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## Accounting in Ideal Conditions: Realizing Transparent and Accurate Accounting Practices

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**Abstract :** *This study aims to determine Accounting in Ideal Conditions: Realizing Transparent and Accurate Accounting Practices. The principles used in this study in realizing transparent and accurate accounting practices are responsibility, efficiency and effectiveness, and strategic vision. This type of research is qualitative research. Data collection techniques use literature studies. The results of the study indicate that accounting has a very important role in realizing transparency and accuracy. By realizing accountability, namely helping to improve performance and accountability of activities by compiling government agency performance accountability reports. In realizing transparency, accounting can guarantee the accuracy and reliability of the information to be disseminated, while in realizing responsibility, accounting helps to account for the use of regional revenue and expenditure funds by compiling financial reports. The role of accounting in realizing efficiency and effectiveness is to help process regional revenue and expenditure funds so that tasks and authorities are carried out optimally. The role of accounting in realizing a strategic vision is to prepare an optimal work plan by considering the planned results and costs incurred*

**Keywords:** *Accounting, ideal, transparent and accurate*

### 1. INTRODUCTION

In the context of this one thing is certain, the need for accounting in ideal conditions, which explains some of our studies on financial accounting theory taking into account the current value model. This model provides users with the most relevant information to the financial statements.

In this context, we define relevant information, as information about the company's future economic prospects i.e. its dividends, cash flow, and profitability. Our concern is on conditions where the relevant financial statements are also reliable, where reliable information accurately represents the financial position and results of operations of the company. We will also explore the conditions under which the market value of assets and liabilities can serve as an indirect measure of present value.

This will happen under ideal conditions. If the conditions are not ideal (which is usually the case), fundamental problems will arise in asset valuation and revenue measurement. Then at another level, the value model is now widely used in economics and finance and has had a considerable impact on accounting over the years. We first consider a simplified version of the model under definite conditions by which we mean "certainty" is the company's future cash flows and the interest rate of the economy known to the public with certainty. We declare this as ideal conditions Illustration of Cash Model in Definite Conditions

PT Bengawan Solo is a company that has a single asset without liability. This asset is estimated to generate year-end cash flow of IDR 150 million/year for two years, after two years it has a value equal to IDR 0. The risk-free interest rate is estimated at 10%. With this data, the value of PT Bengawan Solo's upcoming cash flow at the beginning of the year of asset use, which is notated as  $PA_0$  is

$$PA_0 = \frac{150}{(1+0,1)^1} + \frac{150}{(1+0,1)^2} = 136,36 + 123,97 = 260,33$$

Based on the calculation of the cash value, the initial or final financial results report of the 1st year is as follows:

PT Bengawan Solo Laporan Posisi Keuangan 31 Des 2021 Dalam jutaan rupiah			
Aset tetap (nilai tunai)	Rp 260,33	Ekuitas Pemegang Saham	Rp 260,33

At the end of year 1, the company reports profit or loss as follows.

PT Bengawan Solo Laporan Posisi Keuangan Untuk Tahun yang berakhir Tanggal 31 Des 2021 Dalam jutaan rupiah	
Akresi diskon	Rp 26,03

In addition, the current value model under uncertainty can be interpreted as *Decision Making Under Certainty*. In this condition, there are several things that happen, namely:

1. The number and likelihood of the occurrence of these conditions are unknown.
2. It is not possible to determine the probability of various conditions or outcomes.

Uncertainty is a condition of doubt that is formed due to a lack of information. The lack of information can be in the form of understanding, knowledge, events, consequences, or possibilities.

One of the important problems that causes this is the lack of accountability and transparency in government or private financial management as one of the elements of ideal accounting governance. So with that, the goal is to provide a deeper understanding of financial management practices to find out how transparency and accountability in financial management. In addition, it also aims to provide recommendations that can help local

government agencies in improving more transparent and accountable financial management practices. The phenomenon that is the focus of this research is the lack of accountability of the government and the private sector in creating ideal accounting. This shows the weak accountability and transparency of financial management. Therefore, the researcher is interested in conducting this research with the aim of identifying problems related to transparency and accountability in Realizing Transparent and Accurate Accounting Practices"

## **2. LITERATURE REVIEW**

### **Accounting Theory**

According to Scott, Accounting Theory is a conceptual structure used to describe and explain economic facts that occur in accounting practice. (Source: "Financial Accounting Theory" by William R. Scott)

### **Transparency and Accountability**

According to Anggia Putri Nabillah, et al. (2022) Transparency is a principle that guarantees access to information or freedom for everyone about the administration of government, both information about policies, the process of making and implementing them, and the results achieved. Based on this understanding, transparency can be said to be the principle of openness that allows a community to know and get access to information as widely as possible. According to Devanada Anisza Putri, et al. (2023), accountability is an accountability obligation that must be achieved. Almost all government agencies and institutions are trying to emphasize the concept of accountability in carrying out government administration, this is because the concept of accountability itself is not a new concept.

## **3. METHODS**

The method used in this study is qualitative descriptive analysis. The data analysis used in this study is a secondary data analysis technique. Where data is obtained from case studies, journals, theses and other supporting documents.

## **4. RESULTS**

### **Ideal accounting**

Ideal accounting is a system and practice that is able to provide accurate, relevant, and reliable financial information to support appropriate decision-making in an entity. In this context, there are several important aspects that need to be considered, including the basic

principles of accounting, objectives, and an efficient accounting system. By applying several accounting, namely:

**Business Continuity Principle:** Assumes that the entity will continue to operate for an indefinite period of time. It is important to record assets and liabilities accurately

**Acquisition Price Principle:** An asset should be recorded based on its acquisition price, not its current market value. This ensures the consistency and reliability of financial information

**Revenue Recognition Principle:** Revenue is recognized when goods or services have been delivered to the customer and payment has been received or can be assured to be received. It helps in recording revenue in the correct period

**Principle of Independence:** Separating business activities from the personal activities of owners to ensure financial statements accurately reflect the financial condition of the business<sup>6</sup>.

**Fairness Principle:** Accounting information should be presented fairly and not misleading, so that all stakeholders can make decisions based on correct information, then Optimize Accounting Practice

To achieve ideal accounting, several optimization steps can be taken:

1. **Selection of Accounting Software:** Invest in modern software to make it easier to record and report.
2. **Team Training:** Train staff to be skilled in using accounting systems.
3. **Routine Recording:** Record transactions regularly to keep data up-to-date and accurate

### ***Reserve Recognition Accounting (RRA)***

Currently, the real world is not characterized by ideal conditions and accounting practices are very strong towards the use of fair *values* for certain types of assets and liabilities. However, cash value models face serious reality problems if applied to less than ideal conditions. For example, it can be seen in the use of *Reserve Recognitio Accounting (RAA)* for oil and gas companies. It can almost be said that oil and gas companies operate in a state of certainty. The cash value accounting applied to oil and gas reserves is called *Reserve Recognition Accounting (RRA)*

The implementation of RRA has drawn criticism, both from company management and investors. The majority of management, especially oil company managers, tend to view RRA with preconceived ideas, so they tend to reject the use of RRA. However, management's rejection of RRA does not mean that RRA does not provide information to investors. RRA

produces more relevant information than historical cost information, and has a more useful potential. However, it is not easy to find evidence of the usefulness of the RRA

### **Challenges to Historical Cost Accounting**

Accounting based on historical costs has great challenges. Historical accounting is necessary to match expenses with revenues to determine profits, the challenge is to make such comparisons in a way that informs investors about the company's future economic prospects. Historically cost-based profits have the potential to provide information about future economic prospects due to their reliability nature. In addition, historical cost-based profits are one way to flatten period cash flows for long-term measure interests that are affected by cash flows. Therefore, accounting must calculate accrual, namely comparing expenses with income. However, under non-ideal conditions, there is no unique event to do so, so historically cost-based profits are not able to show persistent earning potential.

**Accountant's Reaction to the Challenges** The continued use of historical cost accounting in financial reporting is as a consequence of the impossibility of preparing financial statements that historically reflects the trade-off between the relevance and reality of financial statements. With the continued use of historical cost-based accounting in practice, accountants are reacting to the challenge by making historical frameworks more useful. One way to improve usability is to keep using the historical cost framework, but with expanded disclosure in annual reports.

## **5. CONCLUSIONS AND SUGGESTIONS**

### **Conclusion**

The conclusion of this study is that Accounting in Ideal Conditions: Realizing Transparent and Accurate Accounting Practices" still needs to be improved. Although there have been efforts to increase transparency by providing access to information through the website, there are still shortcomings in regional financial reporting and accountability. This can have an impact on public trust in the government and regional financial management.

### **Suggestion**

The suggestion that can be given is the need for efforts to improve Accounting in Ideal Conditions: Realizing Transparent and Accurate Accounting Practices" by improving the financial reporting and accountability system and increasing public participation in the supervision of regional financial management. In addition, there is a need to improve the quality of human resources and internal supervision in regional financial management to ensure compliance with applicable regulations and policies. In the long term, there needs to be efforts

to strengthen the supervision and control system in regional financial management to prevent corrupt practices and abuse of regional finance. From the results of the research and analysis that has been carried out, it is hoped that the next research can be even better in terms of:

1. Re-analyzing how Accounting is in Ideal Conditions: Realizing Transparent and Accurate Accounting Practices" so that the community or employees feel satisfied with the performance of the government and also offices in their respective regions.
2. It can look back whether it has been fully transparent and accountable or still not.
3. Improve the reporting and financial accountability system of private or government offices.
4. Improving the quality of human resources and internal oversight to ensure compliance with regulations and policies.
5. Strengthen the supervision and control system in financial management to prevent corrupt practices and financial abuse.

With the implementation of these suggestions, it is hoped that researchers can further improve the effectiveness and efficiency of financial management in the office or others.

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