

Research Article

## **Application of Statement No.17 of Governmental Accounting Standards on Investment Properties**

Rizwandha Imawan<sup>1</sup>, Taufik Kurniawan<sup>2</sup>, Iskandar Muda<sup>3</sup>

### **Abstract.**

This research aims to know about Government Accounting Standards regarding Investment Properties no 17 of 2021 is an update of the previous regulation on Investment. The type of this research is qualitative methods, The data collection are carried out by taking data in the library, reading, taking notes, and processing research materials. The author collects data by studying and understanding written sources in the form of laws, government regulations, ministerial regulations of finance, ministerial decisions, director general regulations, books, lecture materials. The result of this study is the PSAP No. 17 it is stated that investment property is recognized as an asset if and only if a) it is probable that economic benefits will flow to the entity in the future from the investment property asset; and b) the cost or fair value of the investment property can be measured reliably.

**Keywords :** Government Accounting Standards, investment property, economic benefits

### **1, Introduction**

The current Covid-19 pandemic has affected all economic and financial sectors, especially in Indonesia. The implementation of the Covid-19 alert and emergency response status with the policy of Enforcement of Community Activity Restrictions (PPKM) for this year affects the economy and finances, especially within the government of the Republic of Indonesia. In order to respond to the economic recession and financial stability, the government needs to accelerate with the national economic recovery program which provides an economic recovery effect.

President Joko Widodo issued PERPPU No. 1 of 2020 concerning "State Financial Policy and Financial System Stability" for Handling the Corona Virus Disease 2019 (COVID-19) Pandemic and/or in Facing Threats That Endanger the National Economy and/or Financial System Stability. One of the concerns in state finances is assets in investment properties include; land or buildings controlled to generate rental income or to increase the value of assets or both, and not for use in government or public activities; or handed over to the public.

The government invests as a form of financing expenditure. This investment can be made by both the central government and local governments. Investments made by government agencies are usually in the form of equity participation in government-owned enterprises. Investments can be classified into two types, namely short-term investments and long-term investments. Short-term investments are investments with maturities of three months to twelve months (Sadalia et al., 2020). The government makes short-term investments to manage its cash because basically, short-term investments are investments that can be disbursed immediately and are low risk. There are several investment accounting activities carried out by the government. These include investment measurement, valuation methods, recognition of investment returns, disposal and transfer of

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<sup>1,2,3</sup>Universitas Sumatera Utara, Medan, Indonesia

investments, and presentation and disclosure of investments (Silalahi, 2020). Long-term investments are seen as high-risk investments.

In preparing the accountability report for financial reporting, the Indonesian government stipulates a regulation contained in Government Regulation Of The Republic Of Indonesia Number 71 Of 2010 Concerning Government Accounting Standards. Government Accounting Standards, hereinafter abbreviated as SAP which contains accounting principles applied in preparing and presenting government financial statements. Statement of Government Accounting Standards, hereinafter abbreviated as PSAP, is SAP which is given the title, number, and effective date.

## **1. Literature Review**

This study was developed from several literatures of regulations and research as a reference in developing hypotheses and conceptual frameworks in reaching results and conclusions. In this study, which is used as a reference is Government Accounting Standards. Government Accounting Standards, hereinafter abbreviated as SAP which contains accounting principles applied in preparing and presenting government financial statements. Statement of Government Accounting Standards, hereinafter abbreviated as PSAP, is SAP which is given the title, number, and effective date.

In the form of Government Regulations, namely PP No. 71 of 2010 and Regulation of the Minister of Finance (PMK) for additions and revisions. Standards are developed from government accounting practices that apply internationally and statutory provisions in force in Indonesia. The international standard reference for public sector accounting uses the International Public Sector Accounting Standard (IPSAS).

The Ministry of Finance issues Minister of Finance Regulation No. 85/2021 which regulates the Statement of Accrual-Based Government Accounting Standards (PSAP). 17. Accrual-Based PSAP No. 17 This is intended to regulate the financial reporting of investment properties which contains policies in terms of recognition, measurement, presentation and disclosure of investment properties. Accrual-Based PSAP No.17 which is listed in the Attachment of PMK No. 85/2021 as a guideline for compiling financial reports on accountability for budget implementation starting in the 2022 fiscal year.

## **2. METHODS**

This research was conducted through the literature study method, which is a study that has the same preparation as other research, but the sources and methods of data collection are carried out by taking data in the library, reading, taking notes, and processing research materials. In this paper, the author collects data by studying and understanding written sources in the form of laws, government regulations, ministerial regulations of finance, ministerial decisions, director general regulations, books, lecture materials, journals, papers, articles, and books. other literature related to the topic discussed.

## **3. Results and Discussion**

### **4.1 Result**

Properties owned by entities, other than those held for their own use or sale and/or delivery in the context of services to the public, meet the definition of investment property. In addition, a government entity, may also own property for rent or to obtain an increase in value, and use the proceeds obtained to finance its activities. For example, an entity may own a building that is commercially leased to external parties to generate rental income. This property meets the definition of investment property.

### **4.2 Discussion**

#### **4.2.1 Confession**

Investment property is recognized as an asset if and only if a) it is probable that future economic benefits will flow to the entity from the investment property asset; and b) the cost or fair value of the investment property can be measured reliably. Under the recognition principle, all investment

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property costs are incurred when incurred. These costs, including costs incurred at the beginning of the acquisition of investment property, and costs incurred after initial acquisition used for the addition, replacement, or repair of investment properties.

Investment properties are initially measured at cost at acquisition. (transaction costs are included in the initial measurement). If investment property is acquired from a non-exchange transaction, the investment property is valued at fair value at the date of acquisition. The cost of purchased investment property includes the purchase price and all directly attributable expenses. Expenditures that are directly attributable include legal service fees, taxes and other transaction costs.

The initial cost of the rights to the property held by lease method and classified as investment property which is accounted for as a finance lease, in this case the asset is recognized at the lower of the fair value and present value of the minimum lease payments. An equivalent amount is recognized as a liability in accordance with the provisions of the same paragraph.

### **4.2.2 Transfer**

Transfer to or from investment property is carried out if, and only if, there is a change in use which is indicated by: (a) commencement of use of the investment property by the entity, the transfer from investment property to property, plant and equipment; (b) commencement of development of investment property for sale, conversion from investment property to inventory; (c) the end of the use of assets by the accounting and/or reporting entities, the transfer of assets from fixed assets to investment properties; (d) commencement of an operating lease to another party, is transferred from inventory to investment property.

Government use of property may change from time to time. For example, the government may decide to use a building that is currently classified as investment property or to lease to a third party a building that is currently being used for administrative purposes. In the first example, investment property is converted into fixed assets. In the second example, the fixed assets are converted into investment property.

Paragraph 45(b) of PSAP 17 requires an entity to transfer property from investment property to inventory if, and only if, there is a change in use, indicated by the commencement of development with the intention of selling it. If an entity decides to dispose of investment property without development, the entity continues to treat the property as investment property until it is derecognized (removed from the statement of financial position) and does not treat it as inventory. Likewise, if an entity begins to develop investment property and will continue to use it in the future as investment property, then the investment property is not transferred and continues to be recognized as property.

### **4.2.3 Release**

Investment properties are derecognized when disposal or when the investment property is permanently removed from use and no future economic benefits can be expected on disposal. The disposal of investment property can be done by selling, exchanging, writing off or derecognizing.

Gains or losses arising from the termination or disposal of investment property is determined from the difference between the net proceeds from disposal and the carrying amount of the asset, and is recognized in the Surplus/Deficit in the period in which the retirement or disposal occurs. Compensation from third parties given in relation to impairment, loss or return of investment property is recognized as a surplus/deficit when the compensation is recognized as receivable.

### **4.2.4 Investment Property Presentation**

In paragraph 45 of PSAP which regulates Presentation Financial Statements, Investment properties are classified as non-current assets. Investment properties are presented separately from property, plant and equipment and other assets. Because the nature of the classification of investment property is to earn rental income or increase in value, an entity may have an intention to sell if the increase in value of investment property is favorable and the entity will not use the property in the future. The classification of investment property does not take into account the intention of selecting investment property assets in a sustainable or unsustainable manner.

#### 4.2.5 Disclosure

The entity discloses: a) the valuation basis used to determine the carrying amount; b) the depreciation method used; c) the useful life or depreciation rate used; d) the gross carrying amount and accumulated depreciation (aggregate with accumulated impairment losses) at the beginning and end of the period; e) a reconciliation of the carrying amount of investment properties at the beginning and end of the period, showing: 1) additions, separate disclosures for additions resulting from the combination and additional post-acquisition expenses that are recognized as assets; 2) additions generated by merging; 3) release; 4) depreciation; 5) transfer of use to and from inventories and property for own use; and 6) other changes.

#### 4. CONCLUSION

Government Accounting Standards regarding Investment Properties no 17 of 2021 is an update of the previous regulation on Investment, namely PSAP 06 of 2015 where the statement of this Standard does not stipulate: (a) Placement of money which is included in the scope of cash equivalents; (b) Joint arrangements which include joint operations or joint ventures; (c) Fixed assets that are cooperated; and (d) Investment property. So in July 2021 the Indonesian government amended the regulation.

In PSAP No. 17 it is stated that investment property is recognized as an asset if and only if a) it is probable that economic benefits will flow to the entity in the future from the investment property asset; and b) the cost or fair value of the investment property can be measured reliably. Investment property is derecognized upon disposal or when the investment property is permanently no longer used and no future economic benefits can be expected upon disposal.

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