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Research Article

A Set of Fixed Tangible Assets Long Term to Used for Operating Activities in the Company

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Abstract

The purpose of this study is to analyze the implementation of Fixed Assets Accounting in the institution. The research approach used is qualitative research which is supported by literature study. Fixed assets are part of the company's assets that are important in supporting the company's operational activities and have a fairly material value in the financial statements so that they can influence the decision making of users of financial statements. Therefore, it is necessary to have a policy for recording and reporting fixed assets and their depreciation in accordance with applicable regulations.

Keywords: economic benefits, Government Accounting Standards, Current assets, Fixed Assets

1. Preliminary

Fixed assets are part of the company's assets that are important in supporting the company's operational activities and have a fairly material value in the financial statements so that they can influence the decision making of users of financial statements. Therefore, it is necessary to have a policy for recording and reporting fixed assets and their depreciation in accordance with PSAK No. 16 concerning Fixed Assets and PSAK N.17 concerning Accounting for Depreciation of Fixed Assets (Finance, 2012). Fixed assets are tangible assets acquired in ready-to-use or pre-built form, which are used in the company's operations, are not intended to be sold in the course of the company's normal activities and have a useful life of more than one year. Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life and the depreciation method is a method used to calculate the depreciation expense of fixed assets in each period.

In today's era of globalization, the business world is getting stronger. Various strategies and policies were carried out to maintain the business and competition faced. The economic progress of a country cannot be separated from the various factors that support it. These factors are related to each other either directly or indirectly. One of the factors is the development of companies within a country (Sadalia et al, 2020). Companies are required to be able to demonstrate the company's ability to be able to compete with other similar companies in order to survive. The purpose of establishing a company is to make a profit. But in addition to the purpose of making a profit, the company's goals also include:

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Continuous company growth, company survival and a positive impression of the company in the eyes of the public. In order to achieve this goal, the company is required to have operational activities that are running well. Fixed assets are a very important supporting factor for the company so that its operational activities can run well (Tarmizi et al., 2021). Fixed assets are of two types, namely tangible fixed assets and intangible fixed assets. The definition of fixed in tangible fixed assets is to have a relatively permanent nature in the sense that the use of these assets can experience changes, damage and destruction. In each period, the utilization of the cost of the tangible fixed assets must be treated as an expense over the useful life of the property and equipment concerned. Cumulatively, the expense is a deduction from the acquisition value. Tangible fixed assets that are no longer used in its operations must be written off (Stan and Vintilă, 2021). The treatment of tangible fixed assets needs serious attention, because errors in management can cause the company to not operate efficiently and effectively.

Fixed assets owned by a company is not a small amount, it requires very high consideration and prudence in treating these fixed assets. Therefore, the problem of treatment of fixed assets needs to be planned properly from the time the asset is acquired until the fixed asset is terminated. Another problem that arises from ownership of fixed assets for companies is how to allocate the cost of fixed assets to each accounting period appropriately and effectively by taking into account the accounting principles applicable in Indonesia. The presentation of fixed assets in the financial statements fairly and correctly will greatly assist the company's management in conveying reliable financial information to interested parties and can be used to determine the company's prospective activities and in making decisions to improve the company's performance in making the fixed assets efficient.

2. Literature Review

Definition of Assets Definition of assets according to FASB Statement of Financial Accounting Concepts No. 3 (SFAC No. 3) as follows: “Assets are future economic benefits that may be obtained or controlled by a particular economic entity as a result of past transactions or events”. According to Salanti (2013), assets are assets owned by a company. These assets must be clearly measurable in one unit of money and ordered according to the speed at which they are converted back into cash and resources controlled by the company as a result of past events from which future economic benefits are expected to flow to the company. Realized economic benefits and assets are their potential, either directly or indirectly, in the form of productive and are part of the company's operating activities or its ability to reduce cash disbursements (Dewi et al., 2018). Assets can be classified into several groups, namely:

1. Current assets Current assets are cash and other assets or sources that are expected to be converted into cash or sold or consumed during the normal business cycle of the company or within one year, whichever is longer.
2. Fixed Assets In general, fixed assets are divided into two, namely:
    a. Tangible Fixed Assets Tangible assets are tangible assets that are relatively permanent in nature which are used in normal company activities. So this tangible fixed asset has a permanent nature or in other words it can be used for a relatively long period of time.
    b. Intangible Fixed Assets Intangible fixed assets are assets that have a long economic life and provide benefits for the company's operations but do not have a physical form. These assets are in the form of privileges or ownership of positions that benefit the company in obtaining income.

3. Other Assets Other assets are assets that cannot be classified into current assets, long-term investments, tangible fixed assets and intangible fixed assets. Like the building rent guarantee, which is a guarantee for the rental of the warehouse owned by the company.

3. Materials and Methods

The research approach used is qualitative research which is supported by literature study.

4. Result and Discussion

4.1. Result

According to the Statement of Financial Accounting Standards (PSAK) Number 16 paragraph 5 states that: "Fixed assets are tangible assets that are obtained in ready-to-use or pre-built form, which are used in the company's operations, are not intended to be sold in the context of the company's normal activities and have a period of time. benefits more than one year. According to Soemarso (2008), fixed assets are assets that: (Xueliang, 2021)

1. Long period of use
2. Used in company activities
3. Held not for resale in the normal activities of the company
4. The value is quite large

According to Warres et al (2012), fixed assets are assets that are long-term or relatively permanent in nature and can be used in the long term. This asset is a tangible asset because it has a physical form. These assets are owned and used by the company and are not sold as part of normal operating activities. According to Martani (2014), fixed assets are assets that have a physical form (such as land , buildings), in contrast to patents or trademarks that do not have a physical form (intangible assets). So from some of the definitions above, it can be concluded that the definition of fixed assets is tangible assets that are long-term in nature which are used for the company's operating activities not for sale and usually have a large enough value. The method of acquisition of fixed assets affects the determination of the acquisition value of these fixed assets. The cost of property, plant and equipment includes all the sacrifices required to obtain and place the asset in a ready-to-use condition. The definition of cost according to the Indonesian Institute of Accountants (IAI), Statement of Financial Accounting Standards (PSAK) No. 16 revised 2011 states that acquisition cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or construction until the asset is in a condition and place that is ready for use. Acquisition of fixed assets can be done by the company in several ways, namely: (Arum et al., 2017)

1. Cash Purchase
2. Purchase on Long-Term Credit
3. Purchase with Securities
4. Received from Donations
5. Self-Constructed Fixed Assets

Cost includes all expenses necessary to acquire the asset and other expenses to make the asset ready for use. For example, the purchase price of the machine, the cost of transporting the machine which is paid for by itself, and the cost of installing the machine are part of the cost of the factory machine purchased by the company. The cost of property, plant and equipment is measured based on cash paid in the purchase of assets in cash, if the asset is not paid for in cash, the cost of property, plant and equipment is determined based on the fair value of the assets acquired or based on existing evidence. If the cost of property, plant and equipment has been determined, the acquisition price is used as the basis for recording the cost of property, plant and equipment during the use of the asset. Expenditures After Acquisition of Fixed Assets During the use of fixed assets we cannot avoid ourselves from spending on fixed assets. We need to know and analyze these expenditures because they may have an effect on the cost of goods, which in turn affects depreciation costs. There are two kinds of output:

1. Capital Expenditure

Capital expenditures are costs incurred in order to acquire fixed assets, improve operational efficiency and productive capacity of fixed assets, and extend the useful life of fixed assets. These costs are usually quite large, but they don't happen very often.

2. Revenue Expenditure

Revenue expenditures are costs that will only provide benefits in the current period, so these costs incurred will not be capitalized as fixed assets in the balance sheet but will be directly charged as an expense in the income statement for the current period in which these costs are incurred (issued). . An example of this expense is expenses for the maintenance and repair of fixed assets.

To be recognized as fixed assets, the following criteria must be met:

1. Shaped
2. Has a useful life of more than 12 months
3. The cost of the asset can be measured reliably
4. Not intended for sale in the normal operations of the entity
5. Acquired or constructed with the intent to use
6. Is an object of maintenance or requires a fee/cost to maintain
7. The Rupiah value of the purchase of material goods or expenditures for the purchase of these goods meets the minimum capitalization limit for fixed assets that has been determined

Assets that no longer have a useful life can be terminated, sold or exchanged for other assets. The journal entries used to record the retirement of fixed assets may vary, but the principle is the same, namely the write-off of the book value of fixed assets from the general ledger account, namely by debiting the accumulated depreciation account for the total depreciation expense up to the date of termination and crediting the fixed asset account amounting to the fixed costset. Assets whose useful life has expired and can still be used to support the company's operations may not be written off from the general ledger account, and fixed cost assets and accumulated depreciation must appear in the general ledger account.

Depreciation is a decrease in the physical value of a property over time and its use. In the accounting concept, depreciation is an annual deduction of income before taxes so that the effect of time and use on the value of assets can be represented in the financial statements of a company. Depreciation is a non-cash expense that affects income tax (Camarda et al., 2021). Depreciable properties must meet the following conditions:

1. Must be used in business or maintained to generate income,
2. Must have a certain useful life, and the life must be longer than a year,

3. Is something that is used until it runs out, undergoes decay / destruction, wears out, or experiences a reduction in value from its original value, and
4. Not inventory, sales inventory or stock, or investment property.

Factors in Depreciation of Fixed Assets

There are several factors that need to be considered in the depreciation expense for each period. These factors are: (Szymańska and Dziwulski, 2021)

1. Estimated useful life (useful life)
   The estimated useful life (useful life) of an asset is influenced by the maintenance procedures and the policies adopted in the repair. This estimated age can be expressed in units of time periods, units of production or units of working hours. In estimating the life (useful life) of assets, the causes of physical and functional wear and tear must be considered.
2. Residual Value (Residue)
   Residual value is the amount received when the asset is sold, exchanged or in other ways when the asset can no longer be used, less costs incurred when selling/exchanging it.
3. Acquisition Value (Cost)
   Acquisition value is the money incurred or debt incurred and other costs incurred in acquiring an asset and placing it so that it can be used.

Fixed Asset Depreciation Method

There are several methods of depreciation that can be used in calculating the allocation of the cost of depreciated assets. (Hajiyev, 2021)

1. Straight Line Method

The straight-line method is an equal amount of depreciation charged to each year (or period) of use of the asset. The depreciable cost is divided by the useful life in years to determine the annual depreciation expense.

2. Declining Balance Method

In this method, the periodic depreciation expense is calculated by transferring a fixed rate to the book value of the asset. Because the book value of this asset decreases every year, the annual depreciation expense also decreases.

3. Production-output method

The production method is an asset that is owned to produce products so that depreciation is also based on the number of products that can be produced.

4. Service Hours Method

The service hour method is an asset calculation based on the hours of use of the asset. The use of this method is usually used on machines, because it will be damaged more quickly when used fully (full time) compared to use that is not fully (part time).

5. Sum of years digits method

The sum of years digits method is in this method depreciation is calculated by transferring the reducing fractions which always decrease every year with the cost less the residual value.

Fixed Asset Removal

If the asset is no longer useful to the company and has no market value, the fixed asset will be written off or disposed of and no loss is required to be recognized due to the write-off of the property, plant and equipment (Deo, 2021). The journal entry to record the write-off of assets is as follows:

(D) Accumulated depreciation
– xxx assets
(K) Assets xxx

If the write-off of property, plant and equipment is carried out before the depreciation period expires, a loss must be recognized in the write-off of the asset. The journal used to record asset write-offs is as follows:

(D) Depreciation expense – Asset xxx
(K) Accumulated depreciation – Assets xxx

4.2. Discussion

A set of fixed tangible assets long term that is used for operating activities the company is not for sale and usually have considerable value. Fixed assets are part of the company's assets that are important in supporting the company's operational activities and have a fairly material value in the financial statements so that they can influence the decision making of users of financial statements. Therefore, it is necessary to have a policy for recording and reporting fixed assets and their depreciation in accordance with applicable regulations. The method of acquisition of fixed assets affects the determination of the acquisition value of these fixed assets. The cost of property, plant and equipment includes all the sacrifices required to obtain and place the asset in a ready-to-use condition. . The cost of property, plant and equipment is measured based on cash paid in the purchase of assets in cash, if the asset is not paid for in cash, the cost of property, plant and equipment is determined based on the fair value of the assets acquired or based on existing evidence. If the cost of property, plant and equipment has been determined, the acquisition price is used as the basis for recording the cost of property, plant and equipment during the use of the asset. Expenditures after the acquisition of fixed assets during the use of fixed assets are unavoidable for expenditures on fixed assets. Therefore, these expenditures need to be known and analyzed because there may be an effect on the cost of goods which ultimately affects the depreciation cost.

5. Conclusion

In asset valuation, there is a decrease in the value of the asset which is called depreciation. Depreciation is a decrease in the physical value of a property over time and its use. In the accounting concept, depreciation is an annual deduction of income before taxes so that the effect of time and use on the value of assets can be represented in the financial statements of a company. Therefore, proper assessment is needed in an asset owned by the company, so as not to cause harm to the company itself. If the asset is no longer useful to the company and has no market value, the fixed asset will be written off or disposed of and no loss is required to be recognized due to the write-off of the property, plant and equipment.

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