

Analysis of the Application of PSAK No. 16 in the Accounting Treatment of Fixed Assets in Companies in Indonesia: Literature Study

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Abstract: . This study aims to analyze the application of Statement of Financial Accounting Standards (PSAK) No. 16 in the accounting treatment of fixed assets in companies in Indonesia. Fixed assets, which are defined as tangible assets with a useful life of more than one period, play an important role in supporting the company's operational activities. Through a qualitative approach and literature review method, this study collected secondary data from various sources to understand how companies apply this standard. The results show that compliance with PSAK No. 16 improves the transparency of financial statements and supports appropriate managerial decision-making. The implementation of this standard also contributes to the relevance and reliability of financial statements, and assists companies in effectively achieving their operational objectives.

Keywords: Fixed Assets Accounting Treatment, PSAK No. 16, Financial Statements

Introduction

According to PSAK No. 16 (Statement of Financial Accounting Standards) which regulates the accounting treatment for fixed assets, "it is defined as tangible assets whose use includes production activities, provision of goods and services, leasing to other parties, or administrative purposes, with a useful life exceeding one period" (Murdana et al. 2023). The principles of fixed asset accounting as set out in PSAK No. 16 have generally worked well and are widely accepted by the business community and accounting professionals. This standard provides clear and comprehensive guidelines on various aspects related to fixed assets, including recognition, valuation, and measurement of fixed assets at both acquisition cost and revaluation. In addition, "PSAK No. 16 also regulates expenses related to fixed assets, depreciation which is carried out systematically based on the useful life of the asset, as well as policies that must be applied in the termination and disposal of fixed assets" (April et al 2018).

The implementation of PSAK No. 16 plays a crucial role in maintaining the quality and harmony of the company's financial reporting, especially regarding fixed assets.

Compliance with this standard ensures that the process of recognizing, measuring, and reporting fixed assets is systematic and in line with applicable accounting principles. For preparers of financial statements, this standard facilitates the presentation of precise and valuable data about the company's financial condition and performance. Transparency in fixed asset reporting also supports management in making strategic decisions based on accurate financial information.

Various types of fixed assets such as land, buildings, machinery, equipment, and vehicles are long-term assets that are not intended for sale in the ordinary course of business. The guidelines in this standard explain how to recognize, measure, and report fixed assets appropriately in the financial statements, with the aim of presenting reliable and useful information for stakeholders (Antony Wijaya and Jayana Salesti 2022). "Without assets that support the smooth running of daily operations, especially fixed assets, the company will have difficulty achieving its goals" (Syah et al. 2023).

In carrying out operations, companies need fixed assets that have a very strategic role. The importance of fixed assets lies in the amount of investment of funds used in the long term. The management of fixed assets involves various accounting aspects such as acquisition pricing, depreciation, post-acquisition, disposal, and presentation in the financial statements. Procurement of fixed assets requires comprehensive planning given their ongoing impact on company performance. Fixed assets have the potential to be an important instrument in supporting operational activities, generating profits, and improving organizational performance. Compliance with accounting standards aims to ensure the comparability of financial statements and minimize potential conflicts between users. Effective management of company components, especially fixed assets, is key to improving the relevance and reliability of financial reporting.

Literature Review

Statement of Financial Accounting Standards (PSAK) No. 16

Statement of Financial Accounting Standards (PSAK) No. 16 is a guideline for practicing accounting where the description of the material therein covers all aspects related to accounting prepared by a group of people with abilities in the field of accounting who are members of an institution called the Indonesian Accountants Association (IAI). "In other words, PSAK is a manual for accounting practitioners that contains guidelines on all matters relating to accounting" (Syarah 2024).

Definition of Fixed Assets

"Fixed assets are tangible assets owned by a company to support its operational activities. This term is often known as fixed assets or plant and equipment. In a business context, fixed assets can also be referred to as property, plant and equipment or plant assets. These assets have characteristics in the form of physical form and provide benefits to the company in the long term" (Antony Wijaya and Jayana Salesti 2022).

According to (Pt and Ela 2024) "fixed assets are goods that are tangible and owned by an entity as an effort to carry out business activities that are fixed in nature and have been used for a certain period of time and are not intended for resale."

Definition of Fixed Assets According to PSAK No.16

The definition of fixed assets according to IAI, PSAK No. 16 (Revised 2018) "is a tangible asset that is owned for use in the production or provision of goods / services for

rental to other parties or for administrative purposes and is expected to be used for more than one period.”

Acquisition of Fixed Assets

According to (Oktaviani, Saputra, and Suryadi 2024) in obtaining fixed assets can be done in a way, namely:

1. Cash purchase

When purchasing fixed assets in cash, the acquisition price consists of the total of all costs incurred until the asset is ready for use. These costs include the main purchase price plus additional costs such as transportation, installation, and other related costs. In accounting records, this transaction is journalized by debiting the fixed asset account and crediting the cash account for the total cost incurred.

2. Purchase on credit

Purchasing fixed assets on credit is a payment method with a delayed system, where payments are made in stages. Evidence of debt in credit purchases can be in the form of bills of exchange, securities, or mortgages. Payment is made through an installment system accompanied by additional interest costs, so that the total payment is greater than cash purchases. The accounting recording is carried out in two stages, namely when purchasing assets by debiting the fixed asset account and crediting the accounts payable account and when paying installments by debiting the accounts payable and interest expense account, and crediting the cash account.

Previous researchers in the acquisition of fixed assets, showed that fixed assets can be obtained through purchases in cash or credit, through project handovers and grants. “PT PLN UPDK Minahasa acquired each fixed asset through purchase, project handover where PLN itself has a term for that part, self-built, and through grants” (Wuisang, Lonto, and Tala 2023).

Depreciation of Fixed Assets

Based on PSAK No. 16, depreciation is defined as the process of systematically allocating the value of an asset over its useful economic life. In practice, every fixed asset will experience a decline in value along with its use in business operations. It is important to note that this depreciation concept applies to all types of fixed assets, with the exception of land which is not subject to depreciation (IAI 2011). Fixed assets are grouped by function and class to make the depreciation process easier. “Depreciation is carried out for all fixed assets in accordance with their class and function, using the appropriate depreciation method for each asset. In choosing a depreciation method, adjustments need to be made, because although the method applied to all fixed assets is the straight-line method, there are several other depreciation methods regulated in PSAK 16, namely the straight-line method, the declining balance method, and the number of units method that can be applied to asset depreciation” (Bakri 2020).

Retirement and Disposal of Fixed Assets

Based on PSAK N0. 16 (2015: 16.10) stipulates that the recording of the value of fixed assets in the books will be stopped in two conditions: when the asset is disposed of or when the asset no longer provides economic benefits in the future. Derecognition of fixed assets can be carried out through several methods, namely disposal of fixed assets, sale of fixed assets, and exchange with non-monetary assets and forced conversion.

Fixed Asset Disclosure

The presentation of fixed assets can be found in the statement of financial position, which serves to describe the development of assets, liabilities, and equity in a certain period. In the statement, the value of fixed assets is presented based on their acquisition cost, which has been reduced by their accumulated depreciation. Details of various types of fixed assets such as land, buildings, and office investments can be found in two places: notes to the financial statements or as separate items in the balance sheet. Each category of fixed assets displays its depreciation value as a deduction from the value of the asset, and should be accompanied by an explanation of the depreciation charged.

Presentation in Financial Statements

“Financial statements are a summary of all transactions that occur during an accounting year. This report is used for certain purposes in decision making” (Hasransyah, Asmapane, and Diyanti 2017). Every asset owned is recorded in the financial statements, starting from the recognition of the asset, including the costs incurred related to the asset, the depreciation applied, the depreciation method used, and the useful life of the asset until the asset is derecognized. “The presentation of financial statements aims to describe the company's financial position, financial performance, and cash flow, so that financial reports are very important for companies and other interested parties” (Asmara and Agustina 2020).

Methodology

This research uses a qualitative approach as its research methodology. In this research, a qualitative method with a descriptive approach is used, where the research results are presented in a narrative to describe how companies in Indonesia apply the accounting treatment of fixed assets in accordance with PSAK 16. “Literature review is a method that examines various research sources, including theories and previous research findings, to serve as the basis for research. Through this approach, researchers can gain a comprehensive understanding of the development of the topic being studied” (Azizah et al. 2024). Literature review includes analysis, author's interpretation, and summary of various reference sources such as books, articles, and information from the internet that are relevant to the topic of discussion. In this study, the data used is secondary data collected through literature review from journals and previous research articles.

Result and Discussion

Based on various research results on the treatment of fixed assets, an asset can be recognized as fixed assets when it meets two main criteria. First, the asset is predicted to provide economic benefits to the company by supporting operational activities. Second, the asset has a useful life of more than one year and is not intended for sale. Determination of the acquisition price of fixed assets can be done by combining the purchase price with all costs incurred until the asset is ready for operation. The reliability of this acquisition value is supported by the existence of complete documentation and records related to the process of acquiring these fixed assets. In previous research on the analysis of the application of fixed asset accounting, the acquisition price was recorded only based on the acquisition price and did not record in detail, “such as recording the acquisition cost minus accumulated depreciation and accumulated loss of decline” (Bakri 2020).

Previous researchers showed the accounting treatment of fixed assets that were not in accordance with PSAK 16, in the research of Natalia Punusingon, et al "PT. Bank SULUTGO explained that it was not fully in accordance with PSAK 16, namely setting fixed assets in the list of assets per year combined not presented separately" (Natalia Punusingon, Sulutgo Harijanto 2018).

1. Definition of Fixed Assets

Tangible assets used in production, provision of goods and services, leasing, or administrative needs with a useful life of more than one period are called fixed assets. PSAK No. 16 is critical to maintaining the quality of a company's financial reporting and ensuring consistent recognition, measurement, and reporting of assets.

2. Recognition and Measurement

PSAK No. 16 provides clear guidelines on the recognition and measurement of fixed assets, both at cost and revaluation. Expenditures related to fixed assets can be capitalized if they meet certain requirements, increasing the transparency of financial statements. Previous research "shows that the accounting treatment of fixed assets is not in accordance with PSAK 16 Susanta Rohmaniyah at PT. Mina Fajar Abadi mentioned that the results of the research conducted are not fully in accordance with PSAK 16 both recognition, measurement and depreciation of fixed assets" (Rohmaniyah n.d 2016).

3. Depreciation of Fixed Assets

Except for land which is not subject to depreciation, depreciation of assets is carried out systematically over their useful economic life. This process is important to show the decline in asset value over time. Research conducted by (Mega Dwi Lestari 2024) "Depreciation of fixed assets at Aminah Islamic Hospital is in accordance with PSAK No. 16, calculated using the straight-line method or the number of years method, based on the estimated economic benefits of the asset. This method was chosen to reflect the pattern of consumption of economic benefits of fixed assets systematically and rationally throughout its useful life."

4. Asset Retirement and Disposal

When an asset is disposed of or no longer provides economic benefits, the recording of the asset value is discontinued. Termination can be done by disposing of, selling, or exchanging for non-monetary assets. "Research results from Kiki Hendrika at PT Temprina Grafika Jember state that the termination and disposal of assets are not in accordance with PSAK 16" (Windasari 2017).

5. Presentation in Financial Statements

All treatment of fixed assets, including the calculation of costs associated with these assets, must be presented in the financial statements so that the actual value of fixed assets can be clearly seen. Research conducted by (Wuisang et al. 2023) "presentation in the financial statements of PLN UPDK Minahasa has been in accordance with the existing PSAK 16, for example the basis of measurement used in determining the gross carrying amount, depreciation methods, additions, and so on which will be shown in the appendix." In Rini's research that discusses the non-conformity of financial reporting related to fixed assets with PSAK 16 at PLN UP3 Binjai, "it was found that the balance sheet of fixed assets was presented as a whole without separation by type, and

the depreciation value for a period was included in the income statement” (Hidayati 2020).

The adoption of PSAK No. 16 has provided clear and comprehensive guidance on the recognition, measurement, depreciation and reporting of fixed assets, which are tangible assets with useful lives of more than one period. This standard ensures that expenditures related to fixed assets can be capitalized if they meet certain criteria, thereby increasing the transparency of financial statements. The implementation of PSAK No. 16 shows that companies that follow this standard can present more relevant and reliable financial statements, and support the achievement of operational objectives effectively. However, there are still some discrepancies in reporting in some companies that need to be corrected.

Conclusion

The company is advised to ensure the separation of fixed assets in the financial statements, conduct regular training for accounting staff regarding PSAK No. 16, conduct periodic internal audits, improve documentation related to fixed assets, and conduct periodic evaluations of accounting policies and procedures to ensure compliance with applicable standards.

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