

## Application of Governmental Accounting Standards Statement (GASS) No. 07 About Fixed Asset Accounting

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### Abstract

*Fixed assets that are used by the government need an accounting treatment for fixed assets. These assets can be in the form of fixed assets that are used by the government in carrying out its operational activities. The recognition of fixed assets is regulated in the Republic of Indonesia Government Regulation No. 71 of 2010 concerning Statements of Government Accounting Standards which contain the accrual basis as applicable Government Accounting Standards. This study aims to determine the extent on application of accounting for the implementation of fixed assets. The method of analysis used in this study is a descriptive method in which the purpose of each data collected is analyzed and drawn a conclusion and the type of research conducted is descriptive qualitative. The results of the study found that the process of implementation fixed assets at the North Sumatra Province, Boyolali District, Madiun District, Bitung City, and Minahasa District Financial and Asset Management Agency is in accordance with applicable regulations.*

**Keywords:** *Implementation; Fixed Asset; Government; Accounting*

## INTRODUCTION

Local/ city governments are one of the public sector organizations that carry out public sector accounting (Nasution et al, 2024). As a part of the public sector, local governments are responsible for reporting their financial statements. Financial statements are basically the result of an accounting process that can be used as a tool to communicate with interested parties about the company's financial condition and results of operations. Financial statements are prepared to provide relevant information about the financial position and transactions carried out by an entity during one reporting period.

The issuance of Government Regulation Number 71 of 2010 concerning Accrual-based Government Accounting Standards as a substitute for Government Regulation Number 24 of 2005 based on cash to accruals, states that each reporting entity has the obligation to report the efforts that have been made and the results achieved in implementing activities in a systematic and structured manner during a reporting period for the purposes of accountability, management, transparency, intergenerational balance and performance evaluation in a Government Financial Report (Nasution et al, 2021). With these guidelines, it will improve the quality of financial reports as well as support good governance.

The regional government as the party controlling regional assets has the responsibility for managing and utilization of regional assets. These assets can be in the form of fixed assets that are used government in carrying out its operational activities (Nasution, 2023). Fixed assets used by government agencies it is necessary to have fixed asset accounting treatment. In this case, the recognition, valuation, measurement and disclosure of each fixed asset is very important because it can show the reasonableness of the agency in accounting records. To be in line with common

accounting principles, it must be in accordance with GASS No. 07 regarding Fixed Asset Accounting.

For Local Governments, the accumulated depreciation of fixed assets on the balance sheet is a relatively new matter where previously the government had not been asked to calculate the accumulated depreciation of fixed assets, so that in its calculations the government experienced many problems and obstacles (Nasution & Welly, 2023). In addition, the suitability between balance sheet preparation and Government Accounting Standards also needs attention. The problem that becomes the question at this time is how to prepare the balance sheet required by Government Accounting Standards. The preparation of financial statements, especially the balance sheet, is an interesting thing to study, because the balance sheet in 2015 applied accrual-based accounting for the first time in the government, especially local governments.

The Regional Financial and Asset Management Agency (RFAMA) of North Sumatra Province, RFAMA of Minahasa Regency, RFAMA of Boyolali Regency, RFAMA of Madiun Regency, and RFAMA of Bitung City, as well as Regional Governments in Indonesia, must implement Government Regulation 71/2010 which accrual-based in the preparation of Regional Government Financial Statements (RGFS) 2015. Assets presented by the Regional Government, consists of current assets and property, plant and equipment, must be presented at fair value. Fair value is the exchange rate of assets or settlement of liabilities between parties who understand and intends to make a fair transaction, whereas depreciation is a systematic allocation of the depreciable value of a fixed asset over the useful life of the asset concerned (Nasution et al, 2024).

Government Accounting Standards are accounting principles applied in preparing and presenting government financial reports in the context of transparency and accountability of government accounting operations, as well as improving the quality of government financial reports. The government financial reports consist of Central Government Financial Reports and Regional Government Financial Reports. Government Accounting Standards are applied in the scope of government, both in the central government and its ministries as well as in regional governments and their offices. The implementation of GAS is believed to have an impact on improving the quality of financial reporting at the central and local governments. This means that government financial information will be the basis for decision making in government as well as the realization of transparency and accountability.

GAS is the accounting principles applied in preparing and presenting government financial reports. GAS is the accounting principles applied in the preparation and presentation of government financial reports. Based on the above understanding, it can be concluded that GAS is the accounting principles that apply in preparing the presentation of government financial statements.

This standard statement prescribes the accounting treatment for fixed assets including recognition, determination of carrying value, and determination and accounting treatment for the revaluation and impairment of the carrying value of fixed assets. This Standard Statement is applied to all government units that present general purpose financial statements regulates the accounting treatment, including the recognition, measurement, presentation and disclosure required. This standard statement does not apply to: (a) Debt and natural resources that can be renewed (regenerative natural resources); and (b) Authorization for mining, exploration and excavation of minerals, oil, natural gas and similar non-regenerative natural resources. However,

this Statement applies to fixed assets that are used to develop or maintain the activities or assets covered in (a) and (b) above and can be separated from those activities or assets.

In the Governmental Accounting Standard Statement No. 07 (Government Accounting Standards Committee, 2014) states that fixed assets are tangible assets that have a useful life of more than 12 (twelve) months to be used in government activities or utilized by the general public. Fixed assets are often a major part of government assets and are therefore significant in the balance sheet presentation. According to Halim & Kusufi (2012), "Fixed assets are tangible assets that have a useful life of more than twelve months to be used in government activities or utilized by the general public."

Government fixed assets include: (a) Fixed assets owned by the reporting entity but which are utilized by other entities, for example other government agencies, universities and contractors; and (b) Land rights, not included in the definition of fixed assets, are assets that are controlled for consumption in government operations, such as materials and equipment. Government Accounting Standards Committee (GASC) as stated in the statement of Government Accounting Standards No. 07 classifies fixed assets based on their similarity in nature or function in the entity's operating activities.

According to GASS No. 07, fixed assets are classified as follows: (1) Land acquired for the purpose of being used in government operational activities and in a ready-to-use condition; (2) Equipment and Machinery includes machinery and motorized vehicles, electronic devices, and all office inventory, and other equipment with significant value and useful life of more than 12 months and in a ready-to-use condition; (3) Buildings and Buildings, covering all buildings and structures acquired with the intention of being used in government operational activities and in a ready-to-use condition; (4) Roads, Irrigation and Networks include roads, irrigation and networks which are built by the government and owned and / or controlled by the government and are in a ready-to-use condition; (5) Other Fixed Assets, including fixed assets that cannot be grouped into the above fixed asset groups, which are acquired and utilized for government operational activities and are ready to use; and (6) Construction in Progress, includes fixed assets that are in the process of construction but on the date of the financial statements have not been fully completed.

In the Government Accounting Standard Statement No. 07 it is said that assets are recognized when future economic benefits can be obtained and the value can be measured reliably. To be recognized as fixed assets, the following criteria must be met: tangible, have a useful life of more than 12 (twelve) months, the cost of assets can be measured reliably, are not intended to be sold in the normal operations of the entity, and are acquired or constructed with the intention of used. Governmental Accounting Standard Statement No. 07 states that fixed assets are valued at cost. Then it is said that if the valuation of fixed assets using cost is not possible, the value of the fixed assets is based on the fair value at the time of acquisition. The measurement can be considered reliable when there is an exchange transaction with proof of purchase of a fixed asset that identifies the cost.

Cost component based on GASS No. 07 that can be used: (1) Fair value is the exchange rate of assets or settlement of liabilities between parties who understand and wish to enter into a fair transaction. at the time the user of acquisition is not a process of revaluation (revaluation) and remains consistent with the acquisition cost. Other related revaluation is only applied to the valuation for the next reporting period, not to the time of initial acquisition; (2) Acquisition cost is the amount of cash or cash equivalent paid or the fair value of the other consideration given to

acquire an asset at the time of acquisition or construction until the asset is in a condition and place that is ready for use. Fixed assets will be presented on the balance sheet (statement of financial position).

Fixed assets are presented based on the cost of these fixed assets less accumulated depreciation. Furthermore GASS No. 07 states that apart from land and construction under construction, all fixed assets are depreciated according to the nature and characteristics of the assets. Apart from being presented on the balance sheet, fixed assets must also be disclosed in the Notes to Financial Statements. This disclosure is very important as an explanation of the important things listed in the balance sheet. This disclosure is intended to minimize misperceptions for readers of financial statements.

Based on the explanation above then researchers need to do research with the title "Application of GASS No. 07 Concerning Fixed Asset Accounting ". This study aims to determine whether the Regional Financial and Asset Management Agency in the Regional Government has implemented fixed asset accounting in accordance with GASS No. 07.

## RESEARCH METHODS

This research is a descriptive study, using the main approach of literature study and simple quantitative methods to see trends from problems related to fixed assets. According to Sugiyono (2011), "Descriptive analysis is a way of describing or describing the data that has been collected." Widi (2010) explains that descriptive research is a research method that describes all data or the state of the subject / object of the research which is then analyzed and compared based on the current reality and then tries to provide solutions to the problem. Researchers used descriptive research because they wanted to analyze and compare the application of fixed asset accounting treatment at the Regional Financial and Asset Management Agency (RFAMA) with GASS No. 07. The data used in this study are secondary data. The data sources used are regulations, articles and writings related to fixed asset accounting in local governments in Indonesia. Reports and regulations issued by government agencies are used as sources of information for discussion. Data collection techniques in this research, namely; documentation. In this method, researchers can read, understand, analyze and criticize existing documents. The documents needed in this study are a list of regional property and other documents obtained from the relevant RFAMA regarding fixed assets in the local government.

## RESULTS AND DISCUSSION

In practice, GAS has a significant influence on the quality of local government financial reports. This happens because to achieve the goals of regional government, namely improving the quality of information on regional government financial reports, improving the quality of information on government financial reports with the principles of good governance to manage state finances according to GASS No. 07 seen from the basis of accounting, the treatment of Fixed Asset Accounting consists of recognition, measurement, presentation and disclosure of fixed assets in the financial statements. The four stages of recording must be carried out by the local government in the accounting treatment of fixed assets as regulated in GASS No. 07

Government Regulations 71/2010 (Republic of Indonesia, 2010). Local government compliance with GAS is a benchmark for the Supreme Audit Agency (BPK) to provide an opinion on local government financial reports each year.

The Regional Financial and Asset Management Agency of North Sumatra Province, Minahasa Regency, Boyolali Regency, Madiun Regency, and Bitung City are Regional Apparatus Organizations (RAO) formed to carry out their duties properly. The Regional Financial and Asset Management Agency is a supporting element of government affairs in the financial sector which is the regional authority. The Regional Financial and Asset Management Agency as referred to has the task of assisting the regional head to carry out supporting functions of government affairs in the financial sector which is the regional authority and the assistance task given to the Regional Financial and Asset Management Agency in carrying out the tasks referred to in carrying out functions: (a) formulating policies technicalities in the field of regional financial and asset management; (b) implementing technical support duties in the area of regional financial and asset management; (c) monitoring, evaluation and reporting on the implementation of technical support tasks in the area of regional financial and asset management; (d) technical guidance for the implementation of supporting functions of regional government affairs in the field of regional financial and asset management; (e) the administration of the Regional Financial and Asset Management Agency; and (f) the implementation of other functions assigned by the regional head in relation to their duties and functions. Based on observations at the Regional Financial and Asset Management Agency (hereinafter abbreviated as RFAMA) in several local governments it was found that RFAMA North Sumatra Province, RFAMA Minahasa Regency, RFAMA Boyolali Regency, RFAMA Madiun Regency, and Bitung City RFAMA have implemented Government Regulation Number 71 of 2010 regarding Statements of Government Accounting Standards and everything related to regional financial reports through the Regional Management Information System (RMIS). In general, fixed assets are recognized when future economic benefits can be obtained and their value can be measured. To be recognized as fixed assets, all of the following criteria must be met: (a) tangible; (b) has a useful life of more than 12 (twelve) months; (c) the cost of the asset can be measured reliably; (d) is not intended for sale in the entity's normal operations; and or submitted to the public or a third party; (e) acquired or constructed for the purpose of use; (f) the asset requires maintenance expenditure; and (g) the Rupiah value of the purchase of the goods meets the stipulated minimum capitalization limit for fixed assets.

However, considering costs and benefits as well as practicality, the recognition of fixed assets in the form of construction is carried out at the time the capital expenditure is realized. In determining whether a fixed asset has benefits for more than 12 (twelve) months, an entity must assess the future economic benefits that can be provided by the fixed assets, either directly or indirectly, for government operations. These benefits can be in the form of revenue streams or savings in spending for the government. The future economic benefits that will flow to an entity are assured when that entity will accept the related risks. This assurance is usually only available when the benefits and risks have been received by the entity. Until this happens, the acquisition of the asset cannot be recognized. The main purpose of the acquisition of fixed assets is to be used by the government.

The results of the research conducted show that the Regional Financial and Asset Management Agency of North Sumatra, Minahasa, Boyolali, Madiun, and Bitung districts has recognized fixed assets in accordance with the applicable Governmental Accounting Standards,

namely Government Regulation No. 71/2010. through the Regional Management Information System (RMIS) application, where the recognition of fixed assets occurs when the goods are already there and directly entered in RMIS, making it easier for staff to do their job.

Local government defines fixed assets as tangible assets that have a useful life of more than 12 (twelve) months to be used in government activities or utilized by the general public. Fixed assets are classified based on the similarity in nature or function in the entity's operating activities, which consist of land, equipment and machinery, buildings and buildings; roads, irrigation and networks; other fixed assets; and construction in progress. Details of each of these assets are listed in the Goods Inventory Card (GIC).

Acquisition of fixed assets through purchases, grants / donations, and self-management / development of equipment and machinery for fixed asset classification. Fixed assets obtained through purchases are for example such as office and household equipment and fixed assets obtained through grants such as cars, while through self-management / self-development for building and building classifications, for example, such as guard post buildings.

Governmental Accounting Standard Statement No. 07 (2010: 171) 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 the asset can be measured reliably, is not intended to be sold in the entity's normal operation, and acquired / built with the intention of being used. A fixed asset will be recognized when future economic benefits will be obtained by the entity concerned. In addition, an asset can be recognized as the property of the entity if there is evidence that there has been a transfer of ownership rights supported by legal evidence.

Government accounting standard statement No. 07 of 2010, fixed assets are valued at cost. If the valuation of fixed assets using cost is not possible, the value of the property, plant and equipment is based on fair value at the time of acquisition. Since the valuation of fixed assets using cost is very possible in local governments, the measurement of all fixed assets owned is valued at cost. However, at this service, not all fixed assets are recorded in the list of fixed assets and do not have an acquisition cost that is considered reasonable. In this service. For example costs that are directly attributable to local governments. The cost of an asset that is constructed in a self-managed manner is determined using the same principles as the asset purchased. In this department, the measurement used in obtaining fixed assets can be described, namely through purchases, grants / donations, and self-management / development. Fixed assets which have no known cost are presented at fair value. Fair value is the exchange rate of fixed assets under similar conditions in the market at the time of the valuation. Fixed assets that come from grants, whose cost is not known, the government can use the fair value at the time of acquisition.

GASS No. 07 states that fixed assets are stated at the cost of fixed assets less accumulated depreciation. Furthermore GASS No. 07 that other than land and construction in progress, all fixed assets are depreciated according to the nature and characteristics of the asset. Thus, the RFAMA in the local government in the classification of fixed assets, such as equipment and machinery, must be presented at cost less accumulated depreciation. At the balance sheet presentation, the fixed asset accounts are in accordance with GASS No. 07, however, the accumulated depreciation value should still be presented on the balance sheet.

Although fixed assets consist of various types of assets that show the cost of each depreciation, they are presented in just one Accumulated Depreciation account. It can be seen from the accumulated depreciation although indeed in the presentation as a whole RFAMA in this Regional Government has carried out according to the Balance Sheet that has been enacted

with GASS No. 07. Judging from the accounts of names, especially in fixed assets, are appropriate, but the value of the accumulated depreciation is not recorded. In accordance with GASS 07, fixed assets are presented at the cost of the fixed assets less accumulated depreciation.

Furthermore, GASS 07 states that apart from land and construction in progress, all fixed assets are depreciated according to the nature and characteristics of these assets. Accordingly, Buildings and Buildings are presented at cost less accumulated depreciation. Depreciation methods for buildings and structures are specified in the Bulletin on Depreciation Accounting. However, if the accumulated depreciation account value is not recorded. Where it is better if the value of the accumulated depreciation should still be recorded and presented in the balance sheet.

The financial statements must disclose the valuation basis used to determine the carrying amount in the financial statements. Reconciliation of carrying amounts at the beginning and end of the financial reporting period in the form of addition of fixed assets, disposal of fixed assets, accumulated depreciation and changes in value. Depreciation information which includes depreciation value, depreciation method for fixed assets used, useful life or depreciation rate for fixed assets used, and the gross carrying amount and accumulated depreciation at the beginning and end of the accounting period.

Disclosure of fixed assets in the balance sheet, namely the amount of each asset classification or acquisition value of each fixed asset and the accumulated depreciation of fixed assets. Disclosure of fixed assets in the financial statements, namely the disclosure on the balance sheet is related to the amount of each fixed asset as well as the accumulated depreciation of fixed assets. "Disclosure of fixed assets in the Perda is expected to present in a financial report that shows a recapitulation of asset capital expenditures in the form of spending, asset capitalization, asset reclassification, write-offs and so on, which are disclosed in notes to financial statements and other financial reports." Notes to financial statements discloses policies, assumptions, principles, depreciation method, useful lives and those related to fixed assets. The cash flow statement only presents cash flows related to fixed assets. Meanwhile, the budget realization report presents the realization of the assets owned expenditure.

## CONCLUSION

Based on the discussion of the results of the research, it can be concluded that BPKAD in the LGs studied, namely RFAMA North Sumatra Province, RFAMA Minahasa Regency, RFAMA Boyolali Regency, RFAMA Madiun Regency, and RFAMA City of Bitung have implemented GASS No. 07 standards. Fixed assets in RFAMA Pemda are in accordance with GASS No. 07. Fixed asset accounting in local governments continues to develop. The course of fixed asset accounting for local governments in Indonesia has passed many stages.

Starting from not recording, enforcing regulations to establish a depreciation fund, recording fixed assets without depreciation obligation, and currently recording fixed assets with a depreciation obligation. The application of GAS has a significant effect on the quality of local government financial reports.

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