

Analysis of Inventory Account Disclosure Levels in the Financial Statements of the Bengkulu Provincial Government

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Abstract

The study examines the extent to which inventory accounts are disclosed in the 2023 Regency/City Regional Government Financial Statements (LKPD) in Bengkulu Province. The test was conducted based on six disclosure indicators as per PSAP 05, including inventory types, assessment methods, accounting policies, mutations, risks, and relevant additional information. Data were taken from LKPD that had been audited by BPK and analyzed using descriptive statistics and the One-Sample T-Test. The results showed an average disclosure rate of only 44.99%, which is lower than the ideal threshold of 60%. Important aspects such as assessment methods, inventory mutations, and other relevant information are still rarely disclosed. This suggests that the audit opinion does not fully reflect the quality of disclosure. These findings emphasize the need to improve understanding of accounting standards, as well as to enhance reporting systems to make financial information disclosure more transparent.

Keywords: Disclosure, Inventory, Government Financial Statements

INTRODUCTION

The Regional Government Financial Report (LKPD) is a report prepared to provide information on the implementation of the budget, financial position, cash flow, and financial performance of local governments during a budget period, with the aim of increasing transparency and accountability in regional financial management (Mahmudi, 2019). In order for the information presented in the LKPD to be reliable and meet the set standards, the preparation process and the level of disclosure are regulated in various applicable laws and regulations.

Information on the preparation and level of disclosure of local government financial statements is regulated in Law No. 15 of 2004 concerning the Audit of State Financial Management and Responsibility and Government Regulation (PP) No. 71 of 2010 concerning Government Accounting Standards (SAP). Based on Law No. 15 of 2004, government financial statements must be audited by the Audit Board (BPK) to ensure adequate disclosure of information and financial statements must meet the elements of transparency and accountability to reflect the appropriate use of the budget. Article 16 paragraph (1) states that an opinion is a professional statement from the examination of the fairness of financial information presented in the financial statements, which is based on the criteria of conformity with government accounting standards, adequate disclosures, compliance with laws and regulations, and the effectiveness of the internal

control system. According to the Law, there are 4 (four) types of opinions that can be given by auditors, namely unqualified opinion, qualified opinion, adverse opinion, and disclaimer of opinion. Government Regulation No. 71 of 2010 is the main guideline that establishes Government Accounting Standards (SAP) which regulates the principles of financial statement preparation including relevance, understandability, reliability, and comparability.

Government Regulation Regulates that government financial statements must disclose all information necessary to provide a reasonable picture of the government's financial position, financial performance, and cash flow. One of the important aspects related to disclosure in the LKPD is the obligation to include an on-the-face financial statement or Notes on Financial Statements (CaLK). The CaLK provides the presentation of information required and recommended by the Government Accounting Standards as well as other disclosures necessary for the fair presentation of financial statements. PSAP 05 states that the adequacy of disclosure in local government financial statements includes all components in financial statements, including accounts on the balance sheet, one of which is the inventory account. Inventory is a current asset in the form of goods or equipment that supports government operational activities in the context of service to the community. According to (Vonny Aningtyas Tyas, 2021) Inventory is goods that are stored for sale in normal business activities or goods used in the production of goods to be sold.

Disclosure is the provision of information in financial statements regarding certain items that may affect decision-making. Inventory account disclosure means that it includes information regarding the valuation methods used, including FIFO or weighted averages, as well as accounting policies related to inventory to provide transparency to users of financial statements (Bastian, 2023). Several previous studies on financial statement disclosure of government entities have been conducted which provide conclusions of varying results. According to Rora Puspita (2023), local revenues, audit opinions, and public pressure affect the level of disclosure of financial statements. Adelia Pramita Sari, Dwi Martani & Dyah Setyaningrum (2022) concluded that the number of population, dependence on central funds, and audit findings affect the disclosure of financial statements. Adelia Pramita Sari, Dwi Martani & Dyah Setyaningrum (2021) found that regions with WTP audit opinions tend to have higher levels of disclosure. Dewi Sartika & Dwi Martani (2022) found that the disclosure of financial statements increases the accountability and transparency of local governments.

The existence of inventory is very important for the operational continuity of an entity because it reflects one of the elements in financial statements that need to be supervised and managed properly to support transparent and accountable government goals (Mardiasmo, 2020). Several studies on inventory account disclosure have yielded mixed results. Research by Sari Dewi (2023) found that audit opinions have a significant effect on the level of disclosure of inventory accounts, where areas with WTP opinions tend to have better disclosures. Agus Santoso (2023) found that the disclosure of inventory account information in the LKPD still needs to be improved to be more transparent and in accordance with accounting standards. Budi Setiawan (2022) found that the quality of inventory account disclosure in district/city LKPD in Indonesia still needs to be improved to be more complete and accurate. Rahmawati & Utami (2020) found that many regions

have not met inventory account disclosure standards, especially in terms of details of inventory type and quantity.

As a form of implementation of applicable regulations, local governments are expected not only to prepare LKPDs that meet the audit criteria, but also to be able to disclose financial information thoroughly and in accordance with the provisions, including disclosure of inventory accounts. One of the provinces that shows an improvement in the quality of financial statements is Bengkulu Province. Based on data from the 2022 BPK RI Regional Audit Results (IPPD), nine out of ten local governments in this region obtained a Reasonable Opinion Without Exception (WTP). This achievement reflects a commitment to accountable financial management practices. However, the achievement of a WTP opinion does not necessarily guarantee that all elements of the report, in particular the inventory account, have been fully disclosed and in accordance with standards. Until now, there has been no special study that assesses in detail the disclosure of inventory accounts in local government LKPD in Bengkulu Province based on the criteria in PSAP 05.

Research conducted by Suwarjuwono and Ritonga (2017) highlighted that the level of disclosure of inventory accounts in several local governments on the island of Java is still relatively low and not in accordance with Government Accounting Standards. The study also showed that there was no significant difference in disclosure between regions with WTP and non-WTP opinions. However, the focus of this study is still limited to areas on the island of Java and does not cover other regions in Indonesia, including Bengkulu Province. In addition, the approach used has not fully reflected the broader and more comprehensive aspects of disclosure.

Based on this, this study focuses on examining the extent to which the district/city governments in Bengkulu Province in 2023 have disclosed information related to inventory accounts in the LKPD in accordance with the standards set out in PSAP 05. This study uses a content analysis approach with six disclosure indicators, which is expected to provide a more complete picture of the quality and compliance of inventory account disclosure as part of efforts to realize transparency and accountability in regional financial management.

METHOD

This study uses a quantitative approach with a descriptive type of research. This study aims to analyze the level of disclosure of inventory accounts in the local government financial statements (LKPD) of Bengkulu Province. The locations in this study are districts and cities in Bengkulu Province. The object of this research is LKPD for the 2023 fiscal year. The population in this study is all local government LKPD in Bengkulu Province, and in this study the sample was taken using purposive sampling techniques with the following criteria: 1) LKPD for the 2023 fiscal year. 2) LKPD that has been audited by BPK. The type of data in this study is secondary data in the form of LKPD which includes balance sheets, Notes on Financial Statements (CaLK), and BPK opinions. The source of this research data is obtained from published reports or official government documents. The data collection in this study uses a documentation technique, by reviewing the content of the LKPD related to the disclosure of inventory accounts in accordance

with PSAP 05. Data management in this study uses content analysis. According to Amirfan Asfar (2019), content analysis is a research method used to deduce words or concepts that appear in text or text series. The disclosure index will be calculated based on the disclosure criteria set forth in PSAP 05, namely, a) accounting policies related to inventory measurement, b) explanations, values, and inventory conditions, c) additional information relevant to understand inventory as a whole. This is done by recording the existence of inventory account disclosure items and assigning value to each item. The calculation of the disclosure level score will be calculated using the formula:

$$\text{Disclosure Level} = \frac{\text{Number of items disclosed}}{\text{Total item}} \times 100\%$$

Descriptive statistical analysis is an analytical technique used in this study. Data that has been calculated using the disclosure rate formula will be collected for further research. Then, the calculated data will be processed and tested using *the Statistical Product and Service Solutions* (SPSS) program to analyze the distribution, average, and percentage of inventory account disclosure rates. After analysis, the results of the analysis will be tested using a statistical test, namely, the One-Sample T-Test test to evaluate the overall disclosure rate with the PSAP 05 criteria.

Determining the aspects of inventory account disclosure to be analyzed in accordance with PSAP 05, this study establishes 6 aspects at the level of inventory account disclosure, namely:

- a) Inventory types and details, reveal types of inventory such as service goods, production goods, and others. And sufficient details for the user's understanding.
- b) Inventory valuation method (FIFO or average)
- c) Accounting policies related to inventory, presenting accounting policies related to the recognition, measurement, and reporting of inventories
- d) Inventory mutations (addition, subtraction, and final remainder) during the reporting period
- e) Details of risks affecting inventory, presenting information about risks such as damage, loss, and obsolete items that affect the value of inventory.
- f) Other relevant information as per the inventory disclosure standards, providing other details such as the value of inventory, goods loaned, or inventory that has been handed over to another party.

RESULT AND DISCUSSION

Inventory Account Disclosure Rate in Local Government Financial Statements

This analysis aims to assess the extent to which local governments in Bengkulu Province disclose inventory account information in the Regional Government Financial Statements (LKPD) in accordance with the standards set out in PSAP Number 05. This disclosure is an important indicator in reflecting the transparency and accountability of regional inventory management. Table 1 presents the percentage of inventory account disclosure from each local government along

with the audit opinion obtained based on the results of the audit by the Financial Audit Agency (BPK).

Table 1. Inventory Account Disclosure Percentage Rate

No	Government	LKPD Opinion	Inventory Account Disclosure
1	Central Bengkulu Regency	WTP	33,33%
2	North Bengkulu Regency	WTP	50,00%
3	South Bengkulu Regency	WTP	33,33%
4	Rejang Lebong Regency	WTP	50,00%
5	Lebong Regency	WTP	50,00%
6	Kepahiang Regency	WTP	33,33%
7	Kaur Regency	WDP	50,00%
8	Muko-Muko Regency	WTP	33,33%
9	Seluma Regency	WTP	50,00%
10	Kota Bengkulu	WTP	66,66%

Source: processed data

The explanation of the percentage level of disclosure of inventory accounts in LKPD in Bengkulu Province is not even and is still at moderate to low levels. The city of Bengkulu occupies the highest position with a disclosure percentage of 66.66%, indicating a relatively better effort in conveying inventory information in accordance with accounting standards. Most other regions are in the range of 50.00%, while four regions still recorded the lowest disclosures, which is 33.33%. Nine out of ten regions obtained a Fair Without Exception (WTP) audit opinion, which was not always followed by high disclosure. For example, Central Bengkulu, South Bengkulu, Kepahiang, and Muko-Muko Regencies, all of which received WTP, only disclosed 33.33% of the inventory account information. On the other hand, Kaur Regency, which received a Reasonable Opinion with Exceptions (WDP), was actually able to disclose information up to 50.00%. These findings show that audit opinions do not necessarily reflect the level of compliance with the disclosures set out in PSAP 05. Factors such as technical understanding of standards, the effectiveness of reporting systems, and the competence of regional financial managers also affect the extent to which inventory account information is presented in full. Overall, there is still a gap between audit opinions and the quality of financial information disclosures, particularly in inventory accounts.

Inventory Account Disclosure Level Classification

To assess the quality of the disclosure of inventory account information, a classification was carried out based on the percentage of disclosure rates into five categories: very low, low, adequate, high, and very high. This grouping refers to the disclosure standards listed in PSAP Number 05. Table 2 presents the distribution of the number of LKPDs in each category.

Table 2. Assessment Levels of Inventory Account Disclosure

Criterion	Score	Number of LKPD
Very Low	0% - 20%	0
Low	21% - 40%	4
Enough	41% - 60%	5
Tall	61% - 80%	1
Very High	81% - 100%	0
Sum		10

Source: processed data

The explanation of the classification of LKPD in the Bnegkulu Provincial government is mostly in the low to sufficient disclosure category. A total of 4 local governments (40%) are in the low category (21%–40%), while 5 regions (50%) are in the sufficient category (41%–60%). Only 1 region (10%), namely Bengkulu City, reached the high category with a disclosure of 66.66%. There is no LKPD that falls into the very low or very high category. This indicates that no region has fully fulfilled or completely failed to disclose inventory account information in accordance with the provisions of PSAP 05. In general, these results suggest that inventory account disclosure in most local governments still needs to be improved. Improvement efforts can be focused on improving understanding of accounting standards, strengthening the reporting system, and more optimal internal supervision so that disclosure can be carried out in a complete and accountable manner.

Inventory Account Disclosure for each aspect

There are 6 aspects that measure the adequacy of inventory disclosure for each district and city in Bengkulu Province in 2023. All of these aspects are based on the criteria in PSAP Number 05.

a. Types and Details of Preparations

This aspect is included in the accounting policy disclosure criteria contained in PSAP No.05 paragraph 26 letter a. The type and details of inventory include the disclosure of types of inventory such as goods for public services, goods in process, to goods to be handed over to third parties. From the data collected by this aspect shows that of the 6 aspects of disclosure that exist is one of the highest aspects, a percentage of 100% or all LKPD of Bengkulu Province has disclosed information related to the type and details of inventory in the CaLK. This shows that the majority of local governments have understood the importance of providing sufficiently detailed information regarding the classification of their inventories.

b. Inventory Valuation Methods (FIFO and Average)

This aspect is included in the criteria for disclosure of accounting policies contained in PSAP No.05 paragraph 26 letter b. The inventory assessment method used in the LKPD is the *First In First Out* (FIFO) method, based on the data collected, a percentage of 20% or from 10 LKPDs of districts and cities of Bengkulu Province that disclose accounting policy

information regarding the inventory collection method, only 2 LKPDs have disclosed in the CaLK, namely Seluma Regency and Bengkulu City. This shows that the level of compliance with accounting policy disclosures related to inventory valuation methods in LKPD in Bengkulu Province is still relatively low and needs to be improved to meet the provisions stipulated in PSAP No. 05.

c. Inventory Accounting Policy

This aspect refers to the criteria in the disclosure of accounting policies contained in PSAP No.05 paragraph 26 letter b. The inventory accounting policy includes the presentation of acknowledgement, measurement, and inventory reporting, for this aspect a percentage of 90% or of the 10 LKPDs of Bengkulu Province that disclose information related to inventory accounting policies in the CaLK, only 1 LKPD does not disclose in the CaLK, namely Kepahiang Regency. This shows that the local government in Bengkulu Province almost fully complies with the provisions stipulated in PSAP No. 05 related to the disclosure of inventory accounting policies, thus reflecting a good level of transparency and accountability in the preparation of its financial statements.

d. Inventory Mutations

This aspect refers to the criteria in the disclosure of accounting policies contained in PSAP No.05 paragraph 26 letter c. Inventory mutation includes the presentation of additions, subtraction and final residues during the reporting period, Based on the data collected this aspect is the first least criterion, disclosed in the CaLK, the percentage of disclosure is only 10% of the 10 LKPDs that should disclose inventory mutations, only 1 LKPD has disclosed it completely in the CaLK, namely Bengkulu City. This shows that the level of compliance with accounting policy disclosures related to inventory mutations in LKPD in Bengkulu Province is still very low and needs to be improved to meet the provisions stipulated in PSAP No. 05

e. Details of Risks affecting the setup

This aspect refers to the criteria in the disclosure of accounting policies contained in PSAP No.05 paragraph 26 letter d. Details of risks affecting inventory include the presentation of information such as damage, loss, and obsolete goods that affect the value of inventory, based on managed data the percentage of 40% or of the 10 LKPDs that should disclose the details of the risk, only 4 LKPDs have been disclosed in the CaLK, namely North Bengkulu Regency, Kaur Regency, Lebong Regency, and Rejang Lebong Regency, while the other 6 LKPDs are incomplete in the presentation of information. These findings suggest that the disclosure of details of risks affecting inventory in CaLK is still not fully consistent among LKPDs. This low level of disclosure indicates the need to increase understanding and attention to the risk aspect of inventory, so that the presentation of regional financial statements can reflect more transparent and accountable conditions in accordance with the provisions of PSAP No. 05

f. Other relevant information as per inventory disclosure standards

This aspect refers to the criteria in the disclosure of accounting policies contained in PSAP No.05 paragraph 26 letter d. Other relevant information as per inventory disclosure standards includes other details such as the value of inventory, items loaned, and inventory that has been handed over to other parties. Based on the data collected, this aspect is the second least criterion, disclosed in the CaLK, the percentage of disclosure is only 10% of the 10 LKPDs that should disclose other relevant information, only 1 LKPD has disclosed it completely in the CaLK, namely Kepahiang Regency. This shows that the level of compliance with accounting policy disclosures related to relevant information in accordance with inventory disclosure standards in the LKPD in Bengkulu Province is still very low and needs to be improved to meet the provisions stipulated in PSAP No. 05

Descriptive and Inferential Analysis of Inventory Account Disclosure Rates

This study aims to assess the level of disclosure of inventory accounts in the Regional Government Financial Statements (LKPD) in Bengkulu Province for the 2023 fiscal year. The analysis was carried out on 10 local governments using descriptive statistical methods to get an overview of the disclosure practices carried out.

<i>Descriptive Statistics</i>					
	N	Minimum	Maximum	Mean	Hours of deviation
Pesentase_Pengungkapan	10	33.33%	66.66%	44.9980%	11.24925%
Valid N (listwise)	10				

Source: processed data

From the results of these statistics, it is known that the average inventory account disclosure rate is at 44.99%. This value is below the minimum expected disclosure standard, which is 60%, as determined in the disclosure adequacy principle according to PSAP 05. The fairly wide range of values, from 33.33% to 66.66%, also shows inconsistencies between regions in terms of disclosure of inventory account information. To find out whether the difference between the actual average disclosure and the ideal value of 60% is statistically significant, the One-Sample T-Test is performed.

<i>One-Sample Test</i>						
Test Value = 60						
				Mean	95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Difference	Lower	Upper
Pesentase_Pengungkapan	-4.217	9	.002	-15.00200%	-23.0492%	-6.9548%

Source: processed data

The test results showed that the significance value of 0.002 was smaller than 0.05. This means that there is a statistically significant difference between the average inventory account disclosures achieved by local governments and the minimum expected standards. Due to the negative t-value and the average difference of -15.002%, it can be concluded that in general the disclosure of inventory accounts in the LKPD is still far from adequate. Thus, descriptive analysis shows variations and lags in disclosure, while inferential analysis corroborates the findings with statistical evidence that the average disclosure rate is significantly lower than it should be. This indicates the need for systemic improvements in the preparation and reporting of financial information, especially related to inventory accounts, to increase transparency and accountability of local governments.

CONCLUSION

This study evaluated the extent to which district and city governments in Bengkulu Province disclosed inventory account information in their 2023 *Laporan Keuangan Pemerintah Daerah* (LKPD) following PSAP Number 05 standards. The findings revealed an overall inadequate disclosure level, with an average compliance of only 44.99%, falling below the 60% minimum threshold. Despite most local governments receiving Fair Without Exception (WTP) audit opinions, these did not consistently correlate with high disclosure quality; some regions with lower audit opinions demonstrated better disclosure. Key factors influencing disclosure quality include understanding of accounting standards, human resource technical capacity, and the effectiveness of financial reporting systems. Particularly low were disclosures on inventory mutations, other relevant information, and valuation methods, highlighting gaps in prioritization and comprehension of regulatory requirements. Statistical analysis confirmed a significant gap from the minimum standard, underscoring the need for policy improvements, enhanced reporting systems, and capacity building within regional financial management. Future research could explore the impact of targeted training programs and system upgrades on improving inventory disclosure quality and examine other provinces to provide comparative insights.

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