

Chapter V

Conclusions and suggestion

5.1 Conclusions

Based on Act number 17 years 2003 about State finance points 10 article 3 and Government Regulation number 58 years 2005 regarding the management of local finance, there are levels on Local Government work unit of the implementation of accounting and financial reporting as accounting entity and Local Government as reporting entity. Government Regulations number 58 years 2005 followed by the issuance of Government Regulation number 71 years 2010 contains statements on Government Accounting Standards. Technically, the implementation of accrual accounting in the scope of Local Government covering an in-depth description on Minister of Home Affairs Regulations number 64 years 2013 which is consists of accrual journaling and also illustration or format of 7 main financial statements of Local Government. Therefore, Local Government city of Padang through its mayor issues Mayor Regulations number 14 years 2014 regarding the accrual accounting policy in Padang City and issues Mayor Regulations number 15 years 2014 containing the Chart of Account (COA) for the scope of Padang City.

Talking about the accounting cycle contained in appendix Figure 4.2, the origin of the accounting cycle begins with evidence of valid transactions that have been verified by the verifier. Legitimate transactions may be cash receipts documents, cash disbursement documents, and cash transaction besides documents. In this study,

only talks about cash disbursement documents. Document sources of legitimate cash disbursement transactions were used as evidence is UP, GU, TU and LS.

In inputting the beginning balance, all of the ending balance in the previous year must be also inputted to produce sustainable financial data. Recording, journaling, posting transactions were conducted by the accounting function of Local Government work unit-Financial administrative officials. Recording transactions into journals based on completeness, accuracy, and truth. SP2D is a document used as a basis for recording, recognition of expenditure transactions. Transactions that occur in the Public Works Agency are only cash receipts transactions from Local Government treasurer. There are 8 special journals used by the Public Works Agency namely Cash entry journal (BJKM), Cash payment journal - LO (BJKK-LO), Cash payment journal (BJKK-LRA), Direct journal - LO(BJLS-LO), Direct journal-LRA (BJLS-LRA), General Journal (BJU), Adjustment Journal (BJPny), Closing journal (BJP).

Similar to the Public Works Agency, BPKA also has the following events or recording transactions as below:

1. Financial administrative officials issues SP2D LS salary for Local government work unit
2. Receiving local tax revenues from BPKA as Local Government work unit
3. Receiving revenue or receipts from the central government as general allocation funds, specific allocation funds, and profit-sharing funds.

4. Issue SP2D grant expenses, social assistance, unexpected expenditure and interest expenditures
5. Financing investment to Local Government enterprises.

After the activities that occur on the Local Government work unit and Financial administrative official implemented, the next is to make a consolidated financial statements which is combine or add the same accounts between Local Government work unit. Besides combining the same account among Local Government work unit there is also elimination from opposite account that is account on financial administrative official and account on local government work unit. The consolidated work sheet is a tool for preparing combined balance sheet of Local Government work unit and Financial administrative official. Work sheet is useful to simplify the process of making consolidation financial statements. Work sheet Consolidation in the form of format can be seen in the attachment figure 4.32. Preparation of 7 main financial statements in the form of:

- 1) Budget Realization Report (LRA). LRA can be directly generated from consolidated LRA by taking account data code 4 (Revenue - LRA), 5 (Expenditure), 6 (Transfer) and 7 (Financing) on the combined worksheet.
- 2) Statement of changes in excess budget balance (LP-SAL). LP-SAL is the accumulated of SILPA at the current and previous year. Finally, the component that needs is information SILPA or SIKPA at the current year in LRA.

- 3) Operational Report (LO). Operational Report (LO) can also be directly generated from LO consolidation by taking data account of code 8 (Revenue - LO) and 9 (Expense).
- 4) Statement of Changes in Equity (LPE). LPE is prepared by using beginning equity data and the change in equity data for the current period. One of which is obtained from surplus / deficit operational report.
- 5) Balance Sheet. The balance sheet can be prepared by taking account data of account code 1 (Assets), 2 (Liabilities) and 3 (Equity).
- 6) Statement of Cash Flow (LAK). The cash flow statement describes the cash inflows and cash outflows that occur in local governments. All cash inflows and cash outflows transactions are then classified into operating activities, investment activities, financing activities, and transitory activities.
- 7) Notes to the Financial Statements (CALK). Notes to the Financial Statements include explanations or details of the figures contained in the Budget Realization Report, Statement of change in budget excess balance, Operational Report, Statement of Changes in Equity, Balance Sheet, and Cash Flow Statement.

For the City of Padang, it is not yet prepared the financial statements in an integrated system (manually) as well as those implemented by the Local Government of West Sumatra province that has prepared the financial statements in an integrated system.

5.2 Suggestion

It is advisable for Government City of Padang to prepare financial statements through integrated system or use the software. So that financial information is provided more quickly and can be up dated immediately.

