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## THE EVALUATION OF FIXED ASSETS BASED ON SAK-ETAP AT PT. AIR MANADO

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### ABSTRACT

*Abstract: : Fixed assets are company assets that have a form, have economic benefits for more than one year, and are acquired by the Company to carry out company activities, not for resale. Fixed assets are regulated in the Financial Accounting Standards for Entities Without Public Accountability 15. In SAK ETAP 15, it is explained that fixed assets must be treated based on the recognition, measurement, depreciation, recognition of recognition, and disclosure of fixed assets. This research aims to evaluate the treatment of fixed assets at PT. Air Manado with the provisions of SAK ETAP No 15 regarding the applicable fixed assets. This study uses a qualitative descriptive analysis method and research data obtained through interviews and documentation. The outcomes showed that the accounting treatment for fixed assets owned by the Company is recognition that follows SAK ETAP 15, measurements that follow SAK ETAP 15, depreciation that follows SAK ETAP 15, recognition that is not following SAK ETAP because PT Air does not write off fixed assets that have no useful life and remain in the financial statements where this does not reflect the actual value of these assets. The disclosure needs to follow SAK-ETAP No. 15. This is because PT Air Manado did not immediately write off the assets. After all, there needed to be more information obtained by the finance manager from the relevant division.*

*Keywords: Fixed assets, SAK-ETAP, qualitative analysis, accounting treatment, and derecognition.*

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## 1. INTRODUCTION

PT Air Manado is water service providers. PT Air Manado as a Regional Drinking Water Company with the enactment of PP no. 40 of 2007, which is a substitute for PP no. 1 of 1995 concerning Limited Liability Companies. PT Air Manado in carrying out water supply service operations for the community where the Company has various types of assets. Fixed assets owned to support operational activities include a Water Treatment Plant (IPA), land, buildings, and other office inventory tools.

So the Company's fixed assets must be disclosed efficiently and following existing standards because it is closely related to the reliability of a financial report because it dramatically influences the information needs of stakeholders. PT Water is a regional private company which is a product of cooperation owned by the local government. PT Air, which was formerly known as PDAM Manado, which in its development, was changed to PT Water due to PT's cooperation with foreign companies, so that PT Air uses SAK ETAP as a standard in managing



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financial reports. This is because PT Air is an entity that has no significant public accountability and issues general-purpose financial statements for external users.

An important issue is whether the recognition, measurement, depreciation, derecognition and disclosure of fixed assets comply with the standards used by the Company. The conditions that occurred at PT Air Manado is the derecognition of fixed assets owned by a company for which there are no economic benefits generated from these fixed assets; the Company does not immediately write off these fixed assets so that the resulting report does not reflect the actual value of these assets. Based on the explanation above, the authors are interested in conducting research on how PT Air Manado carries out the accounting treatment of fixed assets with the title "Evaluation of Fixed Assets Accounting Treatment Based on SAK-ETAP No. 15 At PT Air Manado"

## **2. LITERATURE REVIEWS**

### **2.1. Fixed Assets**

Fixed assets are assets that are owned (can be self-made, purchased either in cash or as a result of exchanging assets or obtained from donations or gifts) and are not for sale in the ordinary course of the Company, have a relatively high value, are aged for more than one accounting period and are used in company activities ( Effendi, 2015: 233) Fixed assets are business assets that are not to be traded, but are used for business activities that are more than one year old. Fixed assets are owned by a company whose useful life (economic life) is more than one year (Munawar, Trisha, et al., 2021: 128). Fixed assets are company assets that have a form, have economic benefits for more than one year, and are acquired by the Company to carry out company activities, not for resale (Mulyadi, 2016: 497)

Fixed assets are classified based on Land, Building, Vehicle, and Equipment (Bahri, 2016: 23). These assets can be with the help of physical facilities (land, vehicles, buildings, machinery, equipment) and financial assets (cash, receivables, securities). Included in the definition of company assets is the inventory of goods and materials used in production or operations. (Herman, 2019: 19).

According to the Ikatan Akuntansi Indonesia (2015: 231), an asset can be classified as a fixed asset if it meets the following characteristics:

1. Tangible assets
2. Age more than one year (age more than nine years)
3. Used in business operations (used in Company's operations)
4. Not for sale (not for sale)
5. Materials
6. Owned by the Company

### **2.2. SAK ETAP**

SAK ETAP intended for use by Entitas Tanpa Akuntabilitas Publik, namely entities that do not have significant public accountability; and publish financial reports for general purposes (general purpose financial statement) for external users Examples of external users are owners who are not directly involved in business management, creditors and credit rating agencies.

### **2.5. Accounting Treatment based on SAK ETAP No. 15**

#### **2.5.1. Recognition of Fixed Assets**

1. It is probable that the economic benefits associated with the item will flow to or from the entity and
2. The item has a value or cost that can be measured reliably.

Land and buildings are separable assets and must be recorded separately, even though the land and buildings were acquired simultaneously.

#### **2.5.2. Measurement of Fixed Assets**

1. The purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, net of purchase discounts and other discounts;
2. Costs that can be distributed directly to provide the resource to the desired location and condition so that the asset is ready to use according to management's intention. These include land preparation costs for the factory, handling, and operational testing costs.
3. An initial estimate of asset dismantling costs, asset Costs of site restoration and teardown. The obligation for these costs arises when the asset is acquired or because the entity uses the asset during a specified period rather than to produce inventories.

#### **2.5.3. Depreciation of Fixed Assets**

Depreciation expense should be recognized in the profit or loss unless the expense represents the cost of acquiring an asset. For example, depreciation of manufacturing fixed assets includes inventory costs.

1. Amount and period of depreciation
2. Factors such as changes in the use of assets, technological developments, and changes in market prices indicate that the useful life of assets has changed since the date of the most recent annual period.
3. Depreciation method,
4. Whenever there are signs that anything has changed significantly since the last annual reporting date

#### **2.5.4. Derecognition of Fixed Assets**

An entity must derecognize fixed assets when :

1. Released
2. When no future economic benefits are expected from its use or disposal

#### **2.5.5. Fixed Asset Disclosure**

An entity must disclose each category of fixed assets:

1. The gross carrying amount is calculated using the measurement basis.
2. The method of depreciation was employed.
3. Depreciation rate or useful life is employed.
4. Gross carrying amount and cumulative depreciation at the beginning and end of the period (together with accumulated impairment losses); and Reconciliation of the carrying amount at the beginning and end of the period showing:
  - a) Addition
  - b) Release
  - c) An impairment loss recognized or reversed in the profit or loss
  - d) Depreciation
  - e) Other changes.

### **3. RESEARCH METHOD**

#### **3.1. Data**

Qualitative data are the kind of data in this study. Data collected using qualitative methods from interviews with the director of finances, the finance manager, and the finance staff. Documents (balance sheets) for the 2019 period, the company's organizational structure,

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and the company's vision and goal are among the qualitative data that researchers will gather to support study on fixed assets.

### **3.2. Sample**

PT Air Manado conducted this research. Jl. Yos Sudarso No. 65, Paal Dua, Manado City, North Sulawesi. The time this research was carried out was from July 2020 until completion.

### **3.3. Method of analysis**

#### **1. Interview**

The interview is an activity to obtain in-depth information about an issue or theme raised in the research. Researchers will conduct these interviews with informants from the Company, including financial managers, finance directors, and other financial staff regarding fixed asset data in financial reports. The interview technique was carried out by giving nine questions to the informant regarding at PT Air Manado, which is done face to face. The interview participants were finance managers, finance directors, and financial staff.

#### **2. Documentation**

Documentation techniques are carried out by collecting data and records related to research, namely data related to fixed assets. The data collection method uses documentation used by researchers in the form of financial reports (balance sheets) in the 2019 period, organizational structure and Company vision and mission, as well as Company documents/ archives/ files related to fixed assets in the form of images such as photos, sketches, or data stored on the server or the website.

## **4. RESULTS AND DISCUSSIONS**

### **4.1 General description of the company**

PT. Air Manado is a regional private company which is a product of cooperation owned by the local government. PT Air, formerly known as PDAM Manado, was changed to PT Water because of the PT's cooperation with foreign companies in its development. On October 22, 2005, the Manado City Government collaborated with the Waterleiding Maatscappij Drenthe (WMD). PT Air Manado cooperates with a Dutch company, Waterleidengmaatscappij Drenthe Netherlands/WMD, through its subsidiary BV Tirta Sulawesi. The results of the collaboration gave birth to a cooperation agreement to form a company with Joint Venture Company (JVC). On January 15, 2007, at the Manado City Government hall, Mayor Jimmy Rimba Rogi, S.Sos represented the Manado City Government as the owner of PDAM Manado and the Governor of the Dutch Province of Drenthe Mr Ter Beek, the owner of the Dutch Waterleidengmaatscappij Drenthe/WMD company, witnessed by the Dutch Ambassador to Indonesia and the Indonesian Ambassador to the Netherlands, inaugurated the operation of PT Air Manado as a limited liability company with legal status. The inauguration begins with fulfilling the requirements for a Concession Decree, a Tariff Formula Decree by the Mayor of Manado, a Cooperation Addendum and an Employee List. Then on January 15 2007, a General Meeting of Shareholders (GMS) was held between PDAM/Manado City Government and BVTs/WMD to elect and determine the leadership/Directors of the first PT Air Manado, with the composition of the directors, namely: Herry J. J. Kereh, SE, MM, Ak as President Director, Drs. Jan Wawo, BE, as the General Director, and Martinus Rentor, as the Technical Director of the two companies, collaborated with a Joint Venture Company (JVC) between Tirta Sulawesi BV (WMD Netherlands) and PDAM Manado City (Manado City Government) to establish PT Air Manado Company Vision and Mission.

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## 4.2 Classification of Fixed Assets PT. Air Manado

PT. Air Manado, in its operations, has many fixed assets and consists of various types of goods, so it is necessary to group these fixed assets. The following is a grouping of fixed assets owned by PT Manado water:

- 1) Soil
- 2) Building
- 3) Water Source Installation
- 4) Installation of Water Pumps, such as:
  - a) Pump untreated water
  - b) Clear water pump
- 5) Water Processing Installation, such as :
  - a) Machinery and installation
  - b) Parts of the building
- 6) Installation of Transmission and Distribution, such as:
  - a) Main pipeline (transmission)
  - b) Pipeline connection (distribution)
  - c) Newly installed water meters
  - d) Revised water meters
- 7) Vehicles
- 8) Equipment
- 9) Office Supplies, such as:
  - a) Computer Software (software)
  - b) Hardware
  - c) Furniture

## 4.3 Treatment of SAK-ETAP No. 15 Fixed Assets at PT. Air Manado

### 1. Recognition

Based on the provisions of SAK ETAP No. 15 regarding fixed assets, entities must apply the recognition criteria in determining the recognition of fixed assets. Therefore, an entity should recognize the cost of acquiring fixed assets as fixed assets if:

- a) It is probable that the economic benefits associated with the item will flow from or to the entity. PT Air Manado recognizes owned assets provided that the assets owned or acquired are assets that have a useful life, provide economic benefits for more than one period, and can support the Company's operational activities.
- b) The item has a value or cost that can be measured reliably. The cost of acquiring fixed assets owned by PT Air Manado can be measured reliably because there is documentation or supporting records for acquiring these fixed assets.
- c) Land and buildings are separable assets and must be recorded separately, even though the land and buildings were acquired simultaneously. Land and buildings owned by PT Air Manado have been recorded separately in fixed assets owned by the Company

### 2. Measurement

- a) Upon initial recognition, fixed assets must be measured at cost. PT Air Manado, in measuring initial recognition, has measured the asset's acquisition cost at the asset's acquisition cost.
- b) Entities must measure all fixed assets after initial recognition at cost less accumulated depreciation and accumulated impairment losses. The entity must recognize day-to-day maintenance and repair costs of fixed assets as expenses in the income statement in the period they are incurred. Measurement of all fixed assets carried out by PT After the previous initial recognition, Air Manado has done right because the Company reduced the acquisition cost

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by accumulated depreciation. The Company also recognizes the daily maintenance and repair costs of fixed assets as an expense in the income statement for the period.

### 3. Depreciation

a) Depreciation expense must be recognized in the profit/loss statement. The fixed asset depreciation expense owned by PT Air Manado has been recognized in the income statement. The Company combines the depreciation expense with amortization under the account of depreciation and amortization expense.

b) The entity must systematically allocate the number of assets and the depreciable depreciation period over their useful lives. Factors such as asset use, technological developments, and market prices may indicate that the asset's useful life has changed since the most recent annual period. If any of these indicators exist, the entity should review previous estimates and (if current expectations differ) change the depreciation method or valuable life. The total assets and fixed asset depreciation period of PT Air Manado have been regulated in the Business and Finance Bulletin.

c) An entity shall select a depreciation method that reflects the expected use pattern of the asset's future economic benefits. The depreciation method used by the Company is the straight-line method. Other methods, such as the declining balance method or the units of production method, are not allowed.

### 4. Derecognition

Entities must derecognize fixed assets when:

a) released

b) when no future economic benefits are expected from its use or disposal.

The entity shall recognize a gain or loss on derecognizing fixed assets in the profit or loss when the assets are derecognized. The gain should not be classified as income. PT Air Manado has not carried out the termination of its fixed assets on its fixed assets.

### 5. Disclosure

Entities must disclose each class of fixed assets.

a) The measurement basis used to determine the gross carrying amount. The measurement basis used by PT Water Manado is an invoice.

b) The depreciation method used. The depreciation method used by PT Air Manado is a straight-line method.

c) Useful life or depreciation rate used. The useful life or depreciation rate used by PT Air Manado has been regulated in the Business and Finance Bulletin issued by Waterleiding Maatscappij Drenthe (WMD).

d) Gross carrying amount and accumulated depreciation (aggregated with any accumulated impairment losses) at the beginning and end of the period. PT Air Manado does not use the calculation of impairment losses because the Company believes there is no asset revaluation. This company policy has been regulated in the Business and Finance Bulletin issued by Waterleiding Maatscappij Drenthe (WMD).

Recognition, measurement, depreciation, derecognition and disclosure of fixed assets at PT Based on SAK-ETAP No. 15, Air Manado has been carried out by the Company. However, in its implementation, several parts still need to follow generally accepted standards. The Company is in the process of recognizing fixed assets following generally accepted standards. Likewise, the measurement of fixed assets in Company PT. Air Manado follows the provisions of SAK ETAP no. 15. On the aspect of measuring fixed assets carried out by Company PT. Air Manado complies with the provisions of SAK ETAP No. 15. However, the derecognition and disclosure of fixed assets, there are still some errors.

Derecognition of fixed assets of PT Based on the information the author got from the informant, Air Manado stated that the derecognition of assets had yet to be implemented. Fixed assets owned by the Company when there are no economic benefits generated from

these fixed assets, the Company does not immediately write off these fixed assets. This is because the financial manager needs to obtain information, which can affect the financial statements that are produced later because the financial reports that are produced do not fully reflect the value of fixed assets that have no benefits. As a whole, the termination of fixed assets could have gone better, especially in the water machines used in the Company's operational processes, because the Company did not immediately write off the assets. After all, the financial manager needed more information. SAK-ETAP No. 15 has regulated that when no economic benefit is generated, the Company must derecognize the fixed asset so that later the resulting financial statements will show the actual value of the fixed asset. In this case, there needs to be adequate control and recording regarding the disposal of fixed assets. This results in the fixed asset data still containing assets that are no longer used in operational activities, so the resulting financial reports do not reflect the actual value of these assets. PT Air Manado should record the termination of the fixed assets as follows:

***Accumulated Depreciation of Machinery and Installation (D) XX***

***Machinery and Installation (C) XX***

Disclosure of fixed assets based on SAK ETAP No. 15 requires entities that, in determining the gross carrying amount of the Company, must disclose the gross carrying amount and accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period. Still, the Company does not carry out accumulated impairment losses because the Company believes that there is no revaluation in assets. This company policy has been regulated in the Business and Finance Bulletin issued by Waterleiding Maatscappij Drenthe (WMD).

## 5. CONCLUSION

Company PT. Air Manado is a regional private company which is a product of cooperation owned by the local government. PT Air, formerly PDAM Manado, was changed to PT in its development. Water because the PT cooperated with foreign companies. On October 22, 2005, the Manado City Government collaborated with the Waterleiding Maatscappij Drenthe (WMD). PT Air Manado cooperates with a Dutch company, Waterleidengmaatscappij Drenthe Netherlands/WMD, through its subsidiary BV Tirta Sulawesi. The results of the collaboration gave birth to a cooperation agreement to form a company with Joint Venture Company (JVC). PT Air Manado Based on the results of the research conducted, it can be concluded that:

- a) Recognition of fixed assets at PT Air Manado follows SAK ETAP No. 15 regarding fixed assets.
- b) PT Air Manado's fixed assets are measured following SAK ETAP No. 15 regarding fixed assets.
- c) Depreciation of PT Air Manado is following SAK ETAP No. 15 regarding fixed assets. The Company recognizes depreciation and amortization expenses in the same account in profit/loss.
- d) The derecognition of fixed assets at PT Air Manado is not following SAK ETAP No.15, so the resulting report does not reflect the asset's actual value. For fixed assets, such as the Company's water machines used in the operational process, the Company only writes off these assets if the manager obtains information.
- e) Disclosure of fixed assets at PT Air Manado is not entirely following SAK-ETAP No. 15. This company policy has been regulated in the Business and Finance Bulletin issued by Waterleiding Maatscappij Drenthe (WMD).
- f) Overall the accounting treatment for fixed assets owned by the Company which includes recognition, measurement, depreciation, derecognition and disclosure, must fully follow SAK-ETAP No. 15.

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