

THE PHENOMENON OF CONSTRUCTION IN PROGRESS IN SAMOSIR REGENCY GOVERNMENT

Fadlan Saragih, Nurmala Sari Ritonga, & Iskandar Muda
Master of Accounting, Universitas Sumatera Utara, Medan, Indonesia
Email:saragihfadlan@gmail.com

Abstract

This study to assess and provide feedback on the accounting treatment of Construction in Progress which is within the financial statements of Local Government. The analysis method used in this research is to use descriptive analysis method to describe the results of the analysis of the accounting treatment conducted by local government to account Construction in progress. Construction in progress are fixed assets that are in the process of development. The work includes the construction in the land, equipment and machinery, buildings and buildings, roads, irrigation and networks, and other fixed assets that the process of acquisition and / or construction requires a certain period of time and has not been completed. Listing of construction in progress in Samosir regency government is done by making an adjustment to the journal reported assets unfinished for later recorded under construction in progress. In the process of recording still no records of advances in the development of an asset. There are some problems that can be encountered by the relevant local government recognition of a construction in progress. Recognition of construction in progress are important things that need to follow the guidelines in the Government Accounting Standards. Above special cases should be given special treatment and separate accounting policies in recognition of Construction in progress. There are some problems that can be encountered by the relevant local government recognition of a construction in progress. Recognition of construction in progress are important things that need to follow the guidelines in the Government Accounting Standards. Above special cases should be given special treatment and separate accounting policies in recognition of Construction in progress. There are some problems that can be encountered by the relevant local government recognition of a construction in progress. Recognition of construction in progress are important things that need to follow the guidelines in the Government Accounting Standards. Above special cases should be given special treatment and separate accounting policies in recognition of Construction in progress.

Keywords: Construction in Progress, Government Accounting

1. Introduction

Indonesia is the second most productive and profitable construction market in Asia, where many construction projects are underway in the residential and non-residential sectors. There is a huge demand for residential property, and the property sector is growing in major cities across the country. Public works investment is key in the government's plan to provide water resources, roads and human settlement infrastructure for long-term development.

Indonesia as a developing country will demand more activities to design various types of social infrastructure and economic infrastructure, such as buildings for education and culture, health and social services, sports and recreation, government offices, factories, warehousing, offices and shops, utilities. public works (electricity, drinking water, gas pipelines, and telecommunications) as well as public works and transportation infrastructure (such as roads, bridges, dams, irrigation networks, railways, ports, water transportation, airports, waste water and solid waste). Infrastructure development is an important thing in the growth process of a nation, both in the economic, educational, social, cultural, agricultural, and other sectors (Nasution et al., 2021). The active role of the government, the private sector, and the community is very much needed for the implementation of sustainable infrastructure development. One of the

government's roles in infrastructure development is by allocating the budget for the development and maintenance of infrastructure, including public works infrastructure and public housing.

Infrastructure is still the backbone and one of the main drivers of the 2022 construction market. The construction value is estimated to reach IDR 107.15 trillion. The government is also expected to increasingly rely on the private sector to take part in the development, financing and management of large infrastructure projects. Based on BPS data (2020 – 2021) it shows the value of Gross Domestic Product (GDP) which is increasing every year. The average increase every year is 10.39% or 1,652,660 billion Rupiah. At each increase caused by 3.84% of the construction sector. One of the most influential constructions is the construction of national roads. The ease of access caused by the availability of roads will have a positive impact on the continuity of economic transactions between provinces in Indonesia. Good road quality provides an advantage for a country or region to compete competitively in marketing its products, developing its industry, distributing the population and increasing income.

In project implementation, of course, all parties involved hope that the project can be completed in accordance with the expected goals. The expected goals include, among other things, that the project is completed on time, does not exceed the set budget and is met with quality (Nasution et al., 2021). In the process of project implementation they interact with each other. Therefore, cooperation, coordination, communication are very important to make the project successful in the sense that the project can be completed on time, the cost does not exceed the budget and the quality is as determined.

Likewise with the issuance of Government Regulation number 71 of 2010 concerning Government Accounting Standards stipulating local governments in making financial reports. Government Regulation 71 of 2010 is also very important for local governments as a guide or guide in the presentation of financial statements and to avoid differences in perception and understanding between local governments. as report presenters with report users as well as financial statement audits (auditors). With an adequate understanding of this, it is hoped that the financial statements will be of higher quality with an unqualified opinion. From the formulation of the problem to the phenomenon in this research is "The Phenomenon of Construction in the Construction of City Districts in Indonesia". The benefits of this research are input for the Regency City Government in Indonesia in implementing accounting for construction in progress.

2. Literature Review

According to Abdul (2008) the definition of regional financial accounting is the process of identifying, measuring, recording, and reporting economic (financial) transactions from regional government entities (districts, cities or provinces) which are used as information in the context of making economic decisions required by external parties of local government entities (districts, cities or provinces. Based on the above understanding Government Accounting is accounting used in a government organization/institution that does not aim for profit, and is a part of the accounting discipline as a whole.

Based on the Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards, construction in progress are fixed assets that are in the process of construction (Dachi et al., 2020 & Putra et al., 2020). Construction in progress includes equipment and machinery, buildings and structures, roads, irrigation and networks, as well as other fixed assets whose acquisition and/or construction process requires a certain period of time and has not been completed by the end of the fiscal year. Acquisitions through construction contracts generally require a certain period of time. The acquisition period is usually less or more than one accounting period. Acquisition of assets can be done by building yourself (swakelola) or through a third party with a construction contract.

Assets are economic resources controlled and/or owned by the government as a result of past events and from which future economic and/or social benefits are expected to be obtained, both by the government and the community, and can be measured in units of money, including

non-financial resources required for the provision of services to the general public and resources maintained for historical and cultural reasons (Tarmizi et al., 2017). Construction in progress are fixed assets that are under construction. 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. The components of fixed assets include the following:

1. Soil.
2. Equipment and machinery.
3. Buildings and buildings.
4. Roads, irrigation and networks
5. Other fixed assets.
6. Construction in progress.

Construction In Work Acknowledgment

1. A tangible object must be recognized as Construction In Work if:
 - a) it is probable that future economic benefits associated with the asset will be obtained;
 - b) the cost can be measured reliably; and
 - c) The asset is still in progress.
2. Construction Under Construction is usually an asset that is intended to be used for government operations or utilized by the community in the long term and is therefore classified as fixed assets.
3. Construction in progress is transferred to the relevant fixed asset item if the following criteria are met:
 - a) Substantial construction has been completed; and
 - b) Can provide benefits/services in accordance with the purpose of acquisition;
4. A Construction Under Construction is transferred to the relevant fixed assets (land; equipment and machinery; buildings and buildings; roads, irrigation, and networks; other fixed assets) after the construction work is declared complete and ready to be used in accordance with the purpose for which it was acquired.

Measurement

Construction in progress is recorded at cost

Construction Cost

Value of self-managed construction:

- a) costs directly related to construction activities;
- b) costs that are attributable to activities in general and can be allocated to the construction; and
- c) other costs that are specifically charged in connection with the construction in question.

Costs that are directly related to a construction activity include:

- a) Cost of field workers including supervisors;
- b) The cost of materials used in construction;
- c) Cost of moving facilities, equipment, and materials from and to the construction site;
- d) Cost of rental of facilities and equipment;
- e) Design costs and technical assistance directly related to construction.

Costs that are attributable to construction activities in general and can be allocated to specific construction include:

- a) Insurance;
- b) Design and technical assistance costs not directly related to a particular construction;
- c) Other costs that can be identified for the construction activity concerned such as inspection costs.

Such costs are allocated using a systematic and rational method and are applied consistently to all costs that have the same characteristics. The recommended cost allocation method is the weighted average method on the basis of the proportion of direct costs.

The value of the construction carried out by the contractor through the construction contract includes:

- a) Term that has been paid to the contractor in relation to the level of completion of the work;
- b) Accrued obligations to contractors in relation to work that has been accepted but not yet paid as of the reporting date;
- c) Payment of claims to contractors or third parties in connection with the execution of construction contracts.

An entity shall disclose information regarding Construction in Work at the end of the accounting period:

- a) Details of the construction in progress contract along with the level of completion and the timeframe for completion;
- b) Value of construction contracts and sources of funding.
- c) Total costs that have been incurred and accrued;
- d) Advances for work provided;
- e) retention.

Construction contracts generally contain provisions regarding retention, for example the last payment term that is still being withheld by the employer during the maintenance period. The retention amount is disclosed in the Notes to the Financial Statements. Assets can be financed from certain sources of funds. The inclusion of sources of funds is intended to provide an overview of the sources of funds and their absorption up to a certain date.

Effective date

This Statement of Government Accounting Standards (PSAP) is effective for financial statements on accountability for budget implementation starting from Fiscal Year 2010. In the event that the reporting entity has not been able to apply this PSAP, the reporting entity can apply the Cash-Based PSAP to Accrual no later than 4 (four) years after 2010 budget.

3. Method

The method of analysis in this research is to use descriptive analysis method. Descriptive analysis method is a research method that describes the results of the analysis of accounting treatment carried out by the local government on the Construction in progress account. In this study, the object of research is the Government of Samosir Regency in the Regional Government Financial Statements for the 2019 Fiscal Year.

4. Results and Discussion

4.1 Results

In the Notes to the Financial Statements of Construction Under Construction in Samosir Regency, the following matters are disclosed. The balance of Construction Under Construction in 2019 is Rp. 9,486,532,342.07 and in 2018 it was Rp. 13,043,788.007,10 The preparation of the Financial Statements for the year ended December 31, 2018 is based on the following assumptions.

1. The Government of Samosir Regency is an independent organization and must be responsible for carrying out its duties in accordance with applicable laws and regulations or as an accounting entity.
2. The Samosir Regency Government will continue its existence or be sustainable.

3. Every event or transaction presented in the financial statements can be valued in units of money, based on the assumption of measurability in currency units.

The 2019 Financial Report of the Samosir Regency Government refers to Government Regulation Number 71 of 2010 concerning Government Accounting Standards Appendix I. The accounting basis used in the Samosir Regency government's financial statements is the cash basis for revenue, expenditure and financing recognition in the Budget Realization Report, and the accrual basis for recognizing assets, liabilities, and equity in the Balance Sheet. The accrual basis for the balance sheet means that the assets, liabilities and equity of the fund are recognized and recorded when transactions occur, or when environmental events or conditions affect government finances, regardless of when cash or cash equivalents are received or paid.

In attachment X to SAP statement number 8 it is stated that Construction Under Work includes land, equipment and machinery, buildings and buildings, roads, irrigation and networks, and other fixed assets whose acquisition and/or construction process requires a certain period of time and has not been completed. Acquisitions through construction contracts generally require a certain period of time. The acquisition time period can be less or more than one accounting period. Acquisition of assets can be done by building yourself (swakelola) or through a third party with a construction contract. The details of fixed assets under construction as of December 31, 2019 and 2018 are as follows:

Table 1. Fixed Assets Construction Under Construction per SKPD FY 2019

No	SKPD name	As of 31 December 2019 (Rp)	As of December 31 2018 (Rp)	Ascension /(Decrease)	Percentage (%)
				(Rp)	
1	Development Planning Agency at Sub-National Level	320,314,500.00	0.00	320,314,500.00	0.00
2	Department of Public Works and Spatial Planning	2,393,179,341.10	7,381,133,065.10	(4,987,953,724.00)	(64.26)
3	Department of Public Housing, Residential Areas and land	1,388,447,751.00	2,550,551,450.00	(1,162,103,699.00)	(66.33)
4	environmental services	89,276,000.00	89,276,000.00	0.00	0.00
5	Department of Transportation	415,137,613.87	31,921,786.00	383,215,827.87	(15.79)
6	Service Culture, Youth and Sports	49,962,000.00	49,962,000.00	0.00	0.00
7	Government tourism office	4,830,215,136.10	2,940,943,706.00	1,889,271,430.10	100.00
	TOTAL	9,486,532,342.07	13,043,788.007,10	(3,557,255,665.03)	(27.27)

The calculation of the mutation of construction in progress during FY 2019 is as follows:

Table 2. The Calculation of Construction Fixed Assets in the Work of FY 2019

No	Details	Amount (Rp)	Amount (Rp)
1	Starting Balance as of January 1, 2019		13,043,788.007,10
	Mutation 2019		
2	Less Mutation		6,913,720,380.00
	Reklas become Fixed Assets	5,452,823,680.00	
	Relax to Stock	1,460,896,700,000	
	Add mutation		3,356,464,714.97
	2019 Capital Expenditure	2,528,224,283.10	
	Reklas from Shopping for Goods and Services Years 2019	328,948,853.00	
	Debt 2019	499,291,578.87	
3	Ending Balance as of December 31, 2019		9,486,532,342.07

According to the Table 2 above, it can be explained as follows:

1. Less Mutation

- a. There are works that are still under construction work in the previous year and still not completed as of December 31, 2019 amounting to IDR 6,130,067,627.10
- b. There is a mutation of Less Construction In Work The previous year has been completed with the following details:
 - a) As Fixed Assets, Roads, Irrigation Networks amounting to Rp. 5,452,823,680.00 At the Public Works and Spatial Planning Office
 - b) Becoming goods that will be handed over to a Third Party at the Public Housing Service amounting to Rp. 1,460,896,700,000

2. Add Mutation

- a. 2019 Capital Expenditure of Rp. 2,528,224,283.10 which has not been recorded as fixed assets, namely Capital Expenditure for Buildings and Buildings at the Tourism Office of Rp. 1,889,271,430.10, Capital Expenditure for Roads, Networks, Irrigation at the Public Works Department of Rp. 386,323,103 ,00 and at the Department of Transportation of Rp. 23,620,750.00 and capital expenditures for other fixed assets at the Department of Public Housing for Settlements and Land Areas of Rp. 229,000,000.00
- b. 2019 Capital Expenditure of Rp. 2,528,224,283.10 which has not been recorded as fixed assets, namely Capital Expenditure for Buildings and Buildings at the Tourism Office of Rp. 1,889,271,430.10, Capital Expenditure for Roads, Networks, Irrigation at the Public Works Department of Rp. 386,323,103 ,00 and at the Department of Transportation of Rp.

23,620,750.00 and capital expenditures for other fixed assets at the Department of Public Housing for Settlements and Land Areas of Rp. 229,000,000.00

- c. 2019 Capital Expenditure of Rp. 2,528,224,283.10 which has not been recorded as fixed assets, namely Capital Expenditure for Buildings and Buildings at the Tourism Office of Rp. 1,889,271,430.10, Capital Expenditure for Roads, Networks, Irrigation at the Public Works Department of Rp. 386,323,103,00 and at the Department of Transportation of Rp. 23,620,750.00 and capital expenditures for other fixed assets at the Department of Public Housing for Settlement and Land Areas of Rp. 229,000,000.00.

The local government of Samosir Regency in the Notes to the Financial Statements has explained maximally on the Construction in progress account. The Regional Government of Samosir Regency has explained several other information as required by the Government accounting standards, namely as follows.

1. Details of the construction in progress contract along with the level of completion and the period of completion at the balance sheet date.
2. Value of construction contracts and sources of financing.
3. Total costs that have been incurred up to the balance sheet date.
4. Advances for work are given up to the balance sheet date.
5. Retention Amount.

The Government of Samosir Regency revealed that in the Notes to the Financial Statements there are 4 construction assets under construction, such as the construction of the road Sp. Pangiribuan Sijambur, Pardomuan Nauli Village, Kec. Palipi, Improvement of Ring Road Port Ambarita Kec. Simanindo, Road improvement Sp. Boho- Peabang Kec. Sianjur Mulamula, and Development of the Distribution Network for the Drinking Water Supply System of Nainggolan City.

Disclosure of these matters certainly makes it easier to explain and compare financial statements. Local governments are expected to identify additional accounting policies and disclosures that encourage local governments to improve financial accountability and transparency of financial reports. This includes explanations of alternative methods for presenting certain information.

4.2 Discussion

The local government of Samosir Regency has implemented an information system that is used so that it can record capital expenditures first as a construction asset in progress for later when the work is completed it can be recognized as a definitive asset and the current system can also be used to record expenses as an advance for work from Construction contract. Special cases should be given special treatment and separate accounting policies in recognition of construction in progress so that local governments have consistent guidance on accounting events.

5. Conclusion

The recording of construction in progress to the government of the Samosir Regency Government in the Regional Government Financial Statements for the 2019 Fiscal Year is carried out by making an adjusting journal for assets that are reported to have not been completed and then recorded in the Construction in progress account.

The Government of Samosir Regency has adequately disclosed the Construction In Process requirements as contained in the Government accounting standards. In the recording process, the recording of advances in the construction of an asset has been implemented. There are no problems faced by the local government regarding the recognition of a construction in progress. Recognition of construction in progress is important where it is necessary to follow the guidelines in Government accounting standards. On Recognition Construction in progress will

assist local governments in disclosure in the Financial Statements. In the end, it will present the asset value fairly.

From the conclusions above, some suggestions can be given as follows:

1. The Government of Samosir Regency can improve the information system used so that it can record capital expenditures first as a construction asset in progress and then when the work is completed it can be recognized as a definitive asset.
2. Improvements to the system can also be used to record expenses as an advance for work from a Construction contract. Special cases should be given special treatment and separate accounting policies in recognition of construction in progress so that local governments have consistent guidelines for accounting events.
3. This study does not discuss construction in progress which is intended to be fixed assets of land, fixed assets of equipment and machinery, fixed assets of Irrigation Roads and Networks and other fixed assets. Hopefully in the future there will be research that discusses cases and accounting policies on this matter.

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