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**ANALYSIS OF THE IMPLEMENTATION OF ACCOUNTING  
POLICIES AND RECORDING OF FIXED ASSETS QUALITY OF  
FINANCIAL REPORTS IN THE EAST LUWU REGIONAL  
GOVERNMENT**

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**Abstract:**

This research aims to determine and explain the analysis of accounting policies and asset recording on the quality of financial reports in the East Luwu Regency Regional Government. This research method uses a qualitative method with a descriptive approach. Data is processed through observation, interviews, documentation and raising case examples. The population and sample used are conditions in the OPD within the East Luwu Regency Regional Government. The sources taken in this research were employees at the Regional Finance and Assets Agency who handle the Implementation of Accounting Policies and Regional Asset Management. Based on the results of the research carried out, basically the preparation of Regional Government Financial Reports has implemented Government Accounting Standards Number 71 of 2010 and uses a Technology Information System using SIPD RI in accordance with the mandate of Minister of Home Affairs Regulation Number 70 of 2019. The results of this research found that there is OPD in the implementation of expenditure as stated in planned, expenditure on goods and services for maintenance of office buildings does not meet the requirements to be recognized as expenditure on goods and services and there is expenditure on additional power for maintenance of office buildings. The Accounting and Asset Recording Policy recognizes that expenditure on building maintenance is categorized as capital expenditure because it meets 3 main requirements namely: The principle of benefits exceeding 12 months, meeting the

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capitation value of assets and increasing the value of assets, so that when recording Fixed Assets, maintenance of Office Buildings is recorded in Office Building assets and additional electrical power is recorded in Fixed Assets, Roads, Irrigation and Networks considering that additional electrical power comes in at network category.

**Keywords:**

Accounting Policies, Asset Recording, Financial Reports

## Introduction

Government Regulation Number 12 of 2019 concerning Regional Financial Management was prepared to improve the regulations for Regional Financial Management which were previously regulated in Government Regulation Number 58 of 2005 concerning Regional Financial Management. The improvement of regulations related to Regional Financial Management is carried out to maintain the pillars of good Regional Financial Management, namely transparency, accountability and participation. Regional Financial Management is all activities which include Planning, Budgeting, Implementation, Administration, Reporting, Accountability and Supervision of Regional Finance. Regional Financial Management is realized in the Regional Revenue and Expenditure Budget (APBD). Development planning is needed to ensure that actions and policies taken by local governments can run effectively and relevantly. Planning is a process of determining future actions appropriately in the order of choice by taking into account the capabilities of the resources available (Saifuddin, et al, 2022)

The implementation of Regional Government with all planned activity programs is contained in the Regional Government APBD. The use of public finances must be carried out in a transparent and accountable manner which can be seen from the Regional Government Financial Report after going through an audit process from the Supreme Audit Agency (BPK RI). Regional government financial reports must comply with Government Regulation Number 71 of 2010 concerning Regional Government Accounting Standards (SAP). Financial reports are one of the important elements that regional governments must account for to the public, so that regional governments are required to present quality financial reports which include reports on plans and realization of regional expenditure and revenues, accounting records reports and recording of regional assets. (Wibowo & Wahyuningsih, 2023) Implementation of Accounting Policies in asset utilization needs to be carried out so that activities can be more effective and efficient.

Regional government financial reports must contain all procurement of goods that are counted as assets that have been budgeted in the APBD. Regional Assets are resources owned or controlled by the Regional Government as wealth generated from the past which can provide economic or social benefits for the regional government and society in the future which can be measured and assessed in units of money. The quality of financial reports is reflected from the audit results of the Supreme Audit Agency (BPK RI) on the presentation of regional government financial reports. There are four types of opinions given by the BPK , namely Unqualified Opinion (WTP), Unqualified Opinion (WDP), Unqualified Opinion, Unqualified Opinion Opinion (TMT/Disclaimer Opinion) and Unfair (TW/Adverse Opinion).

The level of BPK opinion is given according to its own criteria, for WTP Opinion the criteria are adequate internal control and no material misstatement of the financial report items as a whole and in accordance with Government Accounting Standards.

Regional governments must implement accrual-based accounting standards as mandated by PP No. 71 of 2010 and Minister of Home Affairs Regulation Number. 64 of 2013 concerning Accrual-Based Government Accounting Standards in Regional Governments as a form of transformation from cash-based to accrual-based accounting. (Andriasari & Prabowo, 2022) . As a follow-up to the mandate of statutory regulations regarding Accrual-Based Accounting Standards, the Regional Government needs to prepare an accounting policy that contains the capitalized value of procurement of goods which can be classified as goods expenditure or capital expenditure (assets). In PP 71 of 2010 concerning Government Accounting Standards (SAP), expenditure consists of: Operational Expenditures, Capital Expenditures, Unexpected Expenditures and Transfer Expenditures.

Operational Expenditures are budget expenditures for daily activities that provide short-term benefits consisting of employee expenditures, goods and services expenditures, interest expenditures, subsidy expenditures, grant expenditures and social assistance expenditures. Capital Expenditures are budget expenditures for the acquisition of fixed assets and other assets that provide benefits for more than one accounting period. Capital expenditure includes, among other things, capital expenditure for the acquisition of land, buildings and structures, equipment, and intangible assets and expenses after acquisitions that increase the value of the asset in question (Subsequent Expenditures). The budgeted value of capital expenditure is the purchase/building price of the asset plus all expenditure related to the procurement/development of the asset until the asset is ready for use. Unexpected Expenditures are budget expenditures for activities that are unusual in nature and are not expected to be repeated, such as dealing with natural disasters, social disasters, and other unexpected expenditures which are very necessary in the context of implementing the authority of the Regency/City Government. Transfer Shopping is expenditure in the form of spending money or an obligation to spend money from a reporting entity to another reporting entity as required by statutory regulations. Transfer expenditure consists of tax revenue sharing expenditure to the Village Government and financial assistance expenditure to the village government.

The East Luwu Regional Government in presenting financial reports is in accordance with Government Accounting Standards (SAP) and has received a WTP Opinion from BPK RI regarding Financial Reports. One of the efforts of the East Luwu Regional Government to implement accounting policies is by issuing East Luwu Regent Regulation Number 38 of 2022 concerning Regional Financial Management Systems and Procedures and Regent Regulation Number 89 of 2023 concerning Regional Government Accounting Policies. This regulation is a reference for OPD in preparing spending plans and preparing financial reports in accordance with accrual-based accounting policies and asset recording, to present financial reports that can be recognized as reasonable.

## Literature Review

### *Accounting Policies*

Accounting policies relate to accounting principles that have been selected based on Government Accounting Standards to be applied in the preparation and presentation of financial reports (Cairns, et al. 2011). Regional government accounting policies contain the main elements of government accounting standards (SAP) which are explained in the selection of an accounting method, both in recognition, measurement and disclosure. Therefore, accounting policy is an operational accounting guideline for accounting functions in each regional organization (Mulyani & Suryawati, 2011).

Implementation of government accounting standards and use of appropriate accounting information systems are key factors in achieving good quality financial reports. Government accounting standards provide a specific framework for recording, measuring and reporting government financial transactions, while accounting information systems support data processing and presentation of financial information effectively (Wijayanti & Prabowo, 2020)

Accounting is the art, science and process of identifying, measuring, classifying, recording and reporting information that enables decision making for interested parties within a certain period. Fixed assets are one of the main parts owned by a company as large amounts of wealth and experience depreciation within an accounting period (Budiman et al., 2014). The need to research the influence of the implementation of government accounting standards and accounting information systems on the quality of financial reports in the public sector is very relevant (Widijaya & Veronica, 2022).

It is necessary to understand the relationship between the implementation of government accounting standards, accounting information systems, and the quality of financial reports, so that key factors that influence the quality of financial reports can be identified and can provide input for improving government financial management. (Ardyanti & Kurnia, 2023). The implementation of government accounting standards carried out by local governments in Indonesia shows that in terms of recognition, measurement, presentation and disclosure of government accounting standards, most of them have been carried out well in the process of preparing financial reports, so that the quality of the resulting financial reports can represent the government's financial condition with quite well (Galbreath, 2017).

### *Asset Recording*

According to the Indonesian Valuation Standards (SPI) book in accounting terminology, assets can be defined as resources that are historically owned and/or controlled by a business entity or government and from which future economic and/or social benefits can be obtained, and can be measured. in units of money. If viewed from the management & valuation aspect, assets are defined as something that is legally owned and capable of increasing the value and development of resources.

According to Siregar (2004: 179) State Assets are part of state assets or state assets (HKN) which consist of movable or immovable goods owned, controlled by Government agencies, some or all of which are purchased at the expense of the State Revenue and Expenditure Budget ( APBN) as well as from legitimate acquisitions, excluding separated state assets

(managed by BUMN) and Regional Government Assets. Or in short it can be referred to as "state property/state assets" in accordance with the Decree of the Minister of KMK No. 225/1971, KMK No. 350/1994 and KMK No.470/1994 State assets are immovable goods (land and/or buildings) and movable goods (inventory) purchased at the expense of the APBN and other legitimate acquisitions, owned/controlled by government agencies, non-departmental government agencies, agencies, excluding separated assets and not regional government assets. If assets are linked to property, they can be described through several aspects, among others. 1. Has economic value related to the highest and best use value. 2. Generate income from property operations. 3. Have good physical, functional and control rights. 4. Long economic life-time.

According to Siregar (2018: 519), asset optimization is a work process in asset management which aims to optimize the physical, location, value, quantity/volume, legal and economic potential of the asset. "The stage of regional asset management is asset inventory, which consists of two aspects, namely physical and juridical/legal inventory. Physical aspects consist of shape, area, location, volume/amount, type, address and so on."

Government organizations are required to make reports describing their financial conditions which are addressed to external parties, namely the DPR, BPK, the public, and so on. Financial reports of government organizations include: Report on Changes in Excess Budget Balance, Report on Changes in Equity, Operational Report, and Budget Realization Report (LRA). A budget realization report is a report made by a government agency containing income, financing and expenditure that have been implemented during a certain period. The budget realization report / LRA is a report consisting of an overview of the sources, allocation and use of cash resources managed by the regional government during a predetermined period which is usually one year (Siregar: 2015). The elements in the LRA are: 1. Regional expenditure 2. LRA income 3. Regional transfers 4. LRA surplus / deficit 5. Financing 6. Surplus

### ***Financial Statements***

Soemarsono (2014:34) states that financial reports are reports designed for decision makers, especially parties outside the company, regarding the company's financial position and business results. The definition of a regional financial report according to Baridwan (2014: 17) is that it is a summary of a recording process, a summary of financial transactions that occurred during the relevant financial year.

According to Government Regulation Number 71 of 2010, the definition of financial statements is a structured report regarding the financial position and transactions carried out by a reporting entity. According to the Indonesian Accountants Association (IAI, 2014:7) states that financial reports are part of the financial reporting process. A complete financial report usually includes a balance sheet, profit and loss statement, report on changes in financial position (which is presented in various ways, for example a cash flow statement, or funds flow report), notes and other reports as well as explanatory material which is an integral part of the financial report.

Government financial reports must meet the qualitative characteristics of financial reports (Simanjuntak & Sari, 2020). The qualitative characteristics of financial reports include relevant, reliable, comparable and understandable. For local governments, it is a necessity to



prepare quality financial reports (Nofiyani, 2021). The quality of regional government financial reports reflects the orderly management of regional government finances, which includes orderly administration and adherence to principles (Mayangsari & Nurjanah, 2018). The indicator that regional government financial reports are of high quality is the Unqualified Opinion given by the Financial Audit Agency on Regional Government Financial Reports. The development of public sector accounting, especially in Indonesia, is increasingly rapid with the Reform Era in the implementation of government policies, Regional Autonomy and Fiscal Decentralization which focuses on Regional Government.

### **Research Problem**

Based on the description above, the problem found by researchers is that there is still OPD within the scope of the East Luwu Regional Government in the procurement of goods, there is a mistake in charging the expenditure account with the expenditure budget on the expenditure account for goods and services for the maintenance of office buildings with a budget ceiling value of IDR 37,000 . 000,- . which consists of office building maintenance amounting to Rp. 25,040,000,- and additional electrical power amounting to Rp. 11,960,000. based on accounting policies and asset capitation value, the ceiling value meets the requirements to be recognized as capital expenditure or meets the criteria to be recognized as a fixed asset in the financial statements. Building maintenance expenditure should be charged to capital expenditure on buildings and structures and additional electrical power is part of the electrical installation network. This type of expenditure should be budgeted for Capital Expenditure on Roads, Irrigation and Networks. The error in charging the expenditure account has implications for the financial statements if it is not recognized as a fixed asset.

### **Methodology**

#### ***Research Design***

According to Irawan (2007:4.21) research design is the research design that will be carried out by a researcher. Research design has three major components, namely research implementation, theoretical framework and methodology. The research method used in this research is descriptive with a qualitative approach.

Qualitative Research as a scientific method is used to build knowledge through understanding and discovery. The qualitative approach is a research process based on the method of investigating an empirical phenomenon by creating a complex picture and detailed report on the situation experienced or a case study. Apart from that, the researcher's qualitative research is a key instrument so that the researcher must have a theoretical or regulatory basis as well as insight with a broad spectrum to ask various questions, analyze and carry out a clearer reconstruction of the object under study.

(Fadli, 2021) Qualitative research is research that is used to understand and explain phenomena in depth through collecting, analyzing and interpreting non-numerical data which focuses more on the meaning contained in the phenomenon being studied. Research data management is a series of activities carried out in collecting, organizing, storing , analyzing and securing data collected in research.

### ***Research Stages***

In conducting research, there are several stages that must be carried out by researchers , namely:

1. Build a conceptual framework according to the scope of research.
2. Formulating research problems.
3. Data collection and data analysis
4. Determination of sample or research location
5. Discussion and Conclusion.

(Matthew B. Miles, 1992), Qualitative research includes steps : 1) building a conceptual framework, 2). formulating the research problem. 3). Sample Selection and Research Delimitations. 4) Instrumentation. 5) Data Collection. 6) data analysis, and 7) Conclusion Testing.

### ***Data Collection and Sources of Information***

In this study, researchers collected data from notes on the financial reports of the regional government of East Luwu Regency and interviews with the Head of Accounting and the Head of Regional Assets at the Regional Finance and Assets Agency of East Luwu Regency. An informant is a person who can provide information, information or the problem being researched and can act as a resource during the research process. Qualitative research does not know the population and does not know the sample. Qualitative research is non-population research and collects data in the form of information. (Irawan 2007:4.21)

### ***Research Instrument***

Research using qualitative methods cannot be separated from observation. Therefore, the instrument in this research is the researcher himself, and at the same time plays the role of data collector, apart from that he is also everything in the entire research apart from the help of other people/resources. Moleong (2009:1)

### ***Data Analysis Methods***

The data analysis method used by researchers is a descriptive analysis method, which is not experimental research, because it is not intended to determine the consequences of a treatment. With descriptive research, the researcher only intends to describe or explain a symptom or event that is occurring. Arikunto (2005:250)

### ***Result And Discussion***

The aim of the East Luwu Regency Government Accounting Policy is to regulate the presentation of general purpose financial statements in order to increase the comparability of financial reports both against budgets, between periods and between entities. General purpose financial reports are financial reports that are intended to meet the common needs of the majority of report users, including legislative institutions, as stipulated in the provisions of statutory regulations. To achieve this goal, this policy sets out all considerations in the context of presenting financial reports, guidelines for the structure of financial reports, and minimum requirements for the content of financial reports. Financial reports are prepared using the accrual basis. The recognition, measurement and disclosure of specific transactions and other events are regulated in other government accounting standards

The presentation of Regional Government Financial Reports must comply with accrual-based Government Accounting Standards as mandated by Government Regulation Number 71 of 2010 concerning Government Accounting Standards which includes:

- a. Budget Realization Report;
- b. Report on Changes in Excess Budget Balance (Report on Changes in Balance);
- c. Balance Sheet;
- d. Operational Report (LO);
- e. Cash Flow Report (LAK);
- f. Statement of Changes in Equity; And
- g. Notes to Financial Reports.

In addition to the basic financial reports as mentioned in the paragraph above, reporting entities are required to present other reports and/or elements of accounting information required by statutory regulations (statutory reports).

In the implementation of accounting policies, the accounting basis used is the accrual basis, which has special meaning for the Balance Sheet that assets, liabilities and equity are recognized and recorded when transactions occur, or when environmental events or conditions affect local government finances, without regard to when cash or cash equivalents are received or paid.

Implementation of Accounting Policies regarding the recording of assets is based on historical value , which means that assets are recorded at the amount of cash and cash equivalents paid or at the fair value of the consideration for acquiring the asset at the time of acquisition. Liabilities are recorded at the amount of cash and cash equivalents expected to be paid to fulfill future obligations in the implementation of local government activities and historical values are more reliable than other assessments because they are more objective and verifiable. In the event that there is no historical value, the fair value of the related asset or liability can be used.

**Table 1: Structure of Operating Expenditures and Capital Expenditures**

<b>Description</b>	<b>Budget</b>	<b>Realization</b>
<b>Shopping</b>	XX	XX
<b>Operational Expenditures</b>	XX	XX
Employee Shopping	XX	XX
Shopping for Goods and Services	XX	XX
Subsidized Shopping	XX	XX
Grant Shopping	XX	XX
Social Assistance Shopping	XX	XX
<b>Capital Expenditures</b>	XX	XX
Land Capital Expenditures	XX	XX
Capital Expenditures for Equipment and Machinery	XX	XX
Building and Building Capital Expenditures	XX	XX
Capital Expenditure for Irrigation Roads and Networks	XX	XX



Shop for other fixed assets		
Shop for other assets		

Source: Accounting Policy

Audit results from the Financial Audit Agency on Regional Government Financial Reports which issued a Fair Without Exception (WTP), Fair with Exception (WDP) opinion and did not give an opinion (Disclaimer) are more often found in recorded and accountable fixed asset management problems which will have consequences for regional government financial reports. Regional Fixed Assets are part of regional property regulated in Government Regulation Number 27 of 2014 concerning Management of Regional Property.

**Table 2: Details of Fixed Assets in the Balance Sheet Structure of Financial Statements**

Description	20X1	20X0
<b>Fixed assets</b>	XX	XX
Land	XX	XX
Equipment and Machinery	XX	XX
Buildings and Structures	XX	XX
Irrigation Roads and Networks	XX	XX
Other Fixed Assets	XX	XX
Construction in Progress		
Accumulated depreciation		

Source: Accounting Policy

As a problem found by researchers, there is an OPD within the East Luwu Regional Government which makes mistakes in charging goods and services expenditure accounts which should be charged to capital expenditure accounts which are not in accordance with standard accounting policies and recording fixed assets, so in implementing accounting policies and The recording of fixed assets in the goods expenditure account is reclassified to the capital expenditure account for office buildings and capital expenditure for roads, irrigation and networks which are categorized as fixed assets.

Office building maintenance expenditure is categorized as a fixed asset because it meets the capital expenditure requirements and there is an addition to the physical asset value of the office building, as well as expenditure on additional electrical power as a fixed asset due to the addition of electrical power because the benefit is more than 12 months and meets the capitalization value of the asset.

**Table 3: Reclassification of Fixed Assets to Goods and Services Expenditures**

Rec. Shopping	Budget (Rp.)	Reclassification of Fixed Assets	Mark
<b>Shopping for Goods and Services</b>	<b>37,000,000,-</b>	<b>Fixed assets</b>	<b>37,000,000,-</b>
<b>Shopping for Office Building Maintenance.</b>	<b>25,040,000,-</b>	Buildings and Structures	24,040,000,-
- Office Building Maintenance	11,960,000,-	Irrigation Roads and Networks	11,960,000,-
- Addition of Electrical Power			

Reclassification of Fixed Assets towards capital expenditure in table 3 above, as per accounting and asset management policies, office building maintenance expenditure is classified as Fixed Assets because office building maintenance increases and extends the useful life and/or is likely to provide economic benefits in the future. Meanwhile, additional electrical power is recorded as fixed assets in the Roads, Irrigation and Network accounts.

Based on the results of interviews and empirical evidence, it was found that there were weaknesses in OPD in terms of understanding accounting policies and asset classification in planning capital expenditure budgets so that in preparing financial reports, especially balance sheets, it was necessary to identify capital expenditures that were not in accordance with accounting policies and needed to be reclassified. Errors in implementing accounting policies and recording assets greatly affect the quality of local government financial reports.

Charging of expenditure accounts, whether for goods and services or capital expenditure, must pay attention to accounting policies and asset capitation values, so that when preparing financial reports according to accounting policies and recording assets, recalcifications are no longer carried out as occurs due to errors in expenditure account charges.

**Table 4: Budgeting in accordance with Accounting and Asset Recording Policies**

<b>Rec. Shopping</b>	<b>Budget (Rp.)</b>	<b>Fixed Asset Accounting and Recording Policy</b>	<b>Mark</b>
<b>Capital Expenditures</b>	<b>37,000,000</b>	<b>Fixed assets</b>	<b>37,000,000</b>
<b>Building and Building</b>	<b>25,040,000</b>	Buildings and	<b>25,040,000</b>
<b>Capital Expenditures</b>	25,040,000	Structures	
- Office Building		Office Building	<b>11,960,000</b>
Maintenance		Maintenance	11,960,000
	<b>11,960,000</b>		
	11,960,000		
<b>Capital Expenditure for</b>			
<b>Roads, Irrigation and</b>			
<b>Networks</b>			
- Addition of Electrical		Irrigation Roads and	<b>11,960,000</b>
Power		Networks	11,960,000

Based on Table 4 above, this is an expense account expense in accordance with accounting policies and asset recording. If the expenditure value referred to by the benefit principle exceeds 12 months and the acquisition value meets the capitation value as regulated in the accounting policy, then the expenditure budgeting must be charged to capital expenditure in accordance with the appropriate capital expenditure account and integrated with the Fixed Assets account. The suitability of the expenditure budget in accordance with accounting policies and asset recognition will affect the quality of financial reports because it is in accordance with government accounting standards and the procurement of assets can be traced, assessed and measured.

Errors in charging expenditure accounts, whether expenditures that are not in accordance with accounting policies, will have an impact on the quality of financial reports because asset recognition greatly influences the audit body's opinion on the fairness of financial reports, especially on the value of assets that are recorded and can be recognized.

The results of research conducted by Sri and Marlia (2024), suggest that the implementation of government accounting standards has a positive and significant effect on the quality of financial reports. The results of research conducted by Jusmani (2020) also suggest that the implementation of Government Accounting Standards has a great influence on the Quality of Regional Government Financial Reports. Alya and Iyeh (2021) also stated that asset administration has a positive and significant effect on the quality of financial reports.

### Conclusion

In accordance with the results of the research and discussion, the author can draw the following conclusions :

1. Expenditure budget planning by OPD is less careful in paying attention to accounting policies related to procurement capitation value which can be categorized as goods and services expenditure or capital expenditure
2. Mistakes in charging budget accounts will affect the recording of assets which need to be identified and reclassified according to accounting and asset recording policies.
3. To present financial reports, they must meet government accounting standards and accounting policies.
4. Errors in recording assets will affect the measurement or recognition of the fairness of asset values which will have consequences for the Regional Government's Balance Sheet and Financial Reports.

### Suggestion

The author's suggestion is that in preparing expenditure plans, OPD should pay more attention to accounting policies and asset recording that have been issued by the regional government so that expenditure account charges are in accordance with appropriate accounting standards so that in preparing financial reports for procurement of goods that meet asset criteria there is no need reclassification is carried out so that the preparation of financial reports can be more efficient and their presentation can be measured, recognized and accounted for as appropriate.

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