

ACQUAINT THE MANAGEMENT OF INVENTORIES IN THE APPLICATION OF ACCRUAL-BASED GOVERNMENT ACCOUNTING STANDARDS

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***Abstract:** Financial Reform on the Government characterized by PP 71 of 2010, and supported Permendagri 64 of 2013. The embodiment of the finance reform demands the application of accrual-based accounting system for local governments throughout Indonesia since 2015. The application of accrual-based accounting impact on the accounting records of inventories. Inventories is one of the elements of the assets on the balance sheet in the financial report of the Local Government. The accounting conduct of inventories will determine the reasonableness of the presentation of the value of the inventories on the balance sheet and the related inventories expense on the operational reports. Based on existing literature, it was concluded that the management of the inventories affected by apparatus resources competency within the management of inventories; internal control system is adequate and can be accountable; and information systems (application program) in the management of inventories. To be able to manage the inventories for the better, be required to strategy in curbing and administering inventories, inventories stock opname, and inventories reporting.*

Keywords: *The Management of Inventories, Government Accounting Standards, The Applications of Accrual Based*

1. Introduction

The reform of finance in Government was marked by the publication of Government Regulation No. 71 of 2010 about SAP (Government Accounting Standard), and supported Permendagri No. 64 of 2013 about The Application of Accrual-Based Government Accounting Standards on Local Governments. The year 2015 is the first year for local governments throughout Indonesia to apply accrual-based accounting system, either the application of accounting systems as well as the presentation of financial reports. Previously, the government accounting system using the cash basis. Cash basis is a base of accounting who acknowledge the influence of transactions and other events at the moment of cash or cash equivalents received or paid. While the accrual basis of accounting is to acknowledge the influence of transactions and other events at the time of the

transactions and events that occur, regardless of when the cash or cash equivalents received or paid. With the application of the accrual-based financial statements, local governments can be more comprehensive to present all of the rights, obligations and his wealth, operating results as well as the realization of the budget and the remaining budget excess. With this accrual-based of the local government financial reports, local governments are expected to ensure the implementation of the APBD in a more transparent, accountable and also give better benefits for stakeholders, whether users or auditor of the government financial statements.

Based on Permendagri No. 64 of 2013 about The Application of Accrual-Based Government Accounting Standards on Local Governments, financial statements consist of: Budget Realization Reports; Report Changes In Budget Balance More; Balance Sheet; Operational Reports; Cash Flow Reports; Report Changes In Equity; and Notes to The Financial Statements. One element of the assets on the balance sheet is inventories. Every government instance is certainly need inventories in its operations activity, at least in the form of consumer goods such as office stationery. Whereas instance which provide services to the public (public service) such as hospitals and schools for example, have inventories in the form of medicines and books that will be handed over to the community. The existence of inventories in addition to essential to support the operational activities of an instance, often also have significant value or material in total assets. (Antoro, 2015).

The application of accrual-based accounting is very influential on the accounting records of inventories. According to the accrual basis, the government should present usage of inventories as a expense that would reduce the equity/net worth values and presented in the operating statements. While the post of inventories will be presented in the balance sheet on current assets part. Information relating to posts of inventories, made accountability over inventories became extremely important. This is done to know the number and value as well as the actual inventories conditions, which is lies on the assignment of the user of the goods and that all data and information about inventories can be presented and

communicated to the parties concerned with accurate. Information about inventories give contribute significantly and decanted in the Government's financial statements. Data accuracy of inventories is very needed and affect the auditor's opinion (Audit Board of the Republic of Indonesia) on the financial statements of the Ministry/Agency or Central/Local Government to be presented fairly. (Megantara et al., 2006).

Some research about the management of inventories has been done before. Ng'ang'a (2013) in his research in Nairobi-Kenya finding there are four factors that influence the effectiveness of the management of inventories, namely: bureaucratic procurement procedures, computerized system, the allocation of funding for the management of inventories, and staff within the management of inventories. While Janurmahendra (2016) in his study about operational audit to assess the effectiveness of the management of drug inventories revealed there are a constrains on the function of drug storage, and the function of stock control of the drug. This article tries discusses how to management of inventories that occurred in local governments in the application of accrual-based Government Accounting Standard (SAP), the constraints in the management or remedial steps that can be done in addressing existing problems.

2. Literature Review

2.1 Definition of Inventories

Inventories are current assets in the form of goods or supplies intended to support operational activities of the government, and goods that are intended for sale and/or handed over to in order of service to the community. PSAP No. 5 on inventories stated that the assets are classified into inventories if:

- a. Goods or supplies are used in the framework of the operational activities of the government;
- b. Materials or supplies are used in the production process;
- c. Goods in the production process which are intended to be sold or handed over to the community.
- d. Goods are kept for sale or handed over to the community in the framework of the activities of the government.

From the explanation above, may include of the inventories are: consumer goods; ammunition; materials for maintenance; spare parts; inventories for the strategic purpose/for alert purpose; banderoles and stamp; raw materials; goods in process/half so; land/building for sale/handed over to the community; animals and plants for sale/handed over to the community. In the event that the government of storing goods for the purpose of strategic reserves such as energy reserves (eg oil) or for the purpose of warning for reserve food (eg rice), goods are recognized as inventories. While animals and plants for sale or handed over to the community, among others, in the form of a cow, horse, fish, rice, seeds and seedlings of the plant. While inventories with damaged or worn condition was not reported in the balance sheet, but disclosed in the notes to the financial statements.

2.2 Recognition of Inventories

The inventories are recognized at the time of potential future economic benefits obtained the government and have value or cost can be measured reliably; and at the time of the ownership rights be accepted and/or power move. Antoro (2015) states that the value or the cost of the inventories to be supported by source documents that can be verified its validity, such as invoices, receipts, BAST, or SPP/SPM/SP2D.

2.3 Measurement of Inventories

There are three measurement alternative of value inventories, namely:

a. The cost of acquisition when acquired by purchase.

If obtained through the purchase, the value of inventories measured at cost which includes the purchase price, freight costs, handling costs, and other costs which are directly can be imposed on the acquisition of the inventories, and reduced by discounts, rebates, and other pieces.

b. The standard cost if obtained by producing its own.

If obtained through its own production, the value of the inventories measured production cost which includes raw material costs, labor costs, and indirect costs are allocated systematically.

c. Fair value when obtained by other means such as donations/booty.

If obtained through other means, the value of inventories is measured by fair

value. Included in this is the result of breeding of plants and animals, the result of donations/contributions, and booty goods.

The inventories can be recorded with:

- a. **The perpetual method**, namely the method of recording inventories are always updating the value of inventories every incoming and outgoing inventories. Each addition or subtraction (usage/submission) inventories occurs will be recorded in the inventories accounting. At the time of inventories consumption would be recognised as inventories expense. If its inventories in the form of materials for the maintenance, when usage will be recognized as maintenance expense. In its inventories in the form of materials to be sold/handed over to the community, then the time of handover will be acknowledged as "goods" expense (depending on the shape of its inventories) to be handed over to the community. In the meantime, if its inventories in the framework of social assistance, then when handed over to the recipient will be recorded as a social assistance expense.
- b. **The periodic method**, namely the method of recording inventories indirect updating value of inventories during the usage. The amount of the ending inventories is known to do a physical audit (stock opname) at the end of the period. Physical audit (stock opname) on inventories made to validate the value of the inventories record. An inventories of physical audit was done at the end of the reporting period (the end of each semester). If the value of the inventories of physical audit results is lower than the value of the inventories of recorded, then do the adjustment inventories value reduction recorded by recognizing the expense. Conversely, if the results of the physical audit is higher than the value of the inventories of recorded, then do the adjustment value adding inventories of recorded by reducing the expense that was recorded previously. (Antoro, 2015).

The determination of the value of the inventories can be done using:

- a. **FIFO Method (First In, First Out)**

That is determine the value of inventories is based on the value of the goods was first purchased value of goods is used/sold/handed over at the first time.

b. LIFO ACCOUNTING method (Last In, First Out)

That is determine the value of inventories is based on the value of the final goods purchased value of goods is used/sold/handed over at the first time.

c. Average method (Average).

In this method, the cost of goods is the average price of the entire goods owned by local governments. Thus the value of the inventories is calculated based on the average price.

2.4 Presentation and Disclosure of Inventories

Inventories are presented in groups of current assets on the balance sheet of the government, based on the last of acquisition prices when obtained by purchase, with the standard cost if obtained by producing its own, and fair value when obtained by other means such as donations/booty. In the meantime, the inventories/maintenance expense of goods to be handed over to the community/social assistance expense is presented on Operational Reports.

An adequate disclosure related inventories poured in Notes to Financial Statements, at least include about the accounting policies used in measuring inventories; further clarification over the inventories including of recorded inventories values of the difference with the results of the physical audit; as well as the number, type, and value of the inventories in the condition of worn/damaged. (Antoro, 2015).

2.5 Accrual-Based Government Accounting Standards

The Government Accounting Standards (SAP) is the accounting principles applied in compiling and presenting the financial statements of the government. Accrual-based SAP recognizes revenue, expense, asset, debt, and equity in the accrual-based financial reporting, as well as recognize revenue, expenditure and financing in the reporting of budget execution on the basis set out in APBN/APBD. (Government Regulation No. 71 of 2010).

The use of accrual basis aims to: improve the efficiency and effectiveness of (budgeting, accounting, and reporting); improve fiscal control, and asset management; improving accountability in the program providing the goods/services of the government; presents a more complete information to

government for decision making; reforming the expenditure budget system; and broader transparency over the cost of services performed by the government. (http://www.academia.edu/22905511/KONSEP_DASAR_AKUNTANSI_PEMERINTAHAN_BERBASIS_AKRUAL)

3. Research Method

This research is a literature study research is research by studying and reading various previously references of the problem which is the object of research, namely management of inventories in local government. The literature used in the form of books, regulations, articles, journals and the writings of various kinds of media.

4. Result and Discussion

Improved resource competence pointed out as one way of achieving good governance in the management of inventories. Welcomes the implementation of accrual-based accounting system in 2015, BPKAD (Board of Finance and Management of Assets) Belitung district has held Bimtek Management of Inventories Goods on October 27 - November 1, 2014. This Bimtek aims to improve the competence of personnel resources in the field of management of inventories, especially Keeper of Goods (Penyimpan Barang)/Maid Keeper of Goods (Pembantu Penyimpan Barang) and also Assistant Candidates Keeper of Goods (Calon Penyimpan Barang) and in order to improve the understanding, the ability of the utilization administratering/inventories, security, distribution, maintenance, guidance, control and supervision in each work unit in accordance with the regulations and the applicable legislations. (<http://bkppd.belitungkab.go.id/read/1350/bimtek-pengelolaan-barang-persediaan>)

Similar disclosed by the Daily Executive (Plh.) Sekprov Kaltim Dr Meiliana. She expects an improved in human resources in the field of management of inventories namely administrators of goods (pengurus barang), keeper of goods (penyimpan barang) and managers of financial as well as the need for adequate internal control system which can be accountable. On July 26, 2016, East Kalimantan provincial government has facilitated the management of inventories by launching Kaltim Information System for Inventories (SIKAP),

which aims to harmonize and improve the understanding related to the implementation of inventories management. The existence of SIKAP expected to be useful in generating quality inventories report in accordance with the provisions and existing legislation and avoid mistakes. (<http://kaltimprov.go.id/berita-samakan-persepsi-pengelolaan-persediaan.html>)

The importance of the use of information systems in the management of inventories disclosed by Riyanto, 2014. Riyanto explained that work units in the central government has been using the SIMAK-BMN application for administering Goods Country (BMN) and PERSEDIAAN application to administer the inventories, which includes activity to bookkeeping, inventories, and reporting. Furthermore, the data of PERSEDIAAN application be combined in the SIMAK-BMN application, then merged into SAKPA application to produce the balance sheet of work units. But, Riyanto deplore PERSEDIAAN application does not exist in local government, because he thinks that the administration of inventories that is done manually is more complicated than administration of Local Assets (BMD).

Ng'ang'a (2013) in his research found that the effectiveness of the management of inventories, influenced by: bureaucratic procurement procedures, computerized systems, the allocation of funds for inventory management, and inventory management staff. While Janurmahendra (2016) found little constrain in assessing the effectiveness of the management of drug inventories, namely the storage function of drugs, and drug stock control functions. Furthermore, based on LHP (Report Audit Results) by BPK (Audit Board of the Republic of Indonesia), the problem of public inventories are becoming the exception in some local governments located in the inventories reporting and record-keeping systems are not yet adequate. This is because the keeper (penyimpan) and administrator of goods (pengurus barang) did not do adequate record-keeping over the inventories on a work unit regional (SKPD).

Overcoming these problems, few strategies that local governments can do, namely:

a. Curbing and administering of inventories

Curbing can be done with the commitment of local governments as outlined in accounting policy for inventories governing procurement procedures and the use of inventories in each SKPD.

Administering of the inventories can be done by:

- 1) Take note of the list/books of inventories are provided regularly about the procurement and usage of inventories and save the evidence of purchase and usage of inventories.
- 2) Make a user requests card as proof for expenditure items of inventories.
- 3) Make a inventories cards per items of goods or card stock as a control.

b. Stock opname of inventories

Physical audit or stock opname of inventories is administering the inventories control measures required by the local government. Any movement of goods inventories recorded in the card stock and books of inventories , but there are some events concerning the inventories get away from recording (recording), namely the inventories of expired, damaged or lost in storage. This incident can be summed up by the time stock opname of inventories. According to Permendagri No 17 of 2007 about technical guidelines of management of Local Assets (BMD), administrators of goods (pengurus barang) obliged to report inventories items consumables per semester so that it can be concluded at least 2 times a year will have to do a stock opname. Next, based on the results of the stock opname then made a letter of news event which described physical audit of inventories that contains the remaining inventories at a certain period and the inventories conditions (good/damaged, expired, or missing).

c. Reporting of inventories.

Value of the inventories is reported in the balance sheet based on the book of inventories after a reconciliation between the notes and the results of a physical audit done and inventories in the event of the difference should be able to explain it in The Notes to Financial Statements (CaLK).
(warungkopipemda.com in

<http://dppkadboltim.net/index.php/informasi/berita/16-persediaan-daerah-masalah-dan-solusinya>)

5. Conclusion

The inventories is an asset that belongs to every work unit. The accounting conduct of inventories will determine the reasonableness of the presentation of the value of the inventories on the balance sheet and the related inventories expense on the operational reports. Inventories are recognized when the potential future economic benefits obtained and have value or cost can be measured reliably, and at the time of the ownership rights be accepted and/or power move, supported by evidence of valid and reliable transactions. In determining the value of inventories, government of instance can use the FIFO method, LIFO, or the method of average. The method of election is determined by the level of materiality of the value of the inventories is supported by policy on each entity.

Based on a description of the management of the inventories which had been expressed earlier, the authors can conclude there are at least some of the factors that affect the management of the inventories include:

- a. Competency of human resources in a field of management of inventories.
- b. Internal control system is adequate and can be accountable.
- c. Information systems (application program) in the management of inventories.

To be able to manage the inventories for the better, be required to strategy in curbing and administering inventories, stock opname inventories, and reporting of inventories. Support local governments in the management of the inventories can be done by setting up: (DPPK Kab. Bondowoso, 2015)

- a. Books, documents (purchase document, document acceptance, document expenditure, etc.), inventories reports and evidence administration of administering other inventories in the fiscal year concerned.
- b. Security/storage inventories (cupboard, warehouse, etc.).
- c. News event handover of goods which handed over to/sold to the community/third party.
- d. News events physical audit (stock opname).

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