

Research Article

Construction In Progress On Financial Statements During The Covid-19 Pandemic

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Abstract

This research aims to know about the implementation of Construction Accounting in Work is structured to facilitate understanding of the Statement of Government Accounting Standards Number 08 Construction Accounting in the Works and to re-explain the standard paragraphs. This research was conducted by applying a qualitative descriptive method. In this study, it will be more directed to a description of the accounting treatment of construction in progress on financial reports during the covid-19 pandemic. The result of this research implies the construction activities have stopped due to the Covid-19 pandemic. Recognition of construction in progress is important where it is necessary to follow the guidelines in Government accounting standards. In the end, Construction Recognition in proper construction will assist the government in disclosure in the Financial Statements. In the end, it will present the asset value fairly. Construction in progress is presented at cost or fair value at the time of acquisition in the balance sheet in the Fixed Assets group. The presentation of construction in progress is carried out in a combined manner, by adding up all construction in progress, from all fixed assets. Construction completion under construction in 2020 was affected by the Covid-19 pandemic due to the social distancing and Work From Home (WFH) policy and the reallocation of part of the budget ceiling to spending on handling the Covid-19 pandemic.

Keywords : Covid-19, Construction In Progress, Financial Statements.

1. Introduction

The issuance of Presidential Decree No. 11 of 2020 confirms that Indonesia is currently in a state of public health emergency due to the spread of Covid-19. This Presidential Decree was issued with consideration of the extraordinary spread of Covid-19, marked by the number of cases and the number of deaths increasing and expanding across regions and across countries, as well as having an impact on political, economic, social, cultural, defense and security aspects, as well as the welfare of the people in Indonesia.

However, the reality on the ground is that not a few construction activities have stopped due to the Covid-19 pandemic. Usually this is because the construction activities do not stand alone, but also depend on other business sectors. The termination of construction activities does not only come from users of construction services, but can also come from the actors who provide

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construction services. The question is whether it is possible for construction service providers or commonly called contractors to stop or postpone work on the grounds of forced circumstances or commonly called force majeure due to the Covid-19 pandemic (Nasution et al., 2020).

The purpose of compiling the discussion on Construction Accounting in Work is to provide instructions to the organizations involved in carrying out the recording and reporting of Construction in progress so that these organizations have the same perception so that uniformity in Construction accounting is achieved. Meanwhile, the objectives of accounting for construction in progress are: 1. to provide accurate and timely information about construction in progress; 2. securing Construction transactions in progress through consistent recording, processing, and reporting of financial transactions; 3. support the implementation of SAPP which produces construction in progress information as a basis for accountability and decision making.

The first Government Accounting Standards (SAP) issued by the Government Accounting Standards Committee (KSAP) was Government Regulation No. 24 of 2005 on June 13, 2005. This is the first time that Indonesia has had government accounting standards since Indonesia's independence. The publication of SAP also confirms the important role of accounting in government financial reporting. This SAP has long awaited its presence after there was an affirmation stated in Government Regulation (PP) Number 105 of 2000 in Article 35 that regional financial administration and accountability are guided by applicable regional government financial accounting standards.

The implementation of Construction Accounting in Work is structured to facilitate understanding of the Statement of Government Accounting Standards Number 08 Construction Accounting in the Works and to re-explain the standard paragraphs and explanations accompanied by applicable examples so that they are expected to be used as references in the implementation of Government Accounting Standards relating to Construction in Work.

2. Literature Review

According to paragraph 6 of PSAP 08 construction in progress are assets that are currently under construction. Construction in progress includes land, equipment and machinery, buildings and structures, roads, irrigation, and networks, and other fixed assets, which the acquisition and construction process requires a certain period of time and has not been completed.

1) Recognition of Construction in Work A tangible object must be recognized as construction in progress if:

- a) It is probable that the future economic benefits associated with the asset will be obtained
- b) The cost of the asset can be measured reliably
- c) The asset is still in the process of being worked on.

2) Measurement of Construction in Work Based on PSAP No. 7 paragraph 22, construction in progress is recorded at cost. The measurement of cost is influenced by the method used in the construction process of the property, plant and equipment, namely on a self-managed basis or on a construction contract basis.

3) Presentation and Disclosure of Construction in progress Construction in progress is presented at cost or fair value at the time of acquisition. In addition, the Notes to Financial Statements also disclose information regarding:

- a) Details of the construction in progress contract along with the level of completion and the period of completion at the balance sheet date;
- b) Value of construction contracts and sources of financing,
- c) Total costs that have been incurred up to the balance sheet date,

- d) Advances for work provided up to the balance sheet date, and
- e) Total Retention.

Based on PP 71 of 2010 Construction Under Construction is part of fixed assets. 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. Land.
2. Equipment and machinery.
3. Buildings and buildings.
4. Roads, irrigation and networks
5. Other fixed assets.
6. Construction in progress.

3. Methods

This research was conducted by applying a qualitative descriptive method. In this study, it will be more directed to a description of the accounting treatment of construction in progress on financial reports during the covid-19 pandemic which aims to obtain a deeper understanding and information related to the accounting treatment of construction in progress.

Document literature articles used from various articles. The data analysis technique used is literature study or literature review. The literature review in this study was carried out by analyzing relevant articles and focusing on the application of accounting treatment for construction in progress on financial reports during the covid-19 pandemic.

4. Result and Discussion

4.1. Result

Construction accounting in progress as follows :

1. Construction in progress includes fixed assets that are in the process of being built, which at the balance sheet date have not been fully constructed. Construction in progress includes equipment and machinery, buildings and structures, 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 (Tarmizi et al., 2017). Acquisitions through construction contracts generally require a certain period of time. The acquisition period can be more than one accounting period.
2. Acquisition of assets can be done by building yourself (swakelola) or through a third party with a construction contract. Acquisition of assets by self-management or contracting is essentially the same. The amount recorded as Construction In Progress is the amount paid for the acquisition of the asset. The costs of purchasing materials and salaries paid in the case of self-managed work are essentially the same as the value paid to the contractor for the completion of a particular part of the work. Both are government expenditures to acquire assets.
3. In the implementation of self-managed fixed assets construction, sometimes there is material residue after the fixed assets have been completed. The remaining materials that can still be used are presented in the balance sheet and recorded as inventory. However, recording as inventory is carried out only if the value of the remaining assets is material.

Construction recognition in progress. A tangible object must be under construction at the time of preparation of the financial statements if:

- 1) It is probable that the future economic benefits associated with the asset will be obtained;
 - 2) The acquisition cost can be measured reliably; and
 - 3) The asset is still in progress.
 - a. Construction in progress is usually an asset that is intended to be used for local government operations or utilized by the community in the long term and is therefore classified as fixed assets.
 - b. Construction Under Construction if it has been completed and has been handed over will be reclassified into fixed assets according to the asset group.
 - c. Completion of construction in progress A construction in progress will be transferred to the relevant fixed asset post if the construction has been substantially completed and the construction has been able to provide benefits/services according to the acquisition objectives.
 - d. The source document for acknowledgment of the completion of a Construction in progress is the Minutes of Work Completion (BAPP). Thus, if a BAPP has issued a Construction in progress, it means that the construction has been completed. Furthermore, definitive fixed assets can be recognized by transferring the construction in progress to the relevant fixed asset account.
 - e. The recording of a transaction needs to follow an accounting system that is set with a decision tree as follows:
 - i. On the basis of objective evidence of transactions;
 - ii. In the event that objective evidence of transactions is not possible, the principle of substance over form is used.
 - iii. Regarding variations in construction completion in progress, this Accounting Policy provides the following guidelines:
 1. If the assets have been completed, the Minutes of Work Completion have been obtained and the fixed assets have been utilized by the Satker/SKPD, then the assets are recorded as Definitive Fixed Assets.
 2. If the fixed assets have been completed, the Minutes of Work Completion have been obtained, but the fixed assets have not been utilized by the Satker/SKPD, then the assets are recorded as Definitive Fixed Assets.
 3. If the fixed assets have been completed, supported by valid evidence (although the Minutes of Work Completion have not been obtained) but the fixed assets have been utilized by the Satker/SKPD, then the assets are still recorded as Construction in progress and disclosed in the CaLK.
 4. If part of the fixed assets built has been completed, and has been used/utilized, then the part used/utilized is still recognized as Construction in progress.
 5. If a fixed asset has been partially constructed (construction in progress), due to certain reasons (eg affected by a natural disaster/force majeure) the asset is lost, then the person in charge of the asset shall make a statement that it is lost due to a natural disaster/force majeure and on the basis of the statement The Construction Under Construction can be written off.
 6. If BAST already exists, but the physical work has not been completed it will be recognized as Construction in progress.
- Construction measurements in progress :
- a. Construction in progress is recorded at cost.
 - b. The value of self-managed construction includes:
 - 1) Costs directly related to construction activities;

- 2) Costs that are attributable to activities in general and can be allocated to the construction; and
- 3) Other costs specifically paid in connection with the construction in question.
- c. Costs that are directly related to construction activities include:
 - 1) Field work costs including providers;
 - 2) The cost of materials used in construction;
 - 3) The cost of moving facilities, equipment, materials from and to the work location;
 - 4) The cost of leasing facilities and infrastructure; and
 - 5) Design and technical assistance costs directly related to construction, such as planning consultant fees.
- d. Costs that are attributable to construction activities in general and can be allocated to specific constructions include:
 - 1) Insurance;
 - 2) Design costs and technical assistance that are not directly related to certain constructions; and
 - 3) Other identifiable costs for the construction activity concerned such as inspection fees.
- e. The value of the construction carried out by the contractor through the construction contract includes:
 - 1) Term that has been paid to the contractor in relation to the level of completion of the work;
 - 2) Accrued obligations to contractors relating to work received but not yet paid at the reporting date; and
 - 3) Payment of claims to contractors or third parties in connection with the execution of construction contracts.
- f. If construction is financed by borrowing, borrowing costs incurred during the construction period are capitalized and add to construction costs, provided that these costs can be identified and determined reliably.
- g. Borrowing costs include interest costs and other costs incurred in connection with loans used to finance construction.
- h. The amount of borrowing costs to be capitalized should not exceed the amount of interest costs paid in the relevant period.
- i. If the loan is used to finance several types of assets acquired in a certain period, the related period's borrowing costs are allocated to each construction using the weighted average method of total construction costs.
- j. If construction construction activities are temporarily suspended not due to for-profit reasons, the borrowing costs paid during the temporary suspension of construction construction are capitalized.
- k. A construction contract that includes how many types of work the completion falls at different times, then the type of work that has been completed is not taken into account borrowing costs. Borrowing costs are only capitalized for types of work that are still in progress.
- l. The realization of a planning consulting service work whose construction will be carried out in the following year as long as there is certainty about the implementation of the construction is recognized as construction in progress.

Disclosure of construction in progress :

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 financing;
- c. The amount of costs that have been incurred;
- d. Advances for work provided; and
- e. Retention.

4.2. Discussion

Construction completion under construction in 2020 was affected by the Covid-19 pandemic due to the social distancing and Work From Home (WFH) policy and the reallocation of part of the budget ceiling to spending on handling the Covid-19 pandemic. Disclosures include: type of work, realization of work up to December 31, 2020, causes of delays in completion of Construction in progress and mitigation measures taken. In general, the increase in the value of Construction Under Construction occurs because there are new developments that will be continued in the coming years due to the impact of budget refocusing for handling the COVID-19 pandemic and national economic recovery.

Contractors who postpone their construction activities on the grounds of force majeure due to the Covid-19 pandemic, must first look at the force majeure clause in the contract that has been made. If the parties have included a pandemic or disease outbreak as a type of force majeure, then the existence of Covid-19 has been strengthened by Presidential Decree No. 11 of 2020, it is clear that this can be used as a basis for contractors to delay the implementation of their obligations. If the disease pandemic is not categorized as force majeure, the contractor cannot immediately neglect his obligation to carry out construction activities.

However, it is still possible if the contractor has relevant evidence that his construction activities have stopped due to the impact of Covid-19, for example, there are imported raw materials whose shipments are delayed or even unable to be shipped from the country of origin that is under lockdown, for example. Or maybe there are workers who are positive for Covid-19, so that other workers in the same environment need to be quarantined first.

5. CONCLUSIONS

Recognition of construction in progress is important where it is necessary to follow the guidelines in Government accounting standards. In the end, Construction Recognition in proper construction will assist the government in disclosure in the Financial Statements. In the end, it will present the asset value fairly. In accordance with paragraph 15 of PSAP 08, a Construction in progress will be transferred to the relevant fixed asset item if the construction has been substantially completed and the construction has been able to provide benefits/services according to the acquisition objectives. Construction in progress is presented at cost or fair value at the time of acquisition in the balance sheet in the Fixed Assets group. The presentation of construction in progress is carried out in a combined manner, by adding up all construction in progress, from all fixed assets.

Construction in progress can be in the form of temporary suspension and permanent termination. If a Construction in progress is temporarily stopped, the Construction in progress is still included in the balance sheet and this incident is adequately disclosed in the Notes to the Financial Statements. However, if the construction in progress is intended to be permanently stopped because it is not expected to provide economic benefits in the future, or for other reasons

that can be justified, the Construction in progress must be eliminated from the balance sheet and this incident is adequately disclosed in the Notes to Financial Statements.

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