

ACCOUNTS RECEIVABLE AND INVENTORY ACCOUNTING IN SUPPORTING REGIONAL FINANCIAL TRANSPARENCY (CASE STUDY OF NORTH ACEH DISTRICT GOVERNMENT IN 2021)

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Abstract

Receivables and inventory are two important elements in financial statements that affect the financial health of a company. Effective management and accurate recording are essential to improve transparency and reliability of financial statements. This article aims to analyze the recognition, presentation, and evaluation of the efficiency of receivables and inventory based on the financial statements of the North Aceh Regency Government in 2021. The research method used is a literature review with a qualitative descriptive approach with a document study approach. The results of the study indicate that the management of receivables, especially tax receivables and other PAD, still requires improvement in terms of collection and control. Meanwhile, inventory management shows good efficiency with optimal turnover. The application of receivables and inventory accounting in accordance with Government Accounting Standards (SAP) can improve the quality of transparency and accountability of regional finances.

Keywords: *Accounts Receivable Accounting, Inventory Accounting, Regional Finance, Transparency*

INTRODUCTION

Regional government financial reports are an important tool in presenting transparent, accountable information and as a basis for making economic, social and political decisions (Government Regulation Number 71 of 2010). Receivables and inventory are two important components in local government financial accounting. Receivables are a source of income that must be managed efficiently, while inventory is closely related to the expenditure and utilization of regional assets. Therefore, accounts receivable and inventory accounting play a strategic role in presenting reliable and transparent financial reports. Local government financial management must be carried out transparently and accountably to support regional development and effective public services. Uncollectible receivables can reduce local revenue, while poorly managed inventory can lead to waste of resources. Therefore, accounting for receivables and inventory is an important component in local financial reports.

In the North Aceh Regency Government, accurate management of receivables and inventory is very important because it is an indicator of the efficiency and effectiveness of asset management. Based on the 2021 Financial Report, receivables and inventory contribute significantly to current assets and affect the overall financial position. Based on this background, this study aims to examine the recognition and presentation of receivables and inventory based on the financial statements of the North Aceh Regency Government in 2021, as well as to analyze the efficiency of managing these two elements through financial ratios.

LITERATURE REVIEW

1. Government Accounting Standards (SAP)

According to Government Regulation No. 71 of 2010, SAP is a standard used to prepare and present government financial reports, both central and regional. SAP regulates the recognition, measurement, presentation, and disclosure of assets, liabilities, equity, revenue, and expenses, including receivables and inventory.

2. Accounts Receivable Accounting

According to PSAK 71 (IAI, 2020), accounts receivable must be recognized using the Expected Credit Loss (ECL) approach, by estimating potential losses from the beginning of recognition. Accounts receivable management methods include the direct write-off method and the allowance method (Kieso, Weygandt, & Warfield, 2020). Accounts receivable in public sector accounting are government claims for cash, goods, or services received from previous transactions. According to Government Accounting Standards (SAP) PSAP 01, receivables are recognized when the right to collect arises and are recorded at nominal value. The government must estimate the allowance for doubtful accounts to reflect the net realizable value of receivables (SAP, 2015; Mardiasmo, 2018).

3. Supplies

Inventory is an asset available for use or sale in the context of local government operational activities. Based on SAP PSAP 05, inventory is recorded using the periodic method and presented at cost or net realizable value, whichever is lower (SAP, 2015; Harahap, 2019). Good inventory management is important to avoid shortages or excess stock.

METHOD

This research is a literature study with a descriptive approach. Data were obtained from the financial report of the North Aceh Regency Government in 2021. The main data analyzed include the balance sheet, budget realization report, operational report, and notes to the financial statements. The analysis technique was carried out by identifying the value of receivables and inventory, calculating the percentage of allowance for receivables, analyzing inventory management trends, and examining its impact on the overall financial statements.

RESULTS AND DISCUSSION

Accounts Receivable Accounting

Accounts receivable arise from credit sales transactions that are recognized as current assets. According to PSAK 71, receivables must be recognized based on the *Expected Credit Loss* (ECL) approach to estimate potential bad debt losses from the beginning of recognition (Indonesian Institute of Accountants, 2020). There are two methods of recognizing bad debt losses, namely the direct write-off method and the allowance method (Kieso, Weygandt, & Warfield, 2020). The allowance method is more relevant to increasing the reliability of financial statements by forming an allowance for bad debts that can reduce the risk of unrealistic revenue recognition.

Recognition and presentation of North Aceh Regency Government Receivables in 2021

Based on the balance sheet of the North Aceh Regency Government as of December 31, 2021, the receivables recorded include:

Table 1 Presentation of Receivables of the North Aceh District Government

| Types of Receivables | Gross (Rp) | Allowance (Rp) | Net (Rp) |
|------------------------------|---------------------------|------------------|----------------|
| Tax Receivables | 48.264.144.175 | (31,451,784,379) | 16,812,359,796 |
| Retribution Receivables | 4,016,413,145 | (3,539,051,495) | 477,361,650 |
| Other PAD Receivables | 57,807,239,472 | (3,742,000,000) | 54,065,239,472 |
| Transfer Receivables | 8,179,276,492 | - | 8,179,276,492 |
| Other Receivables | 4,416,664,246 | (3,204,289) | 4,413,459,957 |
| Total Net Receivables | Rp. 83,947,697,367 | | |

Source: 2021 North Aceh Government Financial Report

Based on the report data above, it is known that the high value of the provision indicates a significant credit risk in the management of local government receivables. The provision of 65% for tax receivables indicates potential difficulties in tax collection in North Aceh. This indicates a weak local tax collection system and the need for updating taxpayer data and strengthening the supervisory function (Darmawan, 2020).

Inventory Accounting

Inventory is a current asset that plays an important role in production and distribution of goods. According to PSAK 14, inventory must be measured at acquisition cost or net realizable value, whichever is lower (Indonesian Institute of Accountants, 2013). Common valuation methods used are FIFO, LIFO, and weighted average (Sasongko, et al., 2016). Errors in inventory management result in distortion of the income statement and balance sheet (Hidayat & Cahyani, 2020).

Recognition and Presentation of North Aceh District Government Inventories in 2021

Inventory as of December 31, 2021 was recorded at **IDR25,688,886,557** , a decrease from the previous year of **IDR28,639,428,063** . The decrease of **10.30%** indicates efficiency in inventory expenditure. Meanwhile, the recorded inventory expense was **IDR171,293,996,082.59** , a decrease compared to 2020 which was **IDR176,903,396,797.79** . This can be interpreted as a step towards efficiency in the goods expenditure budget.

Example of application of Accounting Journal

1. Tax Receivables Accounting

- a. When Receivables Are Recognized
Recording local government rights to tax revenues that have not been received;

(Dr) Regional Tax Receivables Rp. 48,264,144,175
(Cr) Regional Tax Revenue Rp 48,264,144,175
- b. When the provision for uncollectible receivables is made
Record estimated uncollectible tax receivables in accordance with government accounting policies;

(Dr) Allowance for Bad Debts Rp 334,288,653.50
(Cr) Allowance for Bad Debts Rp 334,288,653.50

2. Inventory Accounting

- a. When purchasing Inventory Goods
Recording the acquisition of inventory goods by the government;

(Dr) Inventory of Goods Rp. 25,688,886,557.26
(Cr) Cash or Debt Rp 25,688,886,557.26
- b. When using Inventory Items
Recording the use of inventory for government operational activities;

(Dr) Inventory Expense Rp 171,293,996,082.59
(Cr) Goods Inventory Rp. 171,293,996,082.59

CONCLUSION

The implementation of accounts receivable and inventory accounting in the North Aceh District Government is in accordance with government accounting standards. However, the effectiveness of collecting tax receivables and others needs to be improved so that local revenue can be more optimal. Inventory management is relatively efficient. It is recommended that local governments conduct periodic evaluations and strengthen the accounts receivable collection system and inventory control.

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