

## **Analysis of SAP Implementation No 1 Concerning Presentation of Financial Statements in Gresik District Government**

Fitri Damayanti<sup>1</sup>, Deni Ariadi<sup>2</sup>, Gideon Setyo Budiwitjaksono<sup>3</sup>  
Faculty of Economics and Business, UPN Veteran Jawa Timur, Indonesia  
fitridamayanti2404@gmail.com<sup>1\*</sup>

**Abstract.** The issuance of Government Regulation Number 12 of 2019 concerning Regional Financial Management has revoked Government Regulation Number 58 of 2005 which is an improvement in financial management based on the identification of problems in Regional Financial Management that occur in its implementation. based on the Government Accounting Standards (SAP) which is accrual based. Collecting data in this study using analysis with descriptive quantitative methods, data obtained from literature study. The results of this study indicate that the Gresik City Government has implemented Government Regulation Number 12 of 2019 which is accrual-based.

**Keywords:** Government Accounting Standards, Accrual Basis, Accounting, Financial Reports

### **I. Introduction**

In government regulations, it has a main goal, namely providing services to the community and has an obligation to realize good governance. Some government institutions require support for these activities. So that one of the efforts in good governance is that the government requires accounting reports as a basis for analysis, improving the quality of supervision and financial management.

According to Fakhurazi (2010), the benefits that have been obtained from the existence of government accounting standards include financial reports that produce financial information that is open, honest and comprehensive to stakeholders. So that within the scope of management it can facilitate the functions of planning, managing, controlling assets, liabilities and equity of government funds. In addition, the benefit of the existence of government accounting standards is to maintain a balance between generations, which can provide a source of information regarding the adequacy of government revenues in financing overall expenditures. So that the next generation will bear the burden of the expenditure or not.

The issuance of Government Regulation Number 12 of 2019 concerning Regional Financial Management has revoked Government Regulation Number 58 of 2005 which is an improvement in financial management based on the identification of problems in Regional Financial Management that occur in its implementation. In the refinement of the regulation, three pillars of good regional financial management have been carried out, namely transparency, accountability and participatory.

Government financial statements are a representational structure of the financial position as a result of transactions that have been carried out, with the main objective of financial reporting being to provide information that is useful in making decisions and announcing the accountability of entities in trusted resources. The specific purpose of reporting is to provide information regarding the use and allocation of financial resources, to provide current period revenues in financing expenditures, to provide information about the amount of economic resources that have been used for the reporting entity's activities and the results achieved, to provide information about recording accounting in reporting that finances all activities, provides information about cash needs, provides information about the financial position and condition of the reporting entity relating to the source of the recipient, provides information about changes in the entity's statement of financial position, and knows the achievement of objectives.

The preparation of the Gresik Regency Government's Financial Statements in 2020 has used the presentation of financial statements according to the Accrual-based Government Accounting Standards (SAP). Where the accrual-based Government Accounting Standards (SAP) have recognized revenues, expenses, assets, debts and equity in financial reporting. In addition, it also recognizes income, expenditure and financial reporting financing in the implementation of the budget based on the cash basis that has been applied in the APBD.

According to KSAP (2010: 3) suggests that the accrual basis is an accounting basis that has recognized the influence on transactions and other events. So that what is meant for other events is when they occur and those events occur regardless of when cash or cash equivalents have been received or paid. Halim and Kusufi

(2012: 53) conclude that the accrual basis is capable of meeting reporting objectives that cannot be met by the cash basis, so that the reporting objectives are managerial and supervisory.

## **II. Literature Review**

### **Accountancy**

According to Soemarso (2009:03) *American Accounting Association* is an accounting process that identifies, measures, and reports economic information. This serves to provide clear and firm judgments and decisions for those who use the information. Meanwhile, according to Permendagri No. 64 of 2013 article 1 paragraph 2 has explained that accounting is a process of identifying, recording, measuring, classifying, summarizing transactions and financial events, presenting reports, in addition to interpreting the results.

### **Public sector accounting**

According to Mardiasmo (2009:14) there are three main things related to public sector accounting, namely the provision of information, management control, and accountability. So that public sector accounting is a good information tool for the government for management or information for the public.

In the organization the public sector is an economic entity that provides goods or services in improving welfare and is open to seeking financial gain according to Nordiawan and Hertianti (2010: 4). From this statement, it can be concluded that public sector accounting is a specific activity of a relatively small profession, but accounting in the public sector is undergoing a process of becoming a scientific discipline whose existence is more needed.

According to Bastian (2006:6) Public Sector Accounting as a technical mechanism and accounting analysis tool that has been applied by the management of public funds in high institutions in the State. Such as the departments that oversee under it, local governments, BUMN, BUMD, NGOs and Social Foundations or projects that have collaborated with the public and private sectors.

### **Characteristics of Public Sector Accounting**

According to Mardiasmo (2009:167) has stated that there are five characteristics of public sector accounting such as the government is not profit-oriented, the government will open a budget, government accounting uses more than one type of fund, accounting in the government records capital expenditures such as buildings, vehicles to estimate the balance sheet and results. operations.

### **Purpose and Functions of Public Sector Financial Reports**

According to Hennley et al. In 1990, Harun (2009:54) wrote that there are six purposes and functions of public sector financial reports, namely as an indication of compliance with the implementation of tasks, accountability reports and evaluation tools, planning tools, organizational sustainability, and tools for publication.

### **Government Accounting Standards**

The members of the Government Accounting Standards committee stated that the Government Accounting Standards abbreviated as SAP is an accounting principle that has been applied in preparing and presenting government financial statements. So that SAP is a requirement to have legal force for efforts to improve the quality of reports on government finances in Indonesia (Hariadi et al 2010:113).

SAP that has been applied in the scope of government such as the central government, local government, and organizational units within the government environment, both central and regional. According to statutory regulations, the organizational unit referred to is obliged to present financial reports, namely that SAP is the only requirement for government accounting implementation standards. This is an effort to harmonize the various regulations that exist in the government both at the center and in the regions by implementing absolute SAP.

### **Advantages and Disadvantages of Accrual Basis in SAP**

According to Bastian (2010: 118-119), the advantage of applying the accrual basis is that revenues and expenses in the operational report (LO) are related to revenues and income. This means that the accrual basis has provided a measuring tool for both goods or services that have been consumed, changed and obtained. On

the accrual basis, it also shows an overview of income such as price changes, income earned on an accrual basis and the amount of historical costs as an accepted measure of performance. In addition, the accrual basis can be used as a measure of capital.

The weakness of applying the accrual basis is the determination of items and the amount of transactions that have been recorded in the journal by the registrar, the relevance of accrual accounting is limited when there is a historical value relationship with inflation, in comparison to the cash basis accrual adjustments require administrative procedures that are quite complicated so that the costs for administration are more expensive, opportunities manipulation of financial statements is difficult to control.

### **III. Research Methods**

#### **Types of research**

The type of research that has been used in this research is to use a descriptive approach to explain the readiness and provisions for the application of Government Regulation Number 12 of 2019 in article 187 paragraph 2 in the presentation of the Gresik Regency Government Financial Report. According to Kuncoro 2009:12 that research using this descriptive approach includes data collection, answering questions, knowing the latest status based on the research subject.

#### **Method of collecting data**

In this study using data collection and formulating problems that have been studied, efforts to obtain data and information must use several appropriate data collection techniques. The technique used in this field study method is library research. The technique used in this study is to use the compatibility between the theory used and the actual state of the object.

#### **Data Type**

The preparation of this research uses quantitative data in the form of the Gresik Regency Government Financial Report in 2020. According to Pasolong 2012:70 quantitative data is a research technique of collecting data that can be calculated in the results of quantitative interpretation so that it becomes strong data.

#### **Data analysis method**

The method used in describing this research is a descriptive method with techniques for collecting data, processing data and interpreting the data that has been obtained. Then analyze the application of Accrual-based Government Accounting Standards (SAP) according to Government Regulation Number 12 Article 187 paragraph 2 of 2019.

### **IV. Results and Discussion**

#### **Government Financial Reporting in Gresik Regency**

The Gresik Regency Government is one of the entities in the Regional Government which consists of Reporting Entities and Accounting Entities. Reporting Entity is a Regional Government consisting of one or more accounting entities which according to the provisions of the legislation are required to submit accountability in the form of financial reports including Balance Sheet, Budget Realization Report, SAL Company Report, Operational Report, Equity Change Report and Cash Flow Report as well as Notes on Financial statements.

While the Accounting Entity is a user work unit both budget and goods users who are obliged to carry out accounting and prepare financial reports to be combined with the reporting entity. The following are included in the accounting entities including the Balance Sheet, Budget Realization Report, Operational Report, Changes in Equity Report and Notes to Financial Statements.

In presenting its financial reports, the Gresik Regency Government is based on the issuance of Government Regulation Number 12 of 2019 concerning Regional Financial Management and is accrual-based. Accrual basis for the recognition of income from Operational Statements (LO), expenses, assets, liabilities, and equity. Where the accrual basis for the Operational Report (LO) which means revenue is recognized when the income has been fulfilled, even though cash has not been received from the Regional General Cash or by the reporting entity and expenses have been recognized when the obligation. This resulted in the decrease in the value of net worth having been met, even though the cash had not yet been disbursed to the Regional General

treasury or the reporting entity. So that the income of cool party assistance in the form of services is presented in the Operational Report (LO).

The accrual basis for the balance sheet includes assets, liabilities and equity which are recognized and recorded when transactions occur, or are recorded when they occur, or are recorded when environmental conditions affect the government's finances regardless of when cash or cash equivalents are received. The budget is prepared and implemented on a cash basis, so the preparation of the Budget Realization Report (LRA) is based on a cash basis. This means that income and receipts on financing are recognized when cash is received from the General Regional treasury or by the pioneering entity. Meanwhile, at the time of expenditure, transfers and financing expenditures are recognized when cash is issued from the Regional General treasury.

### **Analysis of the Application of Accrual-Based Government Accounting Standards in the Presentation of Financial Statements at the Gresik Regency Government**

Broadly speaking, the operational basis for the presentation of financial statements in the Gresik Regency Government initially used Law No. 32 of 2004 concerning Financial Balance between the Central and Regional Governments and their derivatives. This shows that the seriousness of the government in reforming the system which so far has tended to be centralized towards decentralization with the granting of greater authority to the regions, as well as the authority to manage regional finances.

Then the Gresik Regency Government uses Government Accounting Standards (SAP) according to Law Number 23 of 2014 concerning Regional Government. In observing that the form of the contents of the accountability report for the implementation of the APBN or APBD is prepared and presented in accordance with Government Accounting Standards (SAP). The Government Accountant Standard (SAP) at the Gresik Regency Government uses a cash basis for the recognition of expenditure and financing income transactions. In addition, in presenting the financial statements on an accrual basis for the recognition of assets, liabilities and equity funds. The implementation of Law Number 23 of 2014 is temporary, as has been amended several times with Law Number 9 of 2015 concerning the Second Amendment to Law Number 23 of 2014 concerning Regional Government.

In the 2020 budget, changes are made to regional spending policies that have been set previously. General Budget Policy Number 180/16/437.12/2020 and KPTS/1/PIM.DPRD/VIII/2020 regarding the change in the spending policy. This is due to changes in targets and targets in activity programs, budgets between organizational units, changes in types of spending, adding or reducing budget programs and activities, as well as accommodating priority programs and activities that have not been allocated in the 2020 Fiscal Year APBD.

The financial statements of the Gresik Regency Government in 2020 are the results of a consolidated report, where a report is generated from a reporting entity by combining the financial statements of accounting entities (SKPD). So that the report is under the reporting entity with a tiered systematic process. The following is the financial report of the Gresik Regency Government which consists of:

1. Budget Realization Report
2. Report on Changes in Budget Balance Over
3. Balance
4. Operational Report
5. Cash flow statement
6. Equity Change Report
7. Notes to Financial Statements

In Government Regulation Number 12 of 2019 concerning Regional Financial Management which has updated PP number 58 of 2005, it is a rarity from perfecting for financial management. This is based on the identification of problems in Regional Financial Management that occur in its implementation. In improving the regulation, there are 3 (three) pillars of good regional finance management, such as transparency, accountability and participation.

The Regional Government Financial Report in Gresik Regency in Fiscal Year 2020 is a structured report on the financial position and transactions that have been carried out during the reporting year. The general objective in the Gresik Regency Government's financial reports is to inform financial position, report budget realization, and inform financial performance. This is useful for users to evaluate and make decisions regarding the allocation of existing resources in the Gresik Regency Government

## V. Conclusion

The following are the conclusions of this study, among others:

1. The Gresik Regency Government is one of the reporting entities to present financial reports based on the Accrual-based Government Accounting Standards (SAP) according to Government Regulation Number 12 Article 187 paragraph 2 of 2019.
2. Presentation on the Budget Realization Report or usually referred to as the LRA the budget is prepared and implemented on a cash basis. In the presentation of financial statements, one type should apply.
3. There is a General Budget Policy Decision Number 180/16/437.12/2020 and KPTS/1/PI.DPRD/VIII/2020 regarding changes in spending policies that support changes in spending policies

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