Abstract: This study aims to provide a response to the construction accounting treatment in the financial statements. The analytical method used is to use descriptive analysis method to describe the results of the analysis of construction accounting treatment in progress. Construction in progress is a fixed asset that is in the process of being built. The work includes construction work on land, equipment and machinery, buildings and buildings, roads, irrigation and networks, and other fixed assets. There are several problems that can be faced by local governments regarding the recognition of a construction in progress. From the results of the analysis conducted, it shows that the acquisition of fixed assets construction in progress on the financial statements is not in accordance with accounting treatment.

Keywords: Financial Accounting, Construction in Progress, Financial Statements.

INTRODUCTION

As a country that has a large area, Indonesia consists of provinces, districts and cities that have governments regulated in law. With the issuance of PP. 24 of 2005, each reporting unit in government agencies is required to prepare a balance sheet as part of the government financial report. Recognition / recording, measurement / valuation, and presentation and disclosure of fixed assets are the main focus because fixed assets have a very significant value and have a high degree of compatibility.

According to Government Regulation Number 71 of 2010, 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 society, as well as can be measured in terms of money, including non-financial resources necessary for the provision of services to the general public and resources maintained for historical and cultural reasons. In the financial statements there are fixed assets, one of which is Construction in Progress which is regulated in the Government Accounting Standards Statement (PSAP) Number 08 of Appendix PP 24 of 2005, as well as PSAP 08 of Attachment II to PP 71/2010 which aims to regulate accounting treatment for construction in process.

In maintaining the continuity of the company, especially in the field of construction services, it is necessary to make the right decision based on information that can be accounted for through financial reports so that various parties, both external and internal, can make decisions.

Maruli (2013) states that the recording of construction in progress at the Minahasa District government is carried out by making an adjusting journal for assets that have not been reported yet completed and then recorded in the Construction in progress account. Meanwhile, according to Zubaidah (2018), the acquisition of fixed assets for construction in progress towards the financial statements at the Public Works Office (PU) of Gorontalo City is not in accordance with the Accounting Treatment.

Today, existing construction has developed in Indonesia which is influenced by several factors such as the rapid growth of the market, the development of development projects everywhere, especially in big cities. In carrying out a construction or construction, several elements are needed. to complete construction such as time (time), cost (cost), and quality (quality). Where in the project work consists of authorized parties in its completion.

In this paper, the author wants to know the accounting treatment in the construction presentation which has a bearing on recognition, presentation, disclosure and measurement of construction in progress as one part of local government assets.
LITERATURE REVIEW

Regional Financial Accounting

The American Institute of Certified Public Accountants (AICPA) provides a concept of accounting that is "the art of recording, classifying, and summarizing in significant ways and units of currency, transactions and events that are at least partly financial in nature, and then interpreting the results." According to Cho & Meek (2010) "Accounting must respond to the needs of the society for information that is constantly changing and reflects the cultural, economic, legal, social and political conditions that exist in its operating environment."

According to Nordiawan, Putradan Rahmawati (2012) Government Accounting specializes in recording and reporting transactions that occur in government agencies. According to Bastian's book (2001) government accounting is a technical mechanism and accounting analysis applied to the management of public funds in high state institutions, and the ministries under it, local government, BUMN, BUMD, NGOs, and social foundations as well as in public sector and private sector cooperation projects.

Financial statements

According to Financial Accounting Standards (2017) "Financial statements are a structured presentation of the financial position and financial performance of an entity." The purpose of financial statements according to Hans (2016) is to provide information about the financial position, financial performance and cash flow of an entity that is useful for some large users of financial reports in making economic decisions. The financial statements are also a form of management's responsibility for the use of resources entrusted to them in managing an entity.

Construction Accounting in Progress

According to (PSAK) No. 34 A construction contract is a contract that is negotiated specifically for the construction of an asset or a combination of assets that are closely related to one another or interdependent in terms of technological design, and function or main purpose of use. Based on Accrual Based SAP No. 12 concerning Accounting for Construction in Work in which Construction in Progress includes land, equipment and machinery, buildings and buildings, 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. Acquisitions through the contract generally require a certain period of time. The time period for such acquisition can be less or more than one accounting period.

A construction contract can relate to the acquisition of a number of assets that are closely related or interdependent with each other in terms of design, technology, function or purpose, and primary use. Such a contract is for example the construction of an irrigation network.

A tangible object must be recognized as Construction in Progress if:

- it is probable that the future economic benefits associated with the asset will be obtained;
- the cost can be measured reliably; and
- the asset is still in progress.

The value of construction done independently:

- costs directly related to construction activities;
- costs that are attributable to the activity in general and can be allocated to the construction; and
- Other costs specifically charged in connection with the construction concerned.

Based on Accrual Based SAP No. 12, An entity must disclose information about Construction In Progress at the end of the accounting period:

- Details of the construction contract in progress including the level of completion and the period for completion;
- The value of the construction contract and its funding sources.
- Total costs incurred and accrued;
- Advances for work provided;
- Retention.

The purpose of preparing Construction Accounting Guidelines in Work is to provide guidance to organizations involved in recording and reporting construction in progress so that the organization has the same perception so that uniformity is achieved in construction accounting in progress. While the objectives of construction accounting in progress are:

Provide accurate and timely information about Construction in progress;

- securing Construction transactions in progress through consistent recording, processing and reporting of financial transactions;
- supports the implementation of SAPP which produces construction information in progress as a basis for accountability and decision making.

METHOD

The method used in this research is descriptive method, with a type of correlational study. The approach used in this research is a quantitative approach. Descriptive research (descriptive research) is a method that is intended to describe existing phenomena, which are taking place at present or in the past. According to Arikunto(2010), "correlation research aims to find out whether there is a relationship and if there is, how close the relationship is and whether the relationship is meaningful or not".

The choice of descriptive correlational method is
based on the intention of the researcher who wants to examine and see the degree of the relationship between construction accounting treatment in progress on financial statements. The populations in this study were government employees.

The sample in this study was selected using random sampling technique. Sampling with this technique can only be done if the population is homogeneous.

**RESULT AND DISCUSSION**

**Result**

In preparing the Financial Statements for the year ended 31 December based on the following:

- Apart from being an organization that has the obligation to perform tasks in accordance with the applicable laws and regulations, the government is also recognized as an accounting entity.
- The government will continue to exist or be sustainable.
- Every event or transaction that is presented in the financial statements can be valued in units of money.

The accounting basis used in government financial reports is based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards Appendix I. In financial reports, the basis used is the cash basis for the recognition of income, expenditure and financing in the Budget Realization Report, and the accrual basis for recognition. Assets, liabilities, and equity in the balance sheet. The accrual basis for the Balance Sheet means that assets, liabilities, and fund equity are recognized and recorded at the time a transaction occurs, or when an environmental event or condition affects government finances, regardless of when cash or cash equivalents are received or paid.

For costs attached to construction in progress are:

a. costs directly related to construction activities
b. costs that are attributable to the activity in general and can be allocated to the construction; and

c. Other costs specifically charged in connection with the construction concerned.

In the financial statements, the matters disclosed in the CaLK explanation for the Construction in progress account are as follows:

- Balance of the Construction in Progress account
- Construction mutation in progress, both addition and subtraction.
- Name of construction assets in progress.
- The value of each construction asset in progress.

At the end of the year, local governments do not need to make an adjusting journal. Disclosure of construction in progress is required to disclose advances for work given up to the balance sheet date; however, local governments generally do not record the advances for such advances.

**DISCUSSION**

Based on Accrual Based SAP No. 12, the acquisition value of construction fixed assets in progress is not in accordance with the accounting treatment because the acquisition of construction fixed assets in progress has accumulated all costs that should be in accordance with the accounting treatment for construction in progress before being recorded in the books / journals, so it is necessary to record the costs. For costs attached to construction in progress are:

- costs directly related to construction activities,
- costs that are attributable to activities in general and can be allocated to the construction; and
- Other costs specifically charged in connection with the construction concerned.

The following table discusses the comparison between the recording of the acquisition of fixed assets for construction in progress and according to accounting treatment:

<table>
<thead>
<tr>
<th>The recording of the acquisition of construction property, plant and equipment in progress based on accounting treatment</th>
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<tbody>
<tr>
<td>Year 20XX Construction In Progress</td>
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<tr>
<td>Acquisition Value of Terminal and Pump House</td>
</tr>
<tr>
<td>Planning Document Fee</td>
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<tr>
<td>Acquisition of Terminal and Pump House Journal</td>
</tr>
<tr>
<td>Dr. Building Material Cost</td>
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<tr>
<td>Dr. Labor Cost</td>
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<tr>
<td>Dr. Other Fees</td>
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<tr>
<td>Central Dr / Cr</td>
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<tr>
<td>Dr. Construction in progress</td>
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<td>Cr. Invested in Fixed Assets</td>
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**Table 2.** Recording of the acquisition of construction fixed assets in progress according to accounting treatment

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<th>The recording of the acquisition of construction fixed assets in progress Year 20XX</th>
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<tbody>
<tr>
<td>Construction in progress Acquisition</td>
<td>IDR.</td>
</tr>
<tr>
<td>Total Acquisition of Terminal and Pump House Journal</td>
<td>IDR.</td>
</tr>
<tr>
<td>Dr Capital Expenditure</td>
<td>IDR.</td>
</tr>
<tr>
<td>Cr Dr / Cr Central</td>
<td>IDR.</td>
</tr>
<tr>
<td>Dr. Construction in progress</td>
<td>IDR.</td>
</tr>
<tr>
<td>Cr Invested in Fixed Assets</td>
<td>IDR.</td>
</tr>
</tbody>
</table>

In policy making, the determination of the acquisition cost of construction fixed assets in progress is seen from the total cost without separating other costs related to the procurement of construction fixed assets in progress. All these costs are recorded in capital expenditures in the Budget Realization Report without including or adding them to the balance sheet account for construction in progress accounts. So that this is not in accordance with the Accounting Treatment, namely the value of tangible fixed assets budgeted in capital expenditures in the amount of the purchase price of the asset plus all costs associated with the procurement / construction of the asset until the asset is ready for use. Therefore, the value of construction fixed assets in progress is smaller than the proceeds from the acquisition of construction fixed assets in progress which have been adjusted to the Accounting Treatment.

**CONCLUSION AND SUGGESTIONS**

**Conclusion**

A construction contract is a contract that is negotiated specifically for the construction of an asset or a combination of assets that are closely related to one another or interdependent in terms of technological design, and function or main purpose of use. The recording of construction in progress with the government is carried out by making an adjusting journal for assets that are reported as unfinished and then recorded in the Construction in progress account. There are several problems that can be faced by local governments regarding the recognition of a construction in progress. From the results of the analysis conducted, it shows that the acquisition of fixed assets construction in progress on the financial statements is not in accordance with accounting treatment.

**SUGGESTIONS**

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

1. We recommend that the government be able to improve the information system used so that it can record capital expenditure first as a construction asset. With the improvement of the system, it can also be used to record expenses as advances for work from construction contracts. The government should provide special treatment and separate accounting policies in recognition of construction in progress so that local governments have consistent guidance on accounting events.

2. The local government in the Notes to the financial statements at a minimum explains the Construction in progress account. Local governments should add some other information based on Government accounting standards, namely details of construction contracts in progress including completion rates and completion periods at balance sheet date, construction contract value and financing sources, total costs incurred up to balance sheet date, advances for work given up to balance sheet date and retention amount.

**REFERENCES**


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