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Recognition of inventory methods in accounting standards of the government of Indonesia and Malaysia

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Abstract

This study aims to analyze the Case Study of Inventory Method Recognition on Government Accounting Standards in Indonesia and Malaysia. This research data is obtained through literature studies or previously published research. The purpose of this study is to better understand the differences in inventory recognition methods in Government Accounting Standards applied in Indonesia and Malaysia.

This research uses a case study approach, the data collection technique used in this study is a library study, and with the analysis techniques used are descriptive analysis techniques. Data analysis is done by collecting, processing and interpreting the data obtained. The results of this study show that there are differences in inventory recognition methods between Indonesia and Malaysia.

Keywords: Inventory Method Recognition, Government Accounting Standards

Introduction

The application of the government accounting system of a country will depend heavily on the laws and regulations applicable to the country concerned. The most important characteristics or requirements of the government accounting system according to the United Nations in his book *A Manual for Government Accounting*, among others mentioned that:

1. The government accounting system must be designed in accordance with the constitution and laws and regulations applicable to a country.
2. The government accounting system must be able to provide accountable and auditable information (meaning it can be accounted for and audited).
3. The government accounting system must be able to provide the necessary financial information for the preparation of plans / programs and evaluation of physical and financial implementation. Central Government Accounting System (SAPP) is an accounting system that processes all financial transactions, assets, liabilities, and equity of central government funds, which produces timely accounting information and financial statements with reliable quality, both required by agencies outside the central government such as the Dpr, as well as by various levels of management in the central government.

Financial reporting the following financial statements

- a. Balance sheet
- b. Comprehensive income statement
- c. Statement of changes in equity
- d. Report on changes in financial position that can be presented in the form of cash flow statement or fund flow statement.
- e. Other notes and reports and explanatory materials that are an integral part of financial statements

As well as Indonesia, Malaysia's official system comes from the UK. As expected, this accounting system also aims to meet the information required by investors. The Malaysian Institute of Accounting (MIA) has been established under the supervision of a regular association of accountant professions in Malaysia. But Malaysia restructured its accounting system in 1997 with the Financial Reporting Act, created by the Financial Reporting Foundation (FRF)/Financial Reporting Agency and Malaysian Accounting Standard Board (MASB). The FRF oversees MASB's work but is not involved in its standard processes. MASB is an independent body created to develop and apply accounting standards in Malaysia. The new framework was created with a representative standard process with users, policy makers, and accountants. Companies registered in Malaysia are required to prepare mandatory financial statements in accordance with accounting standards approved issued by the Malaysian Board of Accounting Standards (MASB).

Foreign companies listed on the stock exchange in Malaysia can prepare financial statements in accordance with certain internationally recognized accounting standards such as SAK. MASB has two sets of approved accounting standards, namely:

1. MASB Approved Accounting Standards of Non-Private Entities – Financial Reporting Standards (FRSs); and
2. MASB Approved Accounting Standards of Private Entities – Private Reporting Standards Agency (PERSs).

On August 1, 2008, the Financial Reporting Foundation overseeing masb and MASB operations issued a statement on their plans for the full convergence of FRSs with SAK issued by iasb on January 1, 2012. MASB staff have issued a proposed calendar providing temporary adoption times from SAK issued by the IASB on June 19, 2009. Private entities implementing PERSs will continue to do so until such time, MASB decides otherwise.

2. Literature Review

Definition of Inventory in Indonesia

Inventory is a current asset in the form of goods or equipment intended to support government operational activities, and goods intended for sale and/or delivered in service to the community. (Permenkeu 225/PMK.05/2019 on Central Government Accounting Policy).

Inventory is an asset that consists of

1. Goods or supplies used in the framework of government operational activities, for example: consumables such as spare parts, unusable goods such as equipment and pipe components, and used goods such as used components.
2. Materials or supplies that will be used in the production process, for example: materials used in the production process such as raw materials for the manufacture of agricultural tools, building construction raw materials that will be handed over to the community / local government (local government).
3. Goods in the production process that are intended to be sold or handed over to the community, for example: construction in the work to be handed over to the community, semi-finished agricultural tools / goods produced by unfinished production process that will be handed over to the community / local government.
4. Goods stored for sale or handed over to the public in the framework of government activities, for example:
 1. Animals, plants for sale or handed over to the community / local government;
 2. Land/building equipment and machinery/other fixed assets to be handed over to the community/local government.
5. Items for precautionary or strategic purposes such as oil reserves and rice reserves.

For the inventory of operational goods activities, inventory can not be seen from the form of goods, but rather the initial intention (intention) at the time of planning activities and the preparation of RKA KL, so that for goods that are planned to run out on one activity is not allocated from the Inventory Expenditure and does not become inventory. An item can be classified as a supply item if the procurement planning is continuous or sustainable, not just for one activity in a short period of time.

Things to consider in the recording of Inventory for satker

operations are:

1. Materiality;
2. The mirroring of the satker's main tasks and functions; and
3. Internal control.

In the event that goods originating from government assistance to be handed over to the community/local government, it should be recorded as a supply.

Definition of Supplies in Malaysia

Inventory is an asset:

- a. Owned for sale in ordinary business activities;
 - b. In the production process for the sale; or
 - c. In the form of materials or equipment to be consumed in the production process or in the provision of services.
- Net realization value is the estimated selling price under normal business circumstances minus the estimated settlement cost and estimated cost required to make the sale. (MASB)

Supplies include items purchased and owned for resale including for example, merchandise purchased by retailers and owned for resale, or other land and property owned for resale. Supplies also include finished goods produced, or in-process goods being produced, by the company and include materials and equipment waiting for use in the production process. In the case of service providers, inventory includes: service fees, as described in paragraph 19, in which: the company has not recognized the related revenues (Malaysian Accounting Standart Board edition 11, Revenue).

3. Methods

This research was conducted using a case study approach, the data collection technique used in this study is a library study, and with the analysis techniques used are descriptive analysis techniques. Data analysis is done by collecting, processing and interpreting the data obtained. This research data is obtained through literature studies or previously published research.

4. Result and Discussion

Inventory is a current asset in the form of goods or equipment intended to support government operational activities, and goods intended for sale and/or delivered in the framework of service to the community. Based on the nature of its use, the inventory consists of:

1. Consumables;
2. Unexhaustible items; and
3. Used goods.

By shape and type, inventory consists of:

1. Consumer goods;
2. Ammunition;
3. Materials for maintenance;
4. Spare parts;
5. Supplies for strategic purposes/ just in case;
6. Tax bands and leges;
7. Raw materials;
8. In-process/semi-finished goods;
9. Land/buildings for sale or consignment to the community;
10. Equipment and machinery, for sale or consignment to the public;
11. Roads, Irrigation, and Networks, for sale or consignment

- to the community;
12. Other fixed assets, for sale or consignment to the public;
 13. Animals and plants, for sale or handed over to the community; and
 14. Other supplies for sale or consignment to the public.
 15. Inventory Recognition.

1. Inventory is recognized at the time of:

- a. potential future economic benefits are obtained and have value or cost that can be reliably measured. The cost is supported by verifiable evidence/documents and there is an element of inventory price so that the cost can be measured reliably, honestly, verifiably, and neutrally; and/or
- b. at the time of receipt or ownership rights and/or its use transferred. The source documents used in recognition of inventory acquisition are invoices, receipts, or Berita Acara Serah Terima (BAST).

Inventory is recorded using perpetual method, i.e. inventory recording is performed every transaction that affects inventory (acquisition and use of).

Recording of inventory goods is carried out based on the units of goods commonly used for each type of goods or other units of goods that are considered the most adequate in consideration of materiality and control of recording.

At the end of the reporting period, inventory records are adjusted to physical inventory results.

Physical inventory is carried out on unused goods, both those still in the warehouse / storage and supplies located in the user's unit.

Inventories in damaged or outdated conditions are not reported in the balance sheet, but are disclosed in CaLK. Therefore, the financial statement attaches a list of inventory of damaged or obsolete goods.

2. Inventory Expenses

Inventory expenses are recognized at the end of the reporting period based on calculations of inventory usage transactions, delivery of supplies to the public or other causes resulting in reduced inventory quantities.

Inventory Measurement

Supplies are served at the same time as

1. Acquisition costs if obtained by purchase

Inventory acquisition costs include:

- a. Purchase price;
- b. Transportation costs;
- c. Handling costs;
- d. Other costs that can be directly charged to the acquisition of.

What reduces inventory acquisition costs:

- e. Discounts,
- f. Rebates, and other similar.

2. The cost of production is used when supplies are obtained by producing their own.

The cost of production can consist of direct costs associated with the inventory produced and indirect costs allocated systematically. The cost of production can consist of direct costs associated with the inventory produced and indirect costs allocated systematically. In calculating the cost of production, standard costs can be used in case real cost calculation is difficult.

3. Fair value is used when supplies are obtained from other means. Examples: animal and plant breeding process, donation, spoils and more.

Intended to be delivered to the public, the cost of obtaining them includes the purchase price as well as the direct costs that can be charged on the acquisition of such inventory.

In recording inventory, the Government uses perpetual recording method. Inventory is assessed using the First In First Out (FIFO) Method, where the incoming goods are first considered as the first to exit. With this method the inventory balance is calculated based on the acquisition price of each.

In the event that the First In First Out (FIFO) method cannot be applied, the Inventory assessment is carried out by calculation method based on the last acquisition price.

In order to present inventory expenses in the Operational Report, Inventory Expenses are recorded in the amount of use of goods. Excluded from Inventory Load is the Use of Inventory goods for maintenance recorded as Maintenance Expenses and Delivery of Inventory Goods for sale / handed over to the Community / Local Government recorded as The Load of Goods for sale / handed over to the Community / Local Government.

Inventory usage measurement is calculated based on physical inventory (stock opname), i.e. by taking into account the initial balance of inventory plus the purchase or acquisition of inventory minus the final balance of inventory, the result of which is multiplied by the value per unit according to the valuation method used.

Inventory Presentation

Inventories are presented on the balance sheet in the current assets section. In order to present inventory on the balance sheet, the task force carries out physical inventory (stock opname) of inventory conducted every semester. Furthermore, based on the results of physical inventory, adjustments are made to the inventory value data.

Inventory Disclosure

The inventory is adequately disclosed in the records of the Financial Statements as follows::

1. Accounting policies used in inventory measurement;
2. Further explanation of supplies such as goods or equipment used in public service, goods or equipment used in the production process, goods stored for sale or delivered to the public, and goods that are still in the production process that are intended to be sold or handed over to the public;
3. Explanation of the difference between recording and physical inventory results; and
4. Type, quantity, and value of inventory in damaged or using condition.

Special Treatment Supplies

1. Inventory items that have a nominal value intended for sale such as excise tape are assessed at the latest acquisition costs.
2. Inventory in the form of goods to be handed over to the community/jipi party third party that is still in the process of development until the reporting date, then on expenditures attributable to the formation of such assets are still presented as supplies (not KDP).
3. There are times when government units, due to their duties and functions, receive grants in the form of gold, such as the receipt of Unexpected Prizes (HTT) or Prizes

Not Taken By Winners (e.g. at the Ministry of Social Affairs). In this case, the gold supply is recorded at a fair price at the time of acquisition.

5. Conclusion

Recognition of Inventory Methods in Government Accounting Standards in Indonesia and Malaysia is different. In Indonesia, Inventories are recognized at the time of:

- a. Potential future economic benefits are obtained and have value or cost that can be reliably measured. The cost is supported by verifiable evidence/documents and there is an element of inventory price so that the cost can be measured reliably, honestly, verifiably, and neutrally; and/or
- b. At the time of receipt or ownership rights and/or its use transferred. The source documents used in recognition of inventory acquisition are invoices, receipts, or Berita Acara Serah Terima (BAST).

In Malaysia, recognition of government accounting supplies is based on: Historical cost system. The main problem in accounting for inventory is the amount of costs to be recognized as an asset and brought forward until the related revenue is recognized. This standard provides practicality of guidelines in cost determination and subsequent recognition as a burden, including any decrease into net realization value. It also provides guidelines on the cost formula used to charge costs to inventory.

6. References

1. Malaysian Accounting Standards Board
2. Government Regulation Number 71 of 2010 concerning Government Accounting Standards.
3. Regulation of the Minister of Finance No. 2019/PMK.03/2013 concerning Central Government Accounting Policy.
4. Regulation of the Minister of Finance No. 2013/PMK.05/2013 concerning Accounting and Reporting System of the Central Government.
5. Regulation of the Minister of Finance No. 2015/PMK.05/2013 concerning Government Accounting Journal in Central Government.