over/Less of Budget Financing or Sisa Lebih/Kurang Pembiayaan Anggaran (SiLPA/SiKPA) which will be included in the component of the Statement of Changes in Budget Balance (Laporan Perubahan SAL).

4) Statement of Changes in Equity (Laporan Perubahan Ekuitas)

The statement of changes in equity generally presents an increase or decrease in equity for the reporting year

compared to the previous year. The statement of changes in equity consists of initial equity, surplus/deficit – LO, corrections that increase or decrease equity, and ending equity.

5) Statement of Changes in Budget Balance (Laporan Perubahan SAL)

Statement of Changes in Budget Balance is one of the budget implementation reports that presents the previous year's Budget Balance, the use of the Budget Balance, the Excess/Less Budget Financing (SiLPA/SiKPA) for the current year, and other adjustments.

6) Cash Flow Statement (Laporan Arus Kas)

The cash flow statement provides information on government cash receipts and disbursements related to operating, investing, financing and transitory activities.

7) Notes to Financial Statements

Notes to Financial Statements are part of financial statements that are used to explain general information about reporting entities and accounting entities, fiscal and macroeconomic policies, achievement of financial targets during the reporting period, basis for preparing financial statements and selected policies, detailed explanations of each item in the financial statements, and other disclosures required for fair presentation.

*Users Associated with Accounting*

Government financial statements are a form of transparency and accountability from the government to convey information to stakeholders regarding government activities carried out, changes in government economic resources, and budget realization that are useful as material for evaluating the government's ability to carry out its activities. In addition, government financial statements are also useful for estimating resource

requirements for sustainable operations and the risks inherent in them.

Government Accounting Standards mentions several main groups of users of government financial statements as follows:

- a. Public
- b. People's representatives (parliament), supervisory agencies, and audit institutions
- c. Donors, creditors, investors
- d. Government

As users of public services and development targets, the public needs financial statements as a medium of information regarding any development or social activities that the government has done for the public. In addition, as taxpayers, the public needs to know the use of the money they pay, both in terms of efficiency and effectiveness.

People's representatives who sit in the House of Representatives (DPR) need government financial statements to carry out their supervisory functions. The DPR needs to ensure that the activities programmed by the government have been carried out on target. This supervisory function can be carried out by the DPR alone or involving a supervisory agency that has supervisory duties and functions. Meanwhile, the auditing agency (in this case the Supreme Audit Agency/BPK), requires the government's financial statements to ensure that all government financial activities have been presented fairly and that the financial statements have been prepared in accordance with Government Accounting Standards. This form of belief is published to the public and stakeholders in the form of an opinion.

Donors, creditors, and investors require government financial statements (audited) to determine the existence and use of the funds provided and the level of risk, liquidity, and solvency of the funds lent and invested.

In addition to being accountable for the government's activities, the government needs financial statements as a summary of

government financial information. This information is useful as an evaluation of government activities that have been carried out and as analytical material for decision making and appropriate governance policies.

## 4.2. Discussion

From this study, it can be seen that government financial reports consist of three major groups, namely accrual-based financial reports (balance sheet, operational statement, cash flow statement, and statement of changes in equity), cash-based budget implementation reports (LRA and statement of changes in budget balance), and Notes to Financial Statements. Accounting entities prepare balance sheets, operating statements, LRAs, statements of changes in equity, and notes to financial statements. Meanwhile, statements of changes in budget balance (SAL) and statements of cash flows are prepared when the reporting entity consolidates the financial statements of the reporting entity and the accounting entity.

Based on the Constitution, the people are the holders of state sovereignty. Therefore, the government as the holder of the people's trust is obliged to convey accountability for the administration of government that it carries out to the community. Elisabet Septiana in "Library Study on Public Sector Financial Reports" explains that the public has basic rights to the government, including:

- a. The right to know government policies, decisions made by the government, and the reasons for certain policies and decisions.
- b. The right to be informed about certain issues that are a matter of public debate.
- c. The right to have their aspirations heard.

Government financial statements are a form of public accountability to the community as a fulfillment of public rights to government financial information.

## 5. CONCLUSION

In general, there is no difference between government accounting and private sector accounting. The only difference is that the account names in government financial statement items

are specified in the Standard Chart of Accounts and government accounting recognizes the existence of a corollary journal to facilitate the preparation of Budget Realization Statement (LRA) and Statement of Changes in Budget Balance (Laporan Perubahan SAL).

Government accounting activities are also no different from private sector accounting, namely identification, recording (recording, measuring, classifying, and summarizing), and communication (reporting and interpreting).

Users of financial statements have different interests in government financial information. In general, external users (public, parliament, supervisory agencies, audit institutions, creditors, investors, and donors) need government financial statements as a means to validate and verify. Meanwhile, internal users (government) need financial statements as material for evaluation and analysis of governance.

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