

Accrual Discretion Policy on the Excess/Less Budget Financing at the Provincial Level

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Abstract:

This study aims to analyze the excess/less budget financing (SILPA/SIKPA) as an impact of accrual discretion. Accrual discretion is proxied by total accruals, changes in income, and plant, property, and equipment (PPE) in accordance with the Jones Modification model. The data used is the Provincial LKPD LHP in Indonesia. Data testing was performed by using multiple regression analysis methods. The test results prove the accrual discretion through total accruals, income changes, and PPE simultaneously have a significant effect on SILPA/SIKPA in the provinces in Indonesia.

Keywords: local government financing, accrual system.

1 INTRODUCTION

Research on the Surplus Budget (SILPA) has been widely carried out for several regions in Indonesia, such as Papua Province (Simamora, 2014), South Sumatra Province (Rohman, 2016), Blitar City (Fitroh& Putra, 2016), districts/cities in Central Sulawesi (Iswahyudin, 2016), Aceh Province (Maulina, Narisyah, &Darwani, 2017), district/city governments of Java (Hardiana, 2018), and Riau Province (Ratna, 2018). The studies above still used local provincial data, while the studies that analyze data from all provinces comprehensively are necessary. However, such a comprehensive study has not been conducted. So far, from the previous studies, it can be concluded that the SILPA behavior patterns for several regions differ, therefore, the general pattern of SILPA treatment for all provinces in Indonesia is unknown. Moreover, specific studies on the implementation of accrual discretionary policies are still limited. The available 1 studies on this matter have been conducted by (Rohman, 2016), (Fitroh& Putra, 2016), (Iswahyudin, 2016), (Maulina, Narisyah, &Darwani, 2017), (Hardiana, 2018), and (Ratna, 2018). However, in those studies, the description of the implementation of the policy for all provinces in Indonesia is not addressed. Thus

this study will examine further the implementation of the policy for each region by considering the main problem related to the accrual discretion policy, that is, lack of uniformity.

Rohman (2016) indicates that the provincial, regency, and city regional governments South Sumatra have tried to implement an accrual-based accounting system, showing that local government finances have an accrual value of accrual discretion (Rohman, et al. 2018). The results of this study are very useful both for the Indonesian government and for increasing the knowledge of management science in government accounting in Indonesia, considering that the application of the accrual basis causes accrual discretion, which is very likely to be the cause of the emergence of SILPA at the end of the fiscal year. The government applies accrual discretion because of regulatory aspects or because of other motives. In this case, the government is not allowed to do accrual discretion which is detrimental to the government itself.

Based on Law number 17 of 2003 concerning of State Financial, budget structure consists of revenue, expenditure, and regional financing. The difference between regional income and expenditure results in a budget surplus/deficit. The difference arising from

regional financing consisting of financing receipts and expenditures results in net financing. Then, in the end, the APBD produces More/Less Budget Financing (SILPA/SIKPA) which is the difference between the budget surplus/deficit and net financing. The amount of net financing must be able to cover the budget deficit (Permendagri number 13 of 2006). This means that SILPA/SIKPA in the APBD must have a balance of 0 (zero). The APBD has been prepared in accordance with the laws and regulations, which are not to budget SILPA/SIKPA at the beginning of the fiscal year (Nuramalia&Fauzi, 2017; Rohman, 2016). It means that theoretically the APBD should not produce SILPA. However, in its implementation, the realization of the APBD always produces a SILPA/SIKPA balance at the end of the fiscal year; in other words, SILPA/SIKPA does not have a balance of 0 (zero). This happens in all provinces in Indonesia.

The increase/decrease of APBD SILPA/SIKPA during 2016-2017 is not too significant, but the figure is quite material, around IDR 22-26 trillion. This phenomenon is not in accordance with the Regulation of Permendagri number 13 of 2006, in which SILPA/SIKPA should show a balance of 0 (zero). The occurrence of the remaining budget is due to the realization of revenue that exceeds the planned target and the capital expenditure that is not optimal. This phenomenon shows the weakness of APBD budgeting planning, or maybe this is part of the policy (discretion) of the government as the holder of power in managing state / regional finances. The Director General of the Ministry of Home Affairs for Regional Finance Budget stated that many Local Governments (LGs) produced SILPA in preparing the APBD so that it could be used as a source of funding for the following year's project (Sunardi, 2014). The Director General (Director General) of the Ministry of Finance stated that at the end of the fiscal year the policy (discretion) of the government continued to seek SILPA as management to maintain the needs of the beginning of the next year (Mustami, 2017).

Accrual discretion is often used in the private sector to determine earnings management activities or assess earnings quality (Ontora&Geraldina, 2017). This term has begun to spread to the government sector to see the existence of income management activities or management of accounting numbers since the enactment of Law number 17/2003. Accrual discretion is accruals arising from transactions carried out or accounting treatments chosen to manage income (Ronen &Yaari, 2008).

With the description above, the focus of this study is to examine the effect of accrual discretion on SILPA by employing data from all provinces in Indonesia. Accrual discretion is proxied by total accruals, income changes, and plant, property, and equipment (PPE) according to the Jones' (1991) modified model. The modified Jones' model (Dechow& Sweeney, 1995) is a control model for earnings management because of an abnormal increase in revenue, assuming that all changes in local government services that are credit or owed (thus giving rise to receivables for local governments) are due to earnings management (numbers accounting). This model uses the variable total accruals, changes in income (income-receivables), and PPE.

In this study the population is expanded to support generalizations for all local governments in Indonesia. The range of observations was also extended to 2 (two) periods, because during this period (in 2016 and 2017) the material SILPA figures were shown.

2 THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 REMAINING/LESS BUDGET FINANCING (SILPA/SIKPA)

Silpa/sikpa is the difference between the realization of income and expenditure for one period (pp number 71 of 2010). At the end of the reporting period, the balance of silpa/sikpa will be transferred to lp-sal. Based on pp number 71 of 2010, silpa is the difference between the realization of revenue and expenditure for one period. The silpa/sikpa calculation formula is:

$$\begin{aligned} \text{SILPA / SIKPA} &= \text{Surplus / Deficit} + \text{Net Financing} \\ \text{Surplus / Deficit} &= \text{Total Revenue} - \text{Total Expenditures} \\ \text{Net Financing} &= \text{Total Financing Receipts} - \text{Total Financing Expenses} \end{aligned}$$

At the time of the APBD budgeting, the government management is not allowed to budget the silpa/sikpa balance because the government follows a balanced budgeting system. The amount of net financing must be able to cover the budget deficit (Permendagri number 13 of 2006). Silpa/sikpa will have 0 (zero) balance at the end of the fiscal year. If there is an excess budget (silpa), the government can budget silpa on the receipt of financing at the beginning of the next fiscal year (Permendagri number 52 of 2015).

2.2 accrual discretion

accrual discretion is the accruals arising from transactions carried out or accounting treatments chosen to manage income (Ronen & Yaari, 2008). Accrual discretion is the government's policy to determine the accounting treatment that will be chosen, or in other words, to carry out management of accounting numbers. Accrual discretion is considered having a patterned relationship with other aspects of the organization (local government), such as total accruals, revenues, receivables, PPE.

The objectives of accrual discretion in public sector (Plicher, 2011) include: 1) reducing surpluses, unused allocations, or maintaining funding for use in subsequent accounting; 2) increase surplus or unused allocation to create perceptions of efficiency performance; 3) changing expenditure information to prevent government or media scrutiny and criticism; and 4) providing funds for an expenditure that is available for use in other expenses.

however, it is hoped that the government will make a normal/positive accrual discretion so that it can benefit the government itself. One example of accrual discretion is when government managements know that at the end of the financial year there are uncollectible receivables, then the government managements can record the collection of

uncollectible receivables in the current period or the following financial year with an amount based on government management considerations (Imelda & Palauw, 2018). According to Scott (2012) in Imelda & Palauw, (2018), there are four accrual components that are discretionary accruals that can be used to increase reported short-term income.

2.3 research hypothesis

The hypothesis in this study is stated as follows:

- H1 = total accruals (ta) affect silpa.
- H2 = changes in income (Δrev) affect silpa.
- H3 = PPE has an effect on silpa.
- H4 = total accruals, changes in income, and PPE affect the silpa

3 RESEARCH METHODS

The data used in this study were obtained from the Indonesian Supreme Audit Institution (BPK RI) in the form of LKPD Audit Report Province in Indonesia. The financial statements used include the Budget Realization Report (LRA), Operational Report (LO), Cash Flow Report (LAK), and Balance Sheet. The research population that met the criteria and was sampled totaled 30 provinces in Indonesia. The sample was determined by referring to the procedure of purposive sampling, that is, the sample should be the provincial LKPD in Indonesia that has been audited by the BPK and obtained WTP opinion during the years of 2016-2017 period (Table 1).

Table 1. Sample Determination Criteria

Number	Identification	Number of Provinces
1.	Provinces LKPD in Indonesia which have been audited by BPK in 2016-2017 period	34
2	Provinces LKPD in Indonesia that have been audited by BPK in 2016-2017 period but did not get WTP opinion in 2016-2017	(4)
3	Number of Provinces in Indonesia used as samples	30
4	Research Number	2
Total unit of analysis		60

Data analysis uses multiple linear regression methods. The dependent variable is SILPA which is the difference between net financing and the surplus/deficit. The independent variable that derives from Jones' modification model equation (Jones, 1991), and which consists of TA, is the difference between the net cash flow value of regional government operational activities in a certain year period with SILPA/SIKPA (Hribar & Collins, 2002), changes in income ($\Delta \text{Rev.}$). The variable is the difference between year t income reduced by year t-1 income with year t receivables minus year t-1 receivables and PPE obtained from total fixed assets for year t period. Jones' modification model was chosen in this study because it simplifies the notion that non-discretionary accruals constantly. This study also aims to test whether this model can explain the effect of accrual discretion on SILPA.

4 RESULTS AND DISCUSSION

4.1 Results

4.1.1. Descriptive Analysis Results

SILPA was obtained by adding up the budget surplus/deficit with net financing. Based on PP number 71 of 2010, the amount of net financing must be able to cover the budget deficit, so that the SILPA budget has a zero balance (0). The highest SILPA balance is in West Java Province while the lowest is in Maluku Province. The average SILPA balance is IDR 531,347,830,464.78. Provinces in Indonesia as a whole have SILPA figures at the end of the fiscal year even though they should have a zero (0) balance or are not be budgeted at the beginning of the fiscal year. The SILPA balance is very high in several provinces such as Riau, West Java, East Java, Central Java, Aceh, North Sumatra, Papua and West Papua, ranging between IDR 500 billion - 3.4 trillion. Meanwhile, in several other provinces the balance of SILPA is worth < IDR 500 billion.

The development of SILPA fluctuated from 2016-2017 as there were those that experienced a decline and some that experienced an increase. The absence of a SILPA balance at the end of the fiscal year indicates that the budget has been fully spent. Meanwhile, the SILPA balance shows that there is

still a budget that has not been used for financing or there can also be expenditure of the revenue budget that exceeds the planned target. This indicates the weakness of APBD budgeting planning, or perhaps this is part of the policy (discretion) of the government as the holder of power in managing state/regional finances.

Total accruals were obtained from the difference between SILPA/SIKPA and cash flow from working activities. Total accruals can be divided into discretionary accruals, namely accruals arising from transactions carried out or accounting treatment chosen to manage income, and nondiscretionary accruals, namely accruals arising from transactions made in the current normal period for an organization given the level of performance and strategy of business, industrial conventions, macroeconomic events and other economic factors. Total accruals indicate how much the application of accruals is carried out by government management for the implementation of accrual policies. The highest total accruals are in South Sumatra Province while the lowest is in Riau Province, with an average of IDR 741,705,330,317.12. The total accrual balance varies from province to province. A number of provinces show quite high total accruals such as in the provinces of Aceh, South Sumatra, Central Java and Papua, ranging from 1 to 3 trillion rupiahs, while other provinces have total accruals of <1 trillion rupiahs. This diversity in the total amount of accruals is due to the fact that each regional government carries out a different discretionary policy (discretion) because each local government prepares its own regional financial management systems and procedures including accounting policies in the implementation of accrual-based accounting. In this case, the regional government is guided by Permendagri number 64 of 2014. The higher the accruals, the more doubtful the recognition of assets and liabilities will be estimated and judged, less reliable, possibly less relevant to monetary measures, and less meaningful in terms of disclosure.

Changes in income are obtained from the difference between changes in LO-income and changes in receivables. LO-income is all government revenue recognized when the right to revenue is generated even though the income has not been received. Receivables represent the government's right to receive payments from other entities including taxpayers or to pay for activities carried out by the government. In other words, accounts receivable is part of income that is still in the form of claim rights or has not been received. So the change in income (ΔREV) is the same as the government's cash income. East Java Province has the highest income change balance, while Central Java Province has the lowest income change balance. The average change in income in the provinces in Indonesia is Rp 1,340,820,951,695.70. Several provinces in Indonesia show significant income changes, for example, in North Sumatra Province, Riau Province, West Java Province, Central Java Province, East Java Province, Banten Province, West Kalimantan Province and North Kalimantan Province. Significant changes in income can be caused by the implementation of the government's policy (discretion) on receivables accrual, for example, an increase in net accounts receivable by reducing the allowance or allowance for uncollectible accounts. This is done by determining the amount of allowance for receivable losses that cannot be collected.

PPE is a component of fixed assets generated from every capital expenditure made by the government. Capital expenditure is one

component of expenditure in the budget realization report. The highest PPE was found in Riau Province while the lowest PPE was found in Gorontalo Province, with an average of Rp 9,719,482,769,699.72. All provinces in Indonesia show an increasing trend of PPE every year. The phenomenon of increasing PPE will certainly be in line with PPE accrual (depreciation) which is getting bigger as well. However, this may not be aligned because the government can control the policy (discretion) on the cost of depreciation including the useful life of fixed assets.

4.1.2 Results of Hypothesis Testing Analysis

The test results show that data were normally distributed because the distribution of residual data seemed to approach the normal line. Park test results indicate that each variable has a significant value of 0.120, 0.107, and 0.073, or greater than 0.05 (not significant). In conclusion, there is no heteroscedasticity in this research model. The VIF values of the three variables are 1,040, 1,223 and 1,264 or <10 respectively, and tolerance values are 0.962, 0.818 and 0.791 or >0.1 respectively, so there is no multicollinearity on the three independent variables. From the Durbin Watson table, it is known that the dL value is 1.4797 and the dU value is 1.6889. The criteria used are $dU < dW < 4-dU$, or $1.6889 < 1.768 < 2.3111$. These results indicate the absence of autocorrelation. The results of multiple linear regression are presented in Table 2.

Table 2. Multiple Linear Regression Results

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,344E+11	1,178E+11		1,141	,259
Total Akrua (TA)	-,239	,091	-,251	-2,622	,011
PerubahanPendapatan (ΔREV)	,081	,027	,315	3,033	,004
PPE	,048	,010	,506	4,792	,000

a. Dependent Variable: SILPA

Source: SPSS 23 output (2019)

The results of testing the regression coefficients produce the following models:

$$\text{SILPA} = 134434962902,433 - 0.239 \text{ TA} + 0.081 \text{ VREV} + 0.048 \text{ PPE}$$

The above equation explains that:

1. TA variable regression coefficient (X1) of -0.239 means that if other independent variables have a fixed value and TA increases by 1, then the SILPA value will decrease by 0.239. Negative coefficient means that there is a negative relationship between TA and SILPA, the more TA rises, the more SILPA decreases.
2. Variable regression coefficient ΔREV (X2) of 0.081 means that if other independent variables have a fixed value and ΔREV will increase by 1, then SILPA will increase by 0.081. Positive

coefficient means that there is a positive relationship between ΔREV and SILPA, the more ΔREV increases the more SILPA increases.

3. PPE variable regression coefficient (X3) of 0.048 means that if other independent variables have a fixed value and PPE will increase by 1 then SILPA (Y) will increase by 0.048. Positive coefficient means that there is a positive relationship between PPE and SILPA, the higher the PPE, the higher the SILPA.

The adjusted R² value (Table 3) of 0.479 is classified as moderate. These results indicate the ability of three independent variables in explaining the dependent variable by 47.9%, while the rest that is equal to 52.1% is explained by other variables.

Table 3. The Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,711 ^a	,505	,479	4,751E+11

a. Predictors: (Constant), Plant Property and Equipment, Total Accruals, Change in Revenue

Source: Output from SPSS 23 (2019)

The results of the F test (Table 4) revealed an F count of 19,073, with a significance value of 0,000, smaller than 0.05. The calculation results were obtained by the F table value of 2.77, so that the F count was \geq F table or $19.073 \geq 2.77$. Based on these

results, H_a is accepted, it can be concluded that all independent variables simultaneously influence the dependent variable.

Table 4. Simultaneous Significance Test

ANOVA ^a					
Model		Sum of Squares	Df	Mean Square	F Sig.
1	Regression	1,292E+25	3	4,305E+24	19,073 ,000 ^b
	Residual	1,264E+25	56	2,257E+23	
	Total	2,555E+25	59		

a. Dependent Variable: SILPA

b. Predictors: (Constant), PPE, Total Accruals, Change in Revenue

Source: Output from SPSS 23 (2019)

4.2 Discussion

4.2.1 Effects of Changes in Revenue on SILPA/SIKPA

The hypothesis testing results (see Table 2) show that the income change variable (ΔREV) has a t value of 3.033 with a significance value of 0.004, smaller than $\alpha = 0.05$. The value of t table is 1.67252, so that t arithmetic is $\geq t$ table, or $3.033 \geq 1.67252$. Furthermore, the produced beta value (β) is positive at 0.315. This shows that H2 hypothesis is accepted so that it can be concluded that the change in income has a significant effect on SILPA in the provinces in Indonesia.

Changes in income are the difference between LO-revenue and receivables, or in other words, the change in revenue is the same as the government cash income. A positive beta indicates a positive relationship between changes in income and SILPA. The higher the change in income, the higher the effect is on SILPA. Conversely the lower the change in income, the lower the effect is on SILPA. This is in line with research (Hardiana, 2018) which states that changes in income affect SILPA.

The high income exceeds the target, resulting in the existence of SILPA to be an achievement for the region, especially for producing SKPD who collects funds from the community in the form of taxes or levies (Fitroh & Putra, 2016). However, it needs to be ascertained whether the determination of revenue targets has been based on the real potentials that the region has, because, according to Saleh (2016), Ering, Hakim, and Juanda (2016), Horota, Riani, and Marbun (2017), Martini, Sari, Somadi, and Karman (2019), and Martini, Agustin, and Zaliah (2019), there are still many areas that set targets far below the real potentials of the region, while there are still a lot of potential revenues that have not been maximally explored. Accomplishing easy targets of to realize the revenue realization exceedingly can be a contributor to the formation of SILPA (Surya, 2016; Aras & Artini, 2017; Welly & Djuniar, 2017). Some regions whose income far exceeding the target achievement include the

provinces of South Sumatra, Badung Regency, and Indragiri Hulu Regency.

SILPA includes remaining funds for continued activities, unresolved third party money, and exceeding revenue targets (PP number 58 of 2006). Then it was made clear in Permendagri number 13 of 2006 regarding the Guidelines for Regional Financial Management that SILPA includes exceeding revenue from PAD, exceeding receipt of balancing funds, other exceeding receipts from legal income, exceeding collection of financing, saving on expenditure, saving on third parties until the end of the year. The remaining all has been completed funds are used for further activities. Thus, it can be concluded that the high (exceeding) income causes SILPA.

4.2.2 Effect of PPE on SILPA/SIKPA

The results of hypothesis testing (Table 2) show that the PPE variable has a t value of 4.792 with a significance value of 0.000, smaller than $\alpha = 0.05$. T table value was obtained for 1.67252, so that t arithmetic was $\geq t$ table, or $4.792 \geq 1.67252$. Furthermore, the resulting beta value is positive at 0.506. This shows that the H3 hypothesis is accepted, thus it can be concluded that PPE has a significant effect on SILPA in Indonesian Provinces.

PPE is affected by the accrual of depreciation expense as a result of asset consumption. KSAP (2007), Kahar (2017) and Rumburu, Elin, and Kalalo (2018) stated that depreciation arises from normal government activities, where the value of a PPE is depreciated based on its economic age. The longer the life of a PPE, the greater the depreciation and the useful life is reduced, indicating a decrease in the value of a PPE (fixed assets). The government can use discretion by controlling the determination of the accrual of the useful life of fixed assets (Scott in Imelda & Palauw, 2018). The government has the authority in financial management including determining policies in calculating the value of accruals depreciation according to the methods specified in SAP or other relevant standards (KSAP, 2014).

In addition to depreciation, the government can also choose policies to maintain PPE by increasing its economic life and useful life through expenses after acquisition or maintenance such as the results of development, reclassification, renovation, and restoration. Depreciation will reduce the value and useful life of PPE, while maintenance will increase the value and useful life of PPE. Positive beta values indicate a positive relationship between SILPA. The higher the PPE, the higher the SILPA. Conversely, the lower the PPE, the lower the SILPA. This is in line with other research (such as Iswahyudin, 2016) which states that fixed assets (PPE) originating from capital expenditure affect SILPA.

The higher value of a PPE means that the useful life is increasing so that it will slow down the government management to purchase new PPE which requires high capital expenditure. In other words, there should be budget efficiency so that SILPA is increasing. Conversely, if the PPE value is low, it means that the useful life is decreasing and the PPE is not feasible to use. Thus, it will encourage the government to purchase new PPE which requires high capital expenditure. High capital expenditure makes SILPA impossible, or SILPA can be said to decrease.

Low or unsuccessful achievement of capital expenditure targets that affects SILPA can create perceptions of the efficiency performance of a local government. However, it must be ensured that SILPA really occurs because of budget efficiency, not because of activities that have not been implemented so that the budget is not used. This reflects weak planning (Fitroh & Putra, 2016; Martini, Sari, Somadi, & Karman, 2019). In Permendagri 13 of 2006, it is also explained that one of the factors causing SILPA is saving or efficiency in spending.

4.2.3 Effects of Total Accruals, Changes in Revenue, and PPE on SILPA/SIKPA

Hypothesis testing results (Table 4) found an F count of 19,073 with a significance value of 0,000,

smaller than 0.05. F table value was obtained for 2.77, so that the F count was \geq F table or $19.073 \geq 2.77$. Thus, H4 is accepted. Simultaneous accrual discretion through total accrual variables, changes in income, and PPE has a significant effect on SILPA. This is in line with other research such as Rohman, et al, (2018) which proves that accrual discretion influences SILPA/SIKPA. Cohen, et al, (2016), Arcas and Marti (2016), Plicher, (2011) also state that local governments carry out accrual discretion.

Accrual discretion in the public sector is carried out for several purposes 1) to reduce surpluses and unused allocations, or maintain funding for use in subsequent accounting; 2) to increase surplus or unused allocation to create perceptions of efficiency performance; 3) to change expenditure information to prevent government or media scrutiny and criticism; 4) to provide funds for an expenditure available for use in other expenses (Plicher, 2011)

The impact of applying accrual discretion can cause SILPA to decrease or increase in accordance with the objectives of each local government. For example, government policies that have succeeded in collecting receivables result in exceedances or capital expenditure efficiency policies and can cause SILPA to increase. So far, the researchers did not find any abnormal accrual discretion by the provincial government in Indonesia. The government has done a positive accrual discretion seen from the pattern of an appropriate relationship between total accruals, revenue changes, and PPE to SILPA.

The adjusted R² value of 0.479 indicates the ability of the accrual discretion variable (total accruals, income changes, and PPE) in explaining the SILPA variable of 47.9%. This means that there are still other factors of 52.1% that affect SILPA but are not examined by researchers. Other factors such as debt accruals in the form of financing; human resources (HR) relate to planning and management of the government budgets. SILPA can be caused by the failure of the realized program and lack of planning in the budget which then causes wrong

budgeting in related SKPD (Fitroh& Putra, 2016). This may be related to political interests. Politicians will pursue re-election, and voters will monitor how politicians act to assess whether social welfare goals are met (Cohen, et al., 2016). Accounting information is a key factor in achieving the interests of politicians, so it seeks to create a perception of good performance through accounting information by increasing revenue through support/deficits so as to produce a near-zero SILPA balance.

5. CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

The results of this study indicate that the provincial government in Indonesia applies normal accrual discretion and is in accordance with SAP and legislation. This is evident from the pattern of relationships that are appropriate for each variable of total accruals, revenue changes, and PPE to SILPA/SIKPA. The higher the total accruals, the more difficult the accruals can be realized as revenue, thus SILPA will decrease. Conversely, if the total accruals are low, it means that the accruals are more easily realized as revenue which causes government revenues to increase and even exceed the target, thereby increase SILPA.

This study also shows that changes in income have a significant positive effect on SILPA/SIKPA in Indonesia. Changes in higher income indicate revenues that exceed the target set, which in turn, will increase the value of SILPA. PPE has a significant positive effect on SILPA. The higher value of a PPE causes the economic useful life to increase, so that it slows the purchase of new PPE (reducing capital expenditure). This results in budget efficiency and causes SILPA to increase. Conversely, the lower value of a PPE causes the economic useful life to decrease, and the PPE is increasingly unfit for use. Thus, encouraging the purchase of new PPE causes the budget to be used and causes SILPA to decrease.

The results of this study recommend that the provincial government in Indonesia in setting revenue targets should be based on their real

potentials. Some local governments in Indonesia still set targets far below the real potentials of their regions, where there are still a lot of potential revenues that have not been optimally explored. Achieving the easy targets results in revenue realization that exceeds the target set. This strategy can be a contributor to the formation of SILPA.

As for further research directions, it is strongly recommended that researchers conduct an assessment of the accrual discretion implementation policy at the ministry and agency level at the central level using the State Budget (APBN). This is very important considering the large role of ministries and institutions at the central level in the implementation of planning and the effective use of budgets.

The results indicate the ability of three independent variables in explaining the dependent variable by 47.90%. The next researchers are advised that they develop this research by exploring other independent variables that affect SILPA/SIKPA with longer period of observation.

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