

# COMPARATIVE ANALYSIS OF THE APPLICATION OF BASE CASH AND BASE ACCRUALS IN LOCAL GOVERNMENT FINANCIAL STATEMENTS (STUDY ON REVENUE, FINANCIAL MANAGEMENT, AND ASSETS OFFICE OF KARAWANG REGENCY)

Dedi Mulyadi, Universitas Buana Perjuangan Karawang

## ABSTRACT

*Reform in the field of State Finance, there is a significant change in government accounting changes. This is evidenced by the issuance of government accounting standards based on PP No. 24 of 2005, which stipulates the use of cash toward accrual (CTA) basis to prepare government financial statements in providing financial accountability. The CTA base is intended as a modified cash base with several accrual recording systems, which are the initial stage of adopting the accrual base in Indonesia. But until the deadline, the government has not succeeded in implementing a new accounting system. It is reviewed in Government Regulation No. 71 of 2010 concerning Government Accounting Standards to replace Government Regulation No. 24 of 2005.*

*Based on the mandate of Government Regulation No. 71 of 2010, the Office of Revenue Management of Finance and Assets of Karawang Regency implemented a full accrual-based accounting in 2015. The main obstacle in applying accrual base in DPPKAD Karawang regency is not because of the lack of human resources but the quality of human resources that have not been able to make financial statements based on this accrual. So there needs to be training on Accrual-Based Accounting Standards.*

*This study aims to find out the comparison of the application of cash base and accrual basis in the financial statements of DPPKAD Karawang Regency. Research is conducted using qualitative methods, namely collecting, presenting and analyzing, and making conclusions and suggestions. According to the research data analysis, The conclusion: 1,) DPPKAD Karawang district has implemented accrual-based accounting standards. 2) Constraints on the application of accrual base in DPPKAD Karawang regency are the quality of human resources that are less able to prepare accrual-based financial statements. 3) Differences in cash-based and accrual government accounting standards in the financial statements of DPPKAD Karawang Regency lie in the main components of financial statements.*

**Keywords:** Government Accounting Standards, Accrual Basis, Cash Base

## INTRODUCTION

Accountability of a financial statement is very important for Government agencies. Who can even say that the role of financial statements as a medium of accountability is more prominent in government accounting than its role for organizational assessment as it is in the private sector. Public confidence increases if the government consistently provides transparent and reliable financial accountability information that ultimately strengthens their support for the ruling government. Transparency and financial quality of the government play a vital role in building the quality of democracy and effective government (Ter Bogt, Budding &Helden, in Harun, 2010). Evaluation of the efficiency and effectiveness of resource management and the use of budgets is very important because it can determine the formulation of future strategies to improve the country's welfare.

Ball (2005) in Harun (2010) revealed that the accuracy of government financial information is important for several reasons, namely: (1) wherever a government is located around the world, they are tasked with the same, namely collecting, organizing, and spending thousands of billions of dollars to improve people's standard of living; (2) the people have given great responsibility to the government to manage assets and liabilities that have accumulated for decades that are expected to affect the welfare of the community in the future; and (3) a healthy democracy requires citizens who are trusted with the credibility of politicians and officials, as well as people who care about the political process.

According to efforts to produce accurate accounting information, Indonesia has been carrying out financial reforms since 2003 with Law No. 17 of 2003 on State Finance, Law No. 1 of 2004 on State Treasury, and Law No. 15 of 2004 on Accountability of State Financial Management. However, in fact, at the operational level, up to the fiscal year 2005, there are still local governments that have not compiled and presented financial statements by the regulations required at the time, namely Kepmendagri No. 29 of 2002 concerning Guidelines for The Preparation of Accountability and Supervision of Regional Finance and Procedures for The Preparation of Regional Revenue and Expenditure Budgets, Implementation of Regional Financial Administration and Preparation of Calculation of Regional Budgets and Expenditures. The preparation of financial statements was still carried out based on the provisions in the previous regulations. Therefore, who can say that until now, Indonesia is still in a transitional period.

Law No. 17 of 2003 on State Finance requires the government to implement an accrual-based accounting system no later than five years from the issuance of the law. Then as a guideline for its implementation also published Government Regulation No. 24 of 2005 on Government Accounting Standards. Still, until the deadline set, the government has not managed to implement a new accounting system until the issuance of Government Regulation No. 71 of 2010 concerning Government Accounting Standards to replace Government Regulation No. 24 of 2005. In Government Regulation No. 71 of 2010, the deadline for implementing the full accrual accounting system was postponed until 2015.

## **Research Focus**

### **Focus**

This research will be focused on the comparative analysis of the application of cash base and accrual basis on local government financial statements.

## **Problem Formulation**

Based on the background of the problem and identification of the above problems, the problem formulated in this study is:

1. How to apply the accrual basis at the Office of Financial Management Revenue of Karawang Regency.
2. How are the constraints of the Office of Revenue Management of Finance and Regional Assets on the application of base accruals.
3. How is the comparison of base cash and base accruals in the Revenue Office of Financial Management of Karawang Regency.

## **Research Objectives**

The purpose of this study is to examine the :

1. Application of accrual basis at the Revenue Office of Financial Management of Assets Karawang Regency.

2. Constraints of the Office of Revenue management of Finance and Regional Assets to the application of accrual base
3. Comparison of base cash and base accruals at the Karawang District Asset Financial Management Revenue Office

## **LITERATURE REVIEW**

### **Accrual Accounting Basis (Accrual Basis of Accounting)**

According to Kieso, et al., (2008), the accrual basis of accounting recognizes income when it is earned and costs when they are incurred, regardless of the timing of cash receipts or payments. In Indonesian government accounting, the accrual basis is used to present assets, liabilities, and fund equity. When ownership rights are received or transferred and when ownership is transferred, assets are remembered. Liabilities, on the other hand, are known when loan funds are received, and commitments occur.

Since all resource flows, including internal transactions and other economic flows, are reported on an accrual basis, it offers the most detailed information. In simple terms, accrual-based accounting is used to solve the lack of a good cash base to provide more reliable results. According to Heather Thompson in Bambang Widjajarso (2008), there are many reasons to use the accrual basis, including the following:

- 1) We are improving the quality and efficacy of the public sector's financial system.
- 2) To strengthen fiscal discipline, asset management, and the culture of the public sector.
- 3) To improve the program's responsibility for the government's provision of goods and services.
- 4) Give the government more facts from which to make decisions.
- 5) We are reforming the fiscal system.
- 6) To achieve greater accountability at the expense of government-provided services.

Thus, the accrual basis of accounting is used to provide more reliable and consistent information on government programs. The accrual basis is often used to increase the efficiency of government decision-making. Countries that use the accrual basis of accounting hold managers accountable for all expenses incurred, not just the cash value charged. In conclusion, managers' best interests are to provide reliable information when they are granted flexibility in managing entrusted resources. True costs can only be determined on an accrual basis, which will aid in making effective and productive decisions.

The benefits of applying the accrual basis, according to H Thompson in Bambang Widjajarso (2008), will include things such as:

- a. Provides a complete picture of the government's financial position.
- b. It shows how government activities are financed and how the government can meet its cash needs.
- c. Provides useful information about the actual level of government liability.
- d. Increase the management power of government assets and liabilities.
- e. The accrual basis is very familiar to more people and is more comprehensive in presenting the information.

Furthermore, the benefits of using an accrual basis can be defined as follows in study no 14 published by the IFAC- Public Sector Committee (2003) in Budi Mulyana. Users of financial statements prepared on an accrual basis can:

- a) Evaluate an entity's responsibility for resource management,
- b) Evaluate an entity's efficiency, financial status, and cash flow, and
- c) Make decisions about providing services to, or doing business with, an entity.

At a more comprehensive level, accrual reporting is needed:

- a. Describes how the government funds its operations and satisfies the funding requirements.

- b. Enables consumers of the study to assess the new government's ability to fund its operations and meet its responsibilities and commitments.
- c. Displays the government's financial status as well as adjustments in that position.
- d. Enable the government to demonstrate its success in managing the resources it manages, and e. Be useful in assessing government performance in terms of resource utilization and effectiveness.

Thus, the reasons for using the accrual basis include the following:

- a) Cash-based accounting does not produce sufficient information for economic decision-making, such as information on accounts payable and receivable, so the use of an accrual basis is highly recommended.
- b) Only accrual-based accounting provides accurate information to describe actual operating costs.
- c) Only accrual-based accounting can produce reliable information on information on assets and liabilities.

<b>CASH TOWARDS ACCRUAL</b>	<b>ACCRUAL</b>
Financial Report Components	Financial Report Components
Principal Financial Statements	Principal Financial Statements
1. Budget Realization Report	1. Budget Realization Report
2. Balance sheet	2. Reports on Changes in Excess Budget Balance (SAL)
3. Cash flow statement	3. Balance sheet
4. Notes to Financial Statements	4. Operational Report (LO)
Operational Financial Reports	5. Cash flow statement
1. Financial Performance Report (LKK)	6. Statement of Changes in Equity
2. Statement of Changes in Equity (LPE)	7. Notes to Financial Statements

Source: from various sources processed (2016)

### RESEARCH METHODS

This study using a qualitative approach. The choice of a qualitative approach in this study is based on the reason that the problem examined in this study is how to compare the application of cash basis and accrual basis in the financial statements of the Office of Regional Financial Management Revenue and Asset, Karawang Regency. In addition, the qualitative approach is more sensitive. It can adapt to a lot of sharpening the joint influence on the value patterns and changing situations during the study (Sugiyono, 2014).

No.	Sub Focus	Parameters / indicators	Data source	Data collection technique
1	Government Accounting Standards	Budget Realization Report	Secretary	Interview Document study Photo Recording
		Operational Report	Head of Accounting	
		Balance sheet	Head of Sub Division of Finance	
		Statement of Changes in Equity		
		Notes to Financial Statements		

Source: Processed data, 2016

### Research Data Sources

In every study, researchers must master data collection techniques to produce data relevant to the research. In d nature of this study, researchers used a kind of qualitative data sources of primary da n secondary sources.

### Main Source

The primary data source that provides data directly to data collectors is known as the source (Sugiyono, 2014). This primary source is in the form of notes on interviews conducted by researchers with data sources (Secretary, Head of Accounting, and Head of Sub-Division of Finance) at the Karawang Regency's Office of Revenue Management of Finance and Regional Assets. P e Scan also conducts field studies and collects data in notes regarding incidents and circumstances.

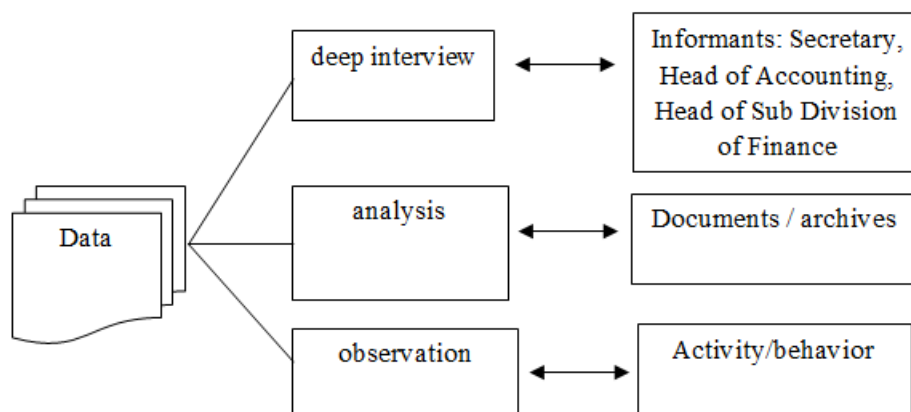
### Secondary Sources

Data sources that do not explicitly provide information to data collectors are referred to as secondary data sources. This secondary data source may be more processing results from primary data provided in other formats or information from other people (Sugiyono, 2012). This knowledge is used to supplement primary data gathered through interviews or direct observations in the field. The researcher also relies on secondary data from the literature to back up their analysis.

### Data Collection Techniques

The data collection technique uses a qualitative approach tailored to the observation and interview results developed by the researcher. The data collection process prioritizes the view of data and information by the principles it guides. The technique used prioritizes the deepening of observations regarding the comparison of the application of cash basis and accrual basis in the financial statements of the DPPKAD Karawang Regency through observation, in-depth interviews, recording, recording. Literature study which is then presented in reporting according to data reduction found to be verified (withdrawal a conclusion of research results).

According to Esterberg (in Sugiyono, 2014), an interview is a meeting between two people. They share knowledge and ideas through question and answer to create meaning in a specific subject. In this analysis, semi-structured interviews were used ( semi-structured interview ). This form of interview aims to find issues more transparently, in which the parties being questioned are asked for their thoughts and opinions (Sugiyono, 2014). This is what you'll need for an interview, including a voice recorder and some writing instruments if you need to record anything. Figure 1 depicts data collection strategies.



**FIGURE 1**  
**QUALITATIVE DATA COLLECTION TECHNIQUES**

Source: Analysis, 2016

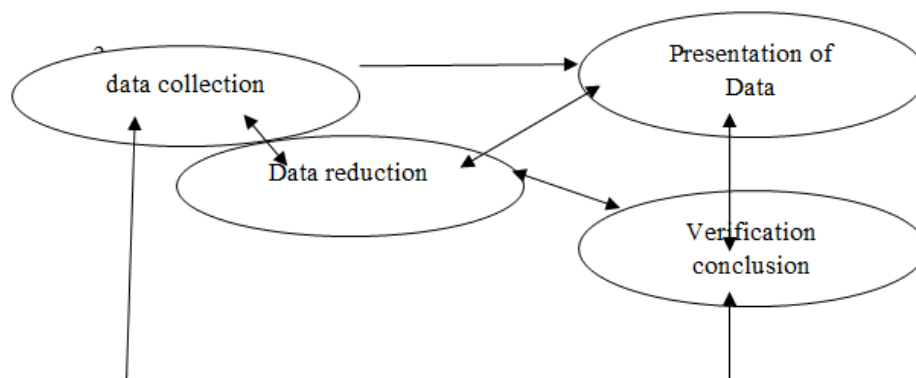
The data collected are primary data and secondary data. In-depth interviews were conducted with informants, namely the Secretary, the Head of Accounting, and the Head of the

Finance Subdivision. Interviews include accrual basis application, constraints in accrual basis application, transaction recording procedures, presentation of financial statements to improve the quality of financial statements.

Researchers should use available data and information as material for review to develop a concept of comparing cash basis and accrual basis in financial statements. Furthermore, according to Sugiyono (2014), data collection can be derived from observations, interviews, reporting, and combination/triangulation. Researchers used observation, recording, and interviews as data collection techniques in this report.

### Analysis Technique

According to Miles and Huberman (Sugiyono, 2014), qualitative data analysis operations are interactive and continue until the data is saturated. Who took the following steps in data analysis: data reduction, i.e., making an abstraction or summary; presentation of the data, i.e., taking the key points but not ensuring their validity; and conclusions and verification, i.e., drawing preliminary conclusions and allowing verification as the study progresses. In qualitative research, data analysis consists of three tasks that occur simultaneously: data reduction, data introduction, and conclusion (verification). As a result, data collection and interpretation must always occur concurrently. Who analyzed the data in a descriptive qualitative way. The flow of research data analysis can be summarized as follows:



**FIGURE 2**  
**COMPONENTS AND DATA ANALYSIS FLOW**

Source: Miles and Huberman's Interactive Model (1992)

#### Data Reduction

Data reduction is a form of data analysis that involves selecting the most appropriate elements, concentrating on them, and searching for themes and trends. The information gathered in the field is written down or typed into a thorough summary or article.

#### Presentation of Data (Data Display)

Brief explanations, maps, relationships between categories, flowcharts, and other visual aids are used to present data. According to Miles and Huberman (Sugiyono, 2014), narrative text is the most popular way to present data in qualitative research.

#### Conclusion Drawing/Verification

Themes and trends are categorized from the data, and then conclusions are drawn. The initial findings presented are still tentative, and if no clear evidence is found to support them at the next data collection stage, who will change them.

The stages of qualitative data analysis are as follows, according to McDrury ( Collaborative Group Analysis of Data, 1999), as cited by Moleong (2007):

- a. Reading/studying data and highlighting keywords and ideas;
- b. studying certain keywords and attempting to identify patterns that emerge from the data.
- c. Make a note of the models you discovered.
- d. The coding is complete.

Conducting in-depth interviews with key sources, namely, someone who understands and knows the condition of the study object is the first step in data analysis. Following the interview, data analysis started with the transcription of the interview results, which was accomplished by playing back the reported interview results, carefully listening, and then writing down the words heard according to what was recorded on the record.

The researcher had to read the transcript carefully for data reduction after writing the interview results into a transcript. Researchers reduce data by abstracting it, which entails taking and documenting valuable information by the study context or omitting unnecessary words so that only the sentence's meaning is collected. Still, the vocabulary is by the informant's language.

The abstract has been written in units, which are then grouped according to the research domain's taxonomy. According to Sugiyono (2014), domain analysis aims to obtain a broad and detailed picture of the object, study, or social situation. This domain is obtained by grand and mini-tour queries. Meanwhile, the domain is critical for researchers because it serves as a foundation for future study. In terms of taxonomic analysis, once a domain has been chosen, it is defined in greater detail to determine the internal structure.

### **Data Validity Testing**

Data validity tests in qualitative research include credibility (internal validity), transferability (external validity), dependability (reliability), and confirmability (objectivity) tests (Sugiyono, 2014).

#### **Credibility**

Test the credibility of the data or the trust in the data from the results of this study will use several data validity testing techniques, namely:

- a. Extension of observation  
The researcher returns to the field to make observations to find out the truth of the data obtained and find new data.
- b. Increase persistence  
Make observations more carefully and continuously. By increasing this persistence, the researcher will double-check whether the data that has been found is wrong or not.
- c. Triangulation  
Checking data from various sources in various ways and times.
- d. Negative case analysis  
Researchers are looking for data that is different or contradicting the findings of previous data if no more data is different or contradicts the findings, who can trust the data found.
- e. Using reference material  
The reference material in question is the existence of support to prove the data that the researcher has found. Interview data need to be supported by recording interviews.
- f. Hold member check  
Member check is the process of checking data obtained by researchers from data givers. If the data found is agreed upon by the data givers, it means the t the data is already valid so that it is more credible or trusted. Still, if the data found by the researcher with various interpretations are not agreed upon by the data provider, the researcher needs to discuss with the data provider. If the difference is sharp, then the researcher must change his findings and must adjust to what is provided by the data provider.

## Confirmability

The confirmability test is identical to the dependability test in qualitative testing, and who can perform both tests simultaneously. Confirmability checking entails evaluating the study's findings of the phase-in progress. The study has met the criterion of confirmability if the research findings are a part of the used research methodology. In science, don't pretend that the mechanism doesn't exist; the findings do.

## Transformability

In qualitative research, transformability refers to the degree of precision or applicability of research findings to the population from which the sample was drawn. This transfer value is related to questions so that the research findings can be applied or used in other contexts to understand the qualitative research findings. So that who can apply the research findings, the research report must include a thorough, consistent, systematic, and accurate summary.

## RESEARCH RESULT

Because of government regulation number 71 of 2010 concerning Government Accounting Standards, who decided to abandon cash-based government accounting standards in favor of accruals and fully follow accrual-based government accounting standards (SAP) beginning in 2015, according to government regulation number 71 of 2010, article 1 paragraph (8), accrual-based SAP is a government accounting requirement that recognizes revenue, expenditures, assets, debt, and equity in accrual-based financial reporting, and profits, expenditure, and financing in budget implementation reporting based on the basis set out in the APBN.

Employees Revenue Service Financial Management and Asset Karawang District, when questioned about the accrual-based government accounting standards, are ripe to define the accrual basis itself. Dinar, as the headed of the financial sub-division of the Karawang Regency Regional Finance and Asset Management Office, sees the accrual basis as an economic event in which even though there is no money coming into the regional treasury, there is already a binding between the taxpayer and the tax officer at that time it can be recognized as income. In another interview conducted with Thony, an expenditure treasurer at the Regional Finance and Asset Management Office of Karawang Regency who said that:

*"If my understanding of the accrual basis is a standard, a government standard which recognizes the economic event at the time the event occurs. Not at the time of receiving cash."*

The respondent's position is consistent with KSAP's (2006: 3) definition of the accrual basis, which is an accounting method in which economic transactions and other activities are registered, reported, and presented in financial statements at the time they occur, regardless of when cash or cash equivalents are collected or paid out. The employees at the Regional Financial and Asset Management Office of Karawang Regency are aware of the reform in government accounting standards that is currently in force, namely government regulation number 71 of 2010 concerning accrual-based government accounting standards, based on the views of the two informants above on the understanding of the accrual basis. Arisandi clarified that accounting at the Regional Finance and Asset Management Office of Karawang Regency further clarifies accrual-based government accounting. He said:

It's just that in the LRA, the accrual basis must also be accrued, while previously in cash basis, namely revenue, expenditure, and our funding is cash, we will do the accruals later on the balance sheet. But now it's time to add it up. Aren't the accruals straightforward? When the APBD is set, revenue is automatically recognized. As a result, when the APBD was discovered, we had no choice but to accept it. The benefit cannot be met by the end of the year, so it



becomes receivable. Similarly, in shopping, accrual is all the evidence; the difference is that there are many papers. If my memory serves me correctly, the journal entries are four times before the funds are disbursed at the implementation level.

He then went on to emphasize: Because if I look at it, the only difference is the issue of the initial confession journal. We used to go to a cash basis for income and expenditure, and now we accrue it. It's simple; we will admit that the money goes to the regional treasury; now, no, when the APBD is determined, it is recorded as debt or receivable. That's all the basic difference.

The above expressions indicate that the Karawang Regency Regional Financial and Asset Management Revenue Service employees generally understand the basic understanding of accrual-based government accounting. However, when implementing the accrual basis in the Karawang Regency Regional Finance and Asset Management Office was raised to the surface, the problem regarding the resulting financial statements became increasingly as if it had become the main topic that made this accrual basis a complicated matter.

An understanding of the application of the accrual basis, especially for the Karawang Regency Regional Finance and Asset Management Office, for Arisandi, the headed of accounting at the Karawang Regency Regional Finance and Asset Management Office, reveals that:

*I have taken several pieces of training for accruals that are very complicated. We make two financial reports. In PP 24/2005, financial statements consist of balance sheets, LRA, cash flow reports, and notes on financial statements. But in PP 71, there are three additional items that we have to make, so I think for PP 71, it will be even more difficult to say helping the government to take care of the regions is more complicated. There must indeed be a competent person who can guide.*

His statement confirms that the rise in items to be produced in the government financial report is a major problem for the Karawang District DPPKAD in enforcing government regulation number 71 of 2010 regarding this accrual-based government accounting standard. According to Halim & Kusufi, (2012), local governments shall present the following financial statements no later than the 2014 fiscal year, following government regulation number 71 of 2010 concerning accrual-based government accounting standards. First, there are budget execution reports (budgetary reports), which include budget realization reports (LRA) and reports on adjustments in excess budget balances (SAL). The second category is financial reports, including balance sheets, operating reports (LO), equity reports, and cash flow reports. Notes on financial statements are the third item on the list (CALK). Normally, qualified people or organizations are expected to direct the consequences of the complications that occur for the Office of Regional Financial and Asset Management of Karawang Regency in enforcing government regulation number 71 of 2010, implying that the socialization of current government regulations must be intensively carried out. The regional financial and asset management revenue service of Karawang Regency's expenditure treasurer reported the same thing:

*Increasingly, there are operational reports and reports on changes in equity. Of course, more socialization is needed because of its complexity.*

Regarding government regulation number 71 of 2010 concerning government accounting standards on an accrual basis, the headed of the revenue, expenditure, and financing accounting section at the Regional Financial and Asset Management Office of Karawang Regency stated:

In my opinion, it is more complicated to use PP 71 because it is not a regular report. Still, because the analysis is different, if the income is a journal, he can only use a single book, but if there are many ledgers, it is like a trading company.

The above expression views the accrual basis in government, especially in local government, as a complex matter. This is because there is no link between budget execution reporting (budget accounting) and financial reporting (financial accounting). Therefore, the accounting equation generally only applies to financial reporting, not budget execution reporting. According to Halim & Kusufi, (2012), the application of accrual-based SAP using a double-entry recording system involves two types of journaling for each transaction, namely

financial journals (for financial reporting) and budget journals (for budget execution reporting). Financial journals are carried out similarly to records made in private sector accounting. Budget journals record LRA-income and expenditure transactions with the "SILPA" account in place of the "cash" account, exemplified by KSAP. The irrelevance of budget reporting with financial reporting indicates that recording budget execution is separate from its financial accounting. Therefore, who can say that budget recording is separate from its accounting records. The budget recording is only intended to produce budget implementation reports, namely, budget realization reports and reports on changes in excess budget balances. On the other hand, Satmoko (2010) explained that the increase in reports that the government must prepare to six reports and one CALK without distinguishing the main report and supporting reports would have an impact on changes in the government accounting system, which in turn will make budget allocations sufficient. Big.

The Karawang Regency Regional Financial and Asset Management Revenue Service is of the view that they are experiencing tremendous hassle, given the complexity of the financial reports to be produced, which initially only had three financial reports, namely the budget realization report, balance sheet, and notes on financial statements and then increased. Into five financial reports, namely budget realization reports, operational reports, changes in equity reports, balance sheets, and notes to financial reports. This is evidenced from the view of Dinar, which states that:

*Previously we compiled three financial reports; after the accruals were running, we prepared five financial reports. That's all, if we have difficulty in preparing financial reports, we usually ask for help from the accounting sector to make a balance sheet.*

Based on the interview above, the current condition of the Office of Regional Financial and Asset Management of Karawang Regency, in the application of government regulation Number 24 of 2005 concerning cash-based government accounting standards towards accruals, there is still a need for learning, the presence of government regulation Number 71 of 2010 concerning standards Accrual-based government accounting is considered difficult. This departs from HR's understanding of the old government regulations, which have not been stable, especially when new government regulations are applied with additional financial reports that must be presented.

who interviewed with the expenditure treasurer at the Regional Financial and Asset Management Office of Karawang Regency, who said:

*There will be more reports. There are temporary expenses; if PP 24 is only used for expenses or expenditures, there are also two types of income: income-LRA and income-LO.*

Based on the employee's statement above, who can conclude that the use of the new term has also become a consideration for the Karawang Regency Regional Financial and Asset Management Revenue Service in additional learning about accrual-based government accounting standards, terms such as "expense" were only known after the enactment of accrual-based government accounting standards. (PP 71/2010) presented in the operational report and differentiated from the "expenditure" presented in the budget realization report. As a result of the enactment of government regulation number 71 of 2010, the "income" account is divided into "LO-income," which is recorded on an accrual basis and presented in the operating statements, and "income-LRA," which is recorded on a cash basis and is presented in the LRA. The term "equity funds" is no longer used because expenses (previously expenditures) and income have used an accrual basis so that government financial reporting is considered to be similar to the business sector (Halim & Kusufi, 2012).

The Regional Office of Financial and Asset Management of Karawang Regency takes a realistic look at accrual-based government accounting, citing the difficulty of financial reporting as an example. The financial reports that who will generate comply with government regulation

number 71 of 2010 concerning accrual-based government accounting requirements, which allows for an increase in the quantity of up to two reports, namely budgetary reports, which include budget realization reports (LRA) and reports on adjustments in excess budget balances (SAL). Balance sheets, operating statements (LO), account of changes in equity, cash flow statements, and annotations to the financial statements include financial reporting (financial reports) (CaLK). Even though the types of financial reports appear to be numerous, when investigated further, they are simply only a refinement of the current ones, with better articulation between financial reports in the future. However, the difficulty of financial reporting created by PP 71/2010 is becoming increasingly apparent for the Regional Office of Finance and Asset Management of Karawang Regency, with no connection between budget implementation reporting (budget accounting) and financial reporting (financial accounting). Extra countable or independent recording of accounting and budgeting refers to the distinction between financial accounting and budgeting. As a result, further analysis is needed.

**Discussion of Interview Results**

To discuss the comparison of accrual basis and cash basis in the financial statements of the regional office of finance and asset management of karawang regency, the linkage of the research data with the proposition is as follows:

**Proposition 1: P Application of the Accrual Basis to the Asset Management Revenue Finance Karawang District**

<b>Table 3</b>			
<b>LINKAGE OF RESEARCH DATA WITH PROPOSITION 1</b>			
<b>Data</b>	<b>Size</b>	<b>Condition</b>	<b>Analysis</b>
Data that shows about the application of accrual-based government accounting standards	Respondents' responses regarding the application of accrual-based government accounting standards	Accrual-based accounting standards have been implemented in the Regional Financial and Asset Management Office of Karawang Regency.	Accrual-based government accounting standards applied by the Karawang Regency DPPKAD still need to be studied and followed up to be implemented properly.

Source: Research, 2016

**Proposition 2: Financial Constraints Management Revenue and Asset Karawang to the Adoption of the Accrual Basis**

<b>Table 4</b>			
<b>LINKAGE OF RESEARCH DATA WITH PROPOSITION 2</b>			
<b>Data</b>	<b>Size</b>	<b>Condition</b>	<b>Analysis</b>
Data that shows the constraints of the Office of Regional Financial and Asset Management of Karawang Regency to the application of accrual basis	Respondents' responses about the constraints of the Karawang Regency Regional Financial and Asset Management Revenue Service to the accrual basis application	Obstacles in applying accrual basis at the Regional Financial and Asset Management Office of Karawang Regency have been identified.	Constraints in the application of accrual basis in the Regional Financial and Asset Management Office of Karawang Regency need to be identified to minimize it.

Source: Research, 2016

**Proposition 3: Comparison of the Application of Cash Basis and Accrual Basis at the Regional Asset Financial Management Revenue Service, Karawang Regency**

Table 5 LINKAGE OF RESEARCH DATA WITH PROPOSITION 3			
Data	Size	Condition	Analysis
Data that shows the comparison of the application of cash basis and accrual basis at the Regional Asset Financial Management Revenue Service, Karawang Regency	Respondents' responses regarding the comparison of the application of cash basis and accrual basis at the Regional Asset Financial Management Revenue Service, Karawang Regency	The application of cash basis and accrual basis has been carried out by the Regional Asset Financial Management Revenue Service.	The accrual basis to financial statements provides data that is more accurate, relevant, and can be more transparent than financial reports on a cash basis.

Source: Research, 2016

**Proposition Discussion 1**

Changes in the accounting basis from cash to accruals to accruals impact changes in the recording stages and the types of financial statements produced. In line with applying the accrual basis for financial reporting, budget preparation is still carried out using the cash basis. This means that the budgeting reporting process will produce a budget realization report that uses the cash basis. In contrast, other financial reporting will use an accrual basis.

According to the findings, the Karawang Regency's Office of Revenue, Financial Management, and Regional Assets have adopted accrual-based government accounting principles to prepare financial reports. In 2015, who adopted accrual-based government accounting principles for the first time. The Karawang Regency Regional Office of Revenue, Financial Management, and Assets uses a Financial and Development Supervisory Agency (BPKP) application in the form of a Regional Management Information System (SIMDA) Finance for financial management and report preparation. Monetary. It will generate financial reports that are more reliable, accurate, detailed, and appropriate for fiscal, social, and political decision-making by using accrual-based government accounting principles.

Budget Realization Report, Balance Sheet, Operational Report, Change in Equity Report, and Notes to Financial Statements are among the financial reports presented by the Office of Revenue, Financial Management, and Regional Assets of Karawang Regency.

**Proposition Discussion 2**

The government has carried out socialization and training, but there are still obstacles experienced by the Regional Financial and Asset Management Revenue Office of Karawang Regency. When the accrual basis implementation is raised on the surface, the problems regarding the resulting financial statements become increasingly as if it becomes the main topic that makes this accrual basis a difficult thing. The obstacle that still has to be faced by the Karawang Regency Regional Financial and Asset Management Revenue Service is the problem of human resource readiness. Given that the Karawang Regency Regional Financial and Asset Management Revenue Service role is as SKPKD, which is the center of local government financial management in Karawang Regency, which is, of course, responsible for every readiness that exists in every SKPD in Karawang Regency. The constraints faced by the Office of Regional Financial and Asset Management Revenue Karawang Regency as SKPKD are described in Informant 3's statement as the head of accounting that:

The obstacle is, of course, in our human resources here, not all educational backgrounds are Accounting, especially Government Accounting, so there needs to be more socialization if

we see other obstacles after evaluating the Financial Statements because this year it is applied on an accrual basis. Then the same statement was explained by Informant 4: The problem in finance here is that not all employees here have basic accounting, so they need training. The same thing was also expressed by Informant 2 as expenditure treasurer at the Karawang Regency DPPKAD, who said that: The obstacles are in HR. Because on the accrual basis, the financial statements that are prepared are more. Increasingly, there are operational reports and reports on changes in equity. Of course, more socialization is needed because of its complexity.

The respondents' statements explained that the lack of human resources was the main problem for the Karawang Regency Regional Financial and Asset Management Revenue Service in implementing government regulation number 71 of 2010 concerning accrual-based government accounting standards. They see that change is certainly not easy to predict the results in the future. The main obstacle is not the lack of human resources but the quality of human resources that cannot make this accrual-based financial report. Respondents responded to changes in government regulations or changes in policy by considering that the new rules would be more complicated and incompatible with the competence of the Human Resources Office for Regional Financial and Asset Management, Karawang Regency. This is an obstacle to applying accrual-based accounting because it takes a long time to learn about this accrual-based accounting. This is the cause of the difficulty of implementing accrual-based accounting. The role of the government is needed to provide human resources who have basic accounting education at the Regional Office of Finance and Asset Management of Karawang Regency. The government focuses not only on the socialization process but also on the availability of funds used for socialization. Because basically, the government should be able to take into account the adequacy of funds for the socialization process for accrual-based SAP readiness and anticipate a lack of funds for this socialization so that the government focuses on unexpected obstacles when implementing accrual-based accounting.

### **Proposition Discussion 3**

The preparation and presentation of government financial reports must be based on Government Accounting Standards (SAP). In the development of government accounting standards, two bases have been used: the cash basis and the accrual basis. The most fundamental difference between these two bases lies in the recognition of revenue and expenditure/expense. Recognition of revenue on a cash basis is recognized when the regional general cash account receives the cash. In contrast, on an accrual basis, there are two types of revenue recognition. Namely, income-LO is recognized when the rights to the income arise or an inflow of economic resources. And revenue-LRA is recognized when cash is received in the regional general cash account. Expenditure recognition on a cash basis, when the expenditure is made from the regional general treasury. Meanwhile, the accrual-based on expenditures is recognized based on expenses from the regional general cash accounts. And expenses are recognized when liability arises, the consumption of assets occurs, or a decrease in economic benefits or potential services.

Based on the results of observations at DPPKAD Kabupaten Karawang, the difference in the application of cash-based and accrual-based accounting standards lies in the components of the financial statements. The components of the financial statements presented by DPPKAD Kabupaten Karawang when applying cash basis are budget realization reports, balance sheets, and notes to financial reports. On the accrual basis, the financial statements' components are budget realization reports, operational reports, balance sheets, changes in equity reports, and notes on financial statements. The accrual basis in the financial statements of the Karawang District DPPKAD provides more accurate, relevant, and transparent data results. This is evident from the results of the BPK-RI audit on the financial statements of the Karawang Regency Government, which received an Unqualified Opinion in the 2015 reporting year. Previously in

the 2014 reporting year, the Karawang Regency Government received an Unqualified opinion from the BPK-RI audit results.

## CONCLUSION

The conclusions of this study are as follows :

1. The Office of Regional Financial and Asset Management of Karawang Regency presents financial reports based on accrual-based government accounting standards. In its implementation, the Karawang Regency Regional Financial and Asset Management Revenue Service uses the SIMDA financial application in preparing financial reports.
2. The obstacle in implementing accrual basis at the Regional Office of Finance and Asset Management of Karawang Regency is the inadequate quality of human resources in preparing accrual-based financial reports. And the applications used have not helped much because there are several items on the balance sheet that must be journalized.
3. The difference between cash and accrual-based government accounting standards in the financial statements of the Regional Office of Finance and Asset Management of Karawang Regency lies in the main component of the financial statements. On the basic cash basis of financial statements, namely reports of budget realization, balance sheets, and notes to financial reports. Meanwhile, the accrual basis is the principal basis for financial statements, namely reports on budget realization, operational reports, balance sheets, reports on changes in equity, and notes on financial statements. The accrual basis concept pillars are cost recognition and revenue recognition. Cost recognition is made when the obligation to pay has been incurred even though the cost has not been paid. Recognition of income when having the right to collect the cash even though the regional general cash account has not received the cash.

## Recommendations

1. For the application of accrual-based accounting standards to the financial reports of the Karawang Regency Regional Financial and Asset Management Revenue Service, it is necessary to follow up on employees to study SIMDA finance which is an application that helps in preparing accrual-based financial reports.
2. For employees of the Karawang Regency Regional Financial and Asset Management Revenue Service, it is necessary to carry out direct education and training regarding government regulation No. 71/2010 concerning accrual-based SAP to minimize errors in the preparation of accrual-based financial reports.
3. To realize a transparent and accountable government, the Office of Revenue, Financial Management, and Regional Assets of Karawang Regency use accrual-based Government Accounting Standards (SAP) to prepare financial reports.

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