

REGENT OF GRESIK

REGULATION OF THE REGENT OF GRESIK

NUMBER 19 OF 2011

ON

GUIDELINES ON THE MINIMUM CAPITALIZATION LIMIT OF FIXED ASSETS

IN THE ACCOUNTING SYSTEM OF REGENCY OF GRESIK

BY THE BLESSINGS OF ALMIGHTY GOD

THE REGENT OF GRESIK,

Considering: a. that to implement the provisions of section 53 paragraph (4) of the Regulation of the Minister of Home Affairs Number 59 of 2007 on Amendments to the Regulation of the Minister of Home Affairs Number 13 of 2006 on Guidelines for Regional Financial Management;

b. that to implement as referred to in letter a., it is necessary to issue a Regional Regulation on Guidelines on the Minimum Capitalization Limit of Fixed Assets in the Accounting System.

Considering: 1. Law Number 17 of 2003 on State Finance;

2. Law Number 1 of 2004 on State Treasury;

3. Law Number 15 of 2004 on the Examination of the Management and Accountability of State Finances;

4. Law Number 32 of 2004 on Regional Government as amended for the second time by Law Number 12 of 2008;

5. Law Number 33 of 2004 on Financial Balance between the Central Government and Regional Governments;

6. Law Number 58 of 2005 on Regional Financial Management;

7. Government Regulation Number 6 of 2006 on the Management of State/Regional Assets;

8. Government Regulation Number 8 of 2006 on Financial and Performance Reporting of Government Institutions;

9. Government Regulation Number 71 of 2010 on Government Accounting Standards;

10. Regulation of the Minister of Home Affairs Number 13 of 2006 on Guidelines for Regional Financial Management as amended by Regulation of the Minister of Home Affairs Number 59 of 2007;

11. Regulation of the Minister of Home Affairs Number 17 of 2007 on Technical Guidelines for the Management of Regional Assets.

DECIDES:

To establish: A REGIONAL REGULATION ON GUIDELINES ON THE MINIMUM CAPITALIZATION LIMIT OF FIXED ASSETS IN THE ACCOUNTING SYSTEM OF REGENCY OF GRESIK.

## CHAPTER I

### GENERAL PROVISIONS

#### Article 1

In this Regional Regulation:

1. Capitalization means the determination of the book value of all expenditures to obtain fixed assets until ready for use, to increase capacity/efficiency, and/or extend their technical life in order to increase the value of these assets.
2. Asset means an economic resource controlled and/or owned by the government as a result of past events and from which future economic and/or social benefits are expected to be obtained, both by the government and the community, and can be measured in monetary units, including non-financial resources needed to provide services to the general public and resources maintained for historical and cultural reasons.
3. Fixed Asset means a tangible asset with a useful life of more than 12 (twelve) months for use in, or intended for use in, government activities or utilized by the general public.
4. Inventory means current assets in the form of goods or supplies intended to support the operational activities of the regional government, and goods intended to be sold/or handed over as part of services to the community.
5. Asset Accounting means the process of collecting, classifying, coding, recording, and summarizing fixed asset transactions in inventory books and in the general ledger and reporting in

asset and balance sheet reports of the regional government.

6. Maintenance means activities or actions carried out to ensure that all regional assets are always in good condition and ready to be used effectively and efficiently.

7. Transfer in/out means the acquisition/transfer of Fixed Assets to other SKPDs or the acquisition/transfer of Fixed Assets from other SKPDs.

8. Grant or donation means the acquisition or transfer of Fixed Assets from or to a third party without giving or receiving consideration.

9. Confiscation means Fixed Assets controlled by the regional government originating from a third party as confiscated goods that have been decided by the court.

10. Land development means improving the quality of land through filling and maturation.

11. Repair means the replacement of part of an asset through rehabilitation, renovation, and restoration resulting in an improvement in quality, capacity, quantity, and/or age, but does not include maintenance.

12. Addition means the construction, manufacture, and/or procurement of Fixed Assets that increase the quantity and/or volume and value of existing Fixed Assets without changing the classification of goods.

13. Reclassification means a change in Fixed Assets from recording in the books due to a change in classification.

14. Exchange means the transfer of ownership and/or control of immovable regional assets except land to another party by receiving a main replacement in the form of immovable goods and not harming the region.

15. Disposal means the elimination of Fixed Asset records from the books due to severe damage, excess, obsolescence, loss based on a decision letter.

16. Management costs means expenditures in the context of obtaining fixed assets such as processing documents, transportation costs, installation, testing, and initial training.

17. Construction in progress means buildings in the process of completion and not yet recorded in the inventory book but already recorded in the Estimated General Ledger in the Government Accounting System (SAP).

## CHAPTER II

# CAPITALIZATION

## Part One

### Objectives of the Capitalization Guidelines

#### Article 2

The purpose of establishing these guidelines is:

- a. to serve as a legal basis for the management and administration of Fixed Assets;
- b. to achieve uniformity in determining the value of capitalized Fixed Assets;
- c. to achieve efficiency and effectiveness in recording the value of Fixed Assets.

## Part Two

### Expenditures to be Capitalized

#### Article 3

(1) Capitalization of expenditures is carried out for land acquisition, the purchase of equipment and machinery until ready for use, the manufacture of equipment, machinery and buildings, the construction of buildings, the construction of roads/irrigation/networks, the purchase of other Fixed Assets until ready for use, and the construction/manufacture of other Fixed Assets.

(2) Expenditures to be capitalized as referred to in section (1) are detailed as follows:

- a. Land acquisition includes land acquisition costs, payment of team honorariums, certificate making costs, maturation costs, measurement, and filling;
- b. Purchase of equipment and machinery until ready for use includes the price of goods, transportation costs, insurance costs, installation costs, and costs during the trial period;
- c. Manufacture of equipment, machinery and buildings includes:
  - 1) The manufacture of equipment and machinery and its buildings carried out through a contract in the form of expenditure equal to the contract value plus planning and supervision costs, licensing costs, and consultant services;
  - 2) The manufacture of equipment and machinery and its buildings carried out through self-management in the form of direct and indirect costs until ready for use including raw material costs, labor wages, equipment rental, planning and supervision costs, and licensing costs;
- d. Construction of buildings includes:
  - 1) Construction of buildings carried out through a contract in the form of contract value, planning and

supervision costs, licensing costs, consultant services, emptying and demolition costs of old buildings;

2) Construction carried out through self-management in the form of direct and indirect costs until ready for use including raw material costs, labor wages, equipment rental, planning and supervision costs, licensing costs, emptying and demolition costs of old buildings;

e. Construction of roads/irrigation/networks includes:

1) Construction of roads/irrigation/networks carried out through a contract in the form of contract value, planning and supervision costs, licensing costs, consultant services, emptying and demolition costs of buildings located on land intended for construction purposes;

2) Construction of roads/irrigation/networks carried out through self-management in the form of direct and indirect costs until ready for use including raw material costs, labor wages, equipment rental, planning and supervision costs, licensing costs, emptying and demolition costs of buildings located on land intended for construction purposes;

f. Purchase of other Fixed Assets until ready for use includes contract/purchase price, transportation costs, and insurance costs.

g. Construction/manufacture of other Fixed Assets:

1) Construction/manufacture of other Fixed Assets carried out through a contract in the form of contract value, planning and supervision costs, and licensing costs;

2) Construction/manufacture of other Fixed Assets carried out through self-management in the form of direct and indirect costs until ready for use, including raw material costs, labor wages, equipment rental, planning and supervision costs, licensing costs, and consultant services.

(3) The components as referred to in section (2) must be budgeted in the Regional Budget as capital expenditure.

#### Article 4

(1) The value of grants received from third parties includes the value stated by the grantor or the assessed value, plus management costs.

(2) The value of Fixed Assets received from confiscation includes the value stated in the Court Decision or the estimated market price at the time the asset was obtained plus management costs, except for Land, Buildings, and Structures which include the estimated value or prevailing market

price.

### Part Three

#### Minimum Unit Value of Fixed Asset Capitalization

##### Article 5

(1) The Minimum Unit Value of Fixed Asset Capitalization is the expenditure for new procurement/construction that can increase the value of fixed assets with the following criteria:

- a. The economic benefit of the purchased goods is more than 12 (twelve) months;
- b. The acquisition of these goods is for operational and service purposes, and not for sale;
- c. The purchased goods are the subject of maintenance or require costs/expenses to be maintained.
- d. The acquisition of these goods is for use and not for sale/donation/contribution/transfer to a third party.
- e. The rupiah value of the purchase of material goods or expenditure for the purchase of these goods exceeds the minimum limit of fixed asset capitalization as follows:

No.	Description	Amount per unit (Rp)
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1.	Equipment and Machinery, consisting of:	
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1.1	Heavy Equipment	100,000,000.00
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1.2	Transportation Equipment	1,500,000.00
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1.3	Workshop and Measuring Equipment	500,000.00
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1.4	Agricultural Equipment	5,000,000.00
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1.5	Office and Household Equipment	500,000.00
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1.6	Studio and Communication Equipment	1,000,000.00
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1.7	Medical Equipment	1,400,000.00
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1.8	Laboratory Equipment	1,500,000.00
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1.9	Security Equipment	300,000.00
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2.	Buildings and Structures	40,000,000.00
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3.	Roads, Irrigation, and Networks	40,000,000.00
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4.	Other Fixed Assets, consisting of:	
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| 4.1 | Books and Library | 100,000.00 |

| 4.2 | Goods with Artistic/Cultural/Sports Characteristics | 1,500,000.00 |

| 4.3 | Animals/Livestock and Plants | 500,000.00 |

(2) The Minimum Unit Value of Fixed Asset Maintenance Capitalization is maintenance expenditure that can increase the value of fixed assets with the following criteria:

a. Economic benefits of the goods/fixed assets maintained:

1). become more economical/efficient, and/or;

2). increased economic life, and/or;

3). increased volume, and/or;

4). increased production capacity, and/or.

5). increased aesthetics/beauty/comfort.

b. The rupiah value of expenditure on the maintenance of these goods/fixed assets is material/exceeds the minimum limit of fixed asset capitalization as follows:

| No. | Description | Amount per unit |

|---|---|---|

| 1. | Equipment and Machinery, consisting of: | |

| 1.1 | Heavy Equipment | 10,000,000.00 |

| 2. | Buildings and Structures | 25,000,000.00 |

| 3. | Roads, Irrigation, and Networks | 20,000,000.00 |

(3) Goods and services expenditure and maintenance expenditure that meet the criteria as referred to in section (1) and section (2) must be budgeted in the Regional Budget as capital expenditure.

## CHAPTER III

### TYPE OF RECORDING AND RECORDING OF FIXED ASSETS

#### Article 6

(1) Fixed Asset recording is carried out in inventory books.

(2) Recording in inventory books consists of recording in the Inventory Goods Book and Inventory

Goods Cards (KIB) which include:

- a. KIB A = Inventory Card for Land;
- b. KIB B = Inventory Card for Equipment and Machinery;
- c. KIB C = Inventory Card for Buildings and Structures;
- d. KIB D = Inventory Card for Roads, Irrigation, and Networks;
- e. KIB E = Inventory Card for Other Fixed Assets;
- f. KIB F = Inventory Card for Construction in Progress (KDP).

#### Article 7

- (1) Fixed Asset recording includes recording of inventory goods, immovable goods, movable goods, and animals, fish, and plants.
- (2) Inventory goods are Current Assets recorded in inventory books including consumables, spare parts, goods processed for sale, and used goods that have been reclassified.
- (3) Immovable goods, movable goods, animals, fish, and plants are Fixed Assets recorded in inventory books.
- (4) Immovable goods and movable goods that have a Minimum Unit Value of Fixed Asset Capitalization as referred to in Article 5 section (1) and section (2) are recorded in the Inventory Goods Card (KIB).
- (5) Fixed Assets with a Fixed Asset value below the Minimum Unit Value of Fixed Asset Capitalization as referred to in Article 5 section (1), section (2), animals, fish, and plants are recorded in the Inventory Goods Book.

#### Article 8

- (1) Receipt of immovable goods resulting from an exchange from another party that is not capitalized is recorded in the Inventory Goods Book.
- (2) Recording of the receipt of immovable goods resulting from an exchange from another party as referred to in section (1) is carried out based on the value agreed upon by the authorized party in accordance with applicable regulations.

#### Article 9

(1) Transfer in/receipt from exchange/transfer in that is not capitalized is recorded in the Inventory Goods Book;

(2) Recording of transfer in/receipt from exchange/transfer in as referred to in section (1) is carried out based on the acquisition value of the asset from the transferring institution.

#### Article 10

(1) Fixed Assets are recorded using the code and name of the general ledger account in the Government Accounting System.

(2) Fixed Assets recorded as referred to in section (1) are grouped according to the field of goods code.

### CHAPTER IV

#### VALUATION AND CONDITION OF FIXED ASSETS

##### Part Four

##### Valuation of Fixed Assets

#### Article 11

Valuation of Fixed Assets is carried out if the acquisition price cannot be determined.

### CHAPTER V

#### TRANSITIONAL PROVISIONS

#### Article 12

Capitalization of Fixed Assets in accordance with these regulations shall be implemented at the latest within 1 (one) year of its enactment.

### CHAPTER VI

#### FINAL PROVISIONS

#### Article 13

This Regulation comes into force on the date of its enactment;

In order for everyone to know, it orders the enactment of this Regents Regulation by placing it in the Gresik Regency Regional News.

Enacted in Gresik

On March 28, 2011

REGENT OF GRESIK

(Signature)

Dr. Ir. H. SAMBARI HALIM RADIANTO, ST., M.Si.