



Treatment of Fixed Assets Based on Psak No. 16 qt the Makassar City Drinking Water Company (PDAM)

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Abstract

This study aims to identify and analyze the accounting treatment of fixed assets at Perumda Air Minum (PDAM) Makassar City in accordance with the statement of Financial Accounting Standards (PSAK) No. 16 concerning Fixed Assets. The research focuses on five key aspects: recognition, measurement, depreciation, derecognition, and presentation of fixed assets. This study uses a qualitative descriptive method with data collected through documentation, interviews, and literature review. The results indicate that their accounting treatment of fixed assets at PDAM Makassar City is generally in accordance with PSAK No.16. fixed assets are recognized when future economic benefits are probable and the acquisition cost. Followed by the cost model for subsequent measurements. Depreciation is applied using the straight-line and double-declining balance method. Depends on the asset type and useful life. The derecognition of assets is supported by appropriate documentation and the presentation of fixed assets in the financial statement is accommodated by adequate disclosure in the notes to the financial statement.

INTRODUCTION

Fixed assets represent a critical component of organizational resources because they support the continuous provision of goods and services while simultaneously influencing the measurement, reliability, and interpretation of financial performance. In asset-intensive organizations, particularly public utilities, the accounting treatment of property, plant, and equipment is not merely a technical recording activity but an important mechanism for ensuring accountability over resources used to deliver essential public services. International accounting guidance emphasizes that property, plant, and equipment should be recognized when future economic benefits are probable and their costs can be measured reliably, followed by systematic measurement, depreciation, impairment assessment, derecognition, and disclosure (IFRS Foundation, 2021, 2024; IPSASB, 2021, 2023). Accurate asset accounting is therefore closely associated with the quality of financial information and the ability of stakeholders to evaluate organizational resources, service capacity, and financial sustainability (IMF, 2021a, 2021b; Lombardi et al., 2021; Rashid, 2026; Auliyah & Agit, 2024; Ahmad et al., 2025; Tran Thanh Thuy, 2025).

The significance of fixed-asset accounting becomes greater in public-sector and utility organizations because infrastructure assets frequently constitute a substantial proportion of organizational resources and have long economic and service lives. Research on public-sector infrastructure accounting has identified continuing challenges related to recognition, measurement, valuation, depreciation, and disclosure, particularly because infrastructure assets possess characteristics that differ from conventional commercial assets (Ehalaiye et al., 2021; Lombardi et al., 2021). The development of IPSAS 45 further demonstrates the continuing international attention to these issues by introducing enhanced guidance concerning property, plant, and equipment, including infrastructure and heritage assets, and by strengthening principles for initial and subsequent measurement (IPSASB, 2023a, 2023b). Evidence from European public-sector accounting also demonstrates that differences between formal accounting standards and organizational practices may persist because of institutional, regulatory, and implementation conditions (Schmidhuber et al., 2021; Polzer et al., 2022; Schmidhuber et al., 2022; Polzer et al., 2023).

Within the Indonesian context, PSAK 16 has historically provided the principal framework for accounting for fixed assets, while subsequent amendments have strengthened its alignment with international accounting requirements (NurAini, 2026). The Indonesian Accounting Association confirmed the adoption of amendments concerning proceeds generated before an asset is ready for intended use, effective for annual reporting periods beginning on or after 1 January 2023 (IAI, 2021, 2023; Permatasari, 2026; Mukhlisin & Hudaib, 2026). The subsequent transition of PSAK numbering to PSAK 216 further illustrates the continuing development of Indonesia's financial reporting framework (IAI, 2024, 2025). Recent empirical studies indicate that organizations generally demonstrate substantial compliance with PSAK requirements concerning recognition, measurement, depreciation, derecognition, and presentation, although weaknesses remain in particular aspects of disclosure, asset valuation, and implementation consistency (Aprilia et al., 2023; Qomariyah & Amar, 2023; Astiti & Syarah, 2024; Marselina et al., 2024; Sitorus et al., 2024).

The empirical context of Perumda Air Minum Kota Makassar provides an important setting for examining these issues. As a regional public water utility, the organization manages substantial physical infrastructure required for water treatment, transmission, distribution, and administrative operations (Grigg, 2025). The financial records examined in this study indicate that the acquisition value of fixed assets reached approximately IDR 1.026 trillion at the end of 2023, including substantial additions to transmission and distribution installations. The organization also experienced a transition from accumulated negative profit balances through 2021 toward positive financial performance in 2022, making the quality of asset management and financial reporting particularly relevant to understanding organizational financial administration (Burcă et al., 2024; Lulaj et al., 2023; Vuong, 2025). Recent Indonesian studies have examined PSAK-based fixed-asset practices in manufacturing companies, financial institutions, government agencies, and other organizations, but comparatively limited attention has been directed toward regional water utilities whose fixed assets consist substantially of operational infrastructure and distribution systems (Aprilia et al., 2023; Anggraeni et al., 2024; Islamiyah & Nufaisa, 2024; Sriwiyanti et al., 2025).

A further research gap concerns the distinction between formal compliance and actual organizational practice. Existing studies frequently conclude that fixed-asset accounting is generally consistent with PSAK 16 based on documentary comparison, but fewer studies investigate how recognition, measurement, depreciation, derecognition, and presentation are operationally connected within a public utility.

This distinction is important because international guidance requires useful lives, residual values, and depreciation methods to be reviewed when relevant circumstances change, while actual organizational practices may rely on less systematic procedures (IFRS Foundation, 2024; IPSASB, 2023a). Recent research on infrastructure accounting likewise indicates that practical implementation remains an important area of investigation because recognition and measurement problems cannot always be resolved solely through formal standards (Isa et al., 2024). Consequently, examining actual accounting practices through interviews, observation, and documentary evidence can reveal implementation issues that may remain invisible in purely document-based compliance studies.

Against this background, this study aims to analyze the treatment of fixed assets at Perumda Air Minum Kota Makassar based on PSAK No. 16, focusing on recognition, measurement, depreciation, derecognition, and presentation. The novelty of the study lies in integrating these five accounting dimensions within a single qualitative case study of a regional public water utility and comparing documented organizational practices with the applicable accounting requirements. The study contributes empirically by providing evidence from an asset-intensive public-service organization and analytically by identifying not only areas of conformity but also implementation gaps, particularly concerning the routine review of useful lives and depreciation methods. The findings are expected to contribute to the literature on fixed-asset accounting in Indonesia while providing practical insights for strengthening asset governance, financial reporting reliability, and accountability in regional public utilities.

METHODS

Research Location and Period

This research was conducted at Perumda Air Minum (PDAM) Kota Makassar, located at Jalan Dr. Ratulangi No. 3, Mamajang Luar, Makassar District, Makassar City, South Sulawesi, Indonesia. The organization was selected as the research site because it is a regional public water utility that applies accounting policies related to fixed assets in its financial reporting. As the study aims to analyze the accounting treatment of fixed assets based on Statement of Financial Accounting Standards (PSAK) No. 16, PDAM Kota Makassar provides an appropriate setting for examining the implementation of accounting standards in public sector entities.

The research was carried out over approximately two months, beginning on 5 May 2025 and ending on 28 June 2025. During this period, the researcher conducted observations, interviews, documentation reviews, and data analysis. The timeframe enabled sufficient interaction with the research participant and allowed the researcher to collect both primary and secondary data necessary to achieve the research objectives.

Research Design

This study employed a qualitative descriptive research design. A qualitative approach was chosen because the research seeks to understand and describe the accounting treatment of fixed assets as practiced by PDAM Kota Makassar rather than testing hypotheses or measuring statistical relationships. The descriptive design allows the researcher to explain actual accounting practices and compare them with the provisions stipulated in PSAK No. 16 concerning fixed assets.

The qualitative approach enables an in-depth exploration of organizational practices through direct interaction with individuals responsible for accounting activities. The study focuses on understanding how fixed assets are recognized, measured, depreciated, presented, and derecognized within the organization. Furthermore, the qualitative design facilitates comprehensive interpretation of accounting policies

supported by documentary evidence, including financial statements and fixed asset registers.

Data Collection Methods

Data collection was conducted using three complementary techniques, namely observation, interviews, and documentation. The combination of these techniques was intended to enhance the credibility and completeness of the research findings through methodological triangulation.

Observation was carried out by directly visiting PDAM Kota Makassar to observe the accounting environment and administrative processes related to fixed asset management. Through observation, the researcher gained firsthand understanding of the procedures implemented by the organization in recording and managing fixed assets. This technique also enabled the researcher to compare actual practices with information obtained during interviews.

Semi-structured interviews were conducted with the employee responsible for accounting and financial reporting activities. The interview process aimed to obtain detailed explanations regarding the accounting treatment of fixed assets, including asset recognition, initial measurement, depreciation methods, subsequent expenditures, derecognition procedures, and financial statement presentation. Semi-structured interviews allowed the researcher to explore relevant issues while maintaining flexibility to ask follow-up questions based on participants' responses.

Documentation was employed to support and verify information collected through observation and interviews. Documentary evidence included the company's financial statements, fixed asset registers, accounting policies, organizational documents, and other relevant records. In addition, academic books, accounting standards, previous studies, and scientific journals were reviewed to strengthen the theoretical foundation and analytical discussion of the research.

Types and Sources of Data

This study utilized both qualitative and quantitative data to obtain comprehensive information regarding the accounting treatment of fixed assets.

Qualitative data consisted of narrative information obtained through interviews, direct observations, company documents, and supporting literature. These data provided explanations regarding accounting procedures, organizational policies, and the implementation of PSAK No. 16 within PDAM Kota Makassar. Quantitative data consisted of numerical information obtained from company financial records, including acquisition costs of fixed assets, accumulated depreciation, depreciation expenses, carrying amounts, and other financial data relevant to fixed asset accounting. These numerical data were used to support qualitative findings and facilitate comparison with accounting standards.

The study utilized two sources of data, namely primary data and secondary data. Primary data were obtained directly from PDAM Kota Makassar through interviews with the accounting officer responsible for financial reporting and fixed asset accounting. The primary informant was Ms. Rahmawati, S.E., Accounting and Financial Reporting Staff, who possesses direct responsibility for recording and managing fixed assets within the organization.

No.	Name	Position
1	Rahmawati, S.E.	Accounting and Financial Reporting Staff

The researcher selected only one key informant because she is directly responsible for fixed asset accounting activities and possesses comprehensive knowledge regarding the implementation of PSAK No. 16 within the organization. The

information obtained through interviews was further supported by documentary evidence, including the company's 2023 financial statements and fixed asset register, thereby ensuring the credibility and validity of the collected data.

Secondary data were obtained from company documents such as financial statements, statements of financial position, fixed asset registers, organizational profiles, accounting policies, and organizational structure. Additional secondary sources included textbooks, scientific journals, previous research, and the applicable accounting standards related to fixed assets.

Data Analysis Technique

Data analysis in this study followed the interactive qualitative analysis model developed by Miles, Huberman, and Saldaña, which consists of data reduction, data display, and conclusion drawing or verification. These activities were conducted continuously throughout the research process until data saturation was achieved.

Data Reduction

Data reduction refers to the process of selecting, simplifying, organizing, and focusing the collected information according to the objectives of the research. During this stage, the researcher carefully examined interview transcripts, observation notes, and documentary evidence to identify information directly related to the accounting treatment of fixed assets.

Information concerning the recognition, measurement, depreciation, derecognition, and presentation of fixed assets was retained for analysis, while unrelated information was excluded. This process enabled the researcher to concentrate on essential issues relevant to PSAK No. 16 and facilitated systematic interpretation of the findings.

Data Display

Data display refers to the systematic presentation of organized information to facilitate interpretation and conclusion drawing. In this study, the findings were presented in descriptive narrative form, supported by interview quotations, tables, accounting records, and financial data obtained from the company.

The presentation was organized according to the main components of PSAK No. 16, namely asset recognition, initial measurement, depreciation, derecognition, and financial statement presentation. This structure enabled readers to compare the accounting practices implemented by PDAM Kota Makassar with the requirements stipulated in the accounting standard. Supporting quantitative information, such as acquisition costs and depreciation calculations, was incorporated to strengthen the analysis.

Data Verification and Interpretation

The final stage of data analysis involved verification and interpretation of the research findings. Verification was conducted to ensure the credibility, consistency, and validity of the collected information through triangulation of interview data, observation results, and documentary evidence.

Source triangulation was applied by comparing statements obtained from the key informant with official company documents, including financial statements and fixed asset records. Whenever necessary, follow-up clarification was conducted with the informant to resolve inconsistencies and ensure accurate interpretation.

Data interpretation involved examining the meaning of the findings beyond their descriptive content. The researcher compared the accounting practices adopted by PDAM Kota Makassar with the requirements of PSAK No. 16 to evaluate the extent of compliance with Indonesian Financial Accounting Standards. The conclusions

were drawn based on evidence collected from multiple data sources, ensuring that the research findings were objective, reliable, and supported by valid documentation.

Research Validity

To ensure the trustworthiness of the research findings, data validity was established through source triangulation and method triangulation. Source triangulation involved comparing interview results with company documents and accounting records, while method triangulation involved integrating findings obtained through observation, interviews, and documentation.

The researcher also conducted member checking by confirming important information with the informant after the interview process. This procedure minimized potential misunderstandings and increased the credibility of the research findings. Furthermore, the use of official company documents strengthened the dependability and confirmability of the analysis.

RESULTS AND DISCUSSION

This section presents the findings concerning the treatment of fixed assets at PDAM Kota Makassar based on the five accounting aspects examined in this study, namely recognition, measurement, depreciation, derecognition, and presentation. The findings were obtained through semi-structured interviews with Rahmawati, S.E., Accounting and Financial Reporting Staff, who is directly responsible for fixed asset accounting and financial reporting. The interview findings were complemented by direct observation and documentary evidence, particularly the 2023 financial statements and fixed asset register. This combination of evidence was used to describe the actual accounting practices applied by PDAM Kota Makassar and to identify the consistency of those practices with the accounting treatment of fixed assets under PSAK No. 16.

The results are presented according to the sequence of fixed asset accounting activities, beginning with the recognition of assets, followed by initial and subsequent measurement, depreciation, derecognition, and presentation in financial statements. Quantitative information obtained from company records is incorporated where available to strengthen the description of accounting practices. The findings show that PDAM Kota Makassar has established procedures for managing fixed assets from acquisition through disposal. At the same time, the interview evidence identifies a specific limitation concerning the absence of routine formal reviews of useful lives and depreciation methods.

Recognition of Fixed Assets

The first finding concerns the criteria and procedures used by PDAM Kota Makassar to recognize expenditures as fixed assets. The interview conducted on May 5, 2025, indicates that the company applies three principal criteria, namely the expected period of use, operational utilization, and the capitalization threshold. Rahmawati, S.E. explained that an asset is recognized as a fixed asset when it is expected to provide benefits for more than one year, is used in the company's operations, and has a value exceeding IDR 1,000,000.

“Fixed assets are recognized if they have benefits for more than one year, are used in the company's operations and their value exceeds the capitalization limit of IDR 1,000,000.”

The interview further established that the recognition process begins with the identification of asset requirements by the relevant technical units. Each unit submits its requirements before the procurement process is undertaken. The proposed acquisition is subsequently subjected to verification by the planning and procurement function. This indicates that fixed asset recognition is preceded by an

administrative process rather than occurring solely at the accounting-recording stage.

A second interview finding concerns the role of the asset section in documenting the physical identity and location of acquired assets. According to the informant, once procurement has been completed, the asset section records the identity and location of the asset before the accounting section records the transaction in the financial system. The informant stated:

“After the procurement is complete, the asset section records the identity and location of the asset, then the accounting department will record it in the financial system.”

The interview also indicates that recognition does not occur merely because an acquisition transaction has been completed. The asset must first be received by the company and undergo physical checking. The documentation reviewed during the research showed that administrative records accompany the procurement and recording process. This provides a basis for linking the accounting record with the physical asset held by the company.

A further finding concerns the treatment of assets that do not meet the capitalization criteria. The company does not recognize such expenditures as fixed assets but charges them directly to the current period. Thus, the IDR 1,000,000 threshold operates as an internal capitalization policy in addition to the considerations concerning useful life and operational use.

The recognized asset categories identified in the documentary and interview evidence include land, buildings, water management installations, equipment, vehicles, and office furniture.

Table 1. Recognition Practices for Fixed Assets at PDAM Kota Makassar

Recognition aspect	Finding
Useful life	More than one year
Operational function	Used in company operations
Capitalization threshold	More than IDR 1,000,000
Procurement process	Proposal, procurement, and verification
Physical verification	Conducted after asset receipt
Asset documentation	Identity and location recorded
Asset categories	Land, buildings, installations, equipment, vehicles, office furniture

Source: Interview, observation, and PDAM Kota Makassar fixed-asset records, 2025

The findings therefore demonstrate that recognition at PDAM Kota Makassar involves economic, operational, monetary, administrative, and physical considerations. The accounting department records the asset only after the procurement and verification process has been completed.

Measurement of Fixed Assets

The second finding relates to the measurement of fixed assets at initial recognition and after acquisition. The interview evidence indicates that PDAM Kota Makassar uses acquisition cost as the basis for initial measurement. The acquisition cost includes expenditures associated with purchasing and preparing the asset for use. Rahmawati explained:

“The initial value of fixed assets is calculated based on acquisition cost. Including purchase price, shipping costs, taxes and installation costs.”

The first interview finding under this aspect is therefore that the company does not limit the initial asset value to the invoice or purchase price. Transportation, taxes, installation, and other directly attributable costs are included when determining the acquisition value. This indicates that the accounting process considers expenditures incurred to bring the asset to the condition necessary for operational use.

The second finding concerns the subsequent measurement model. Following initial recognition, PDAM Kota Makassar applies the cost model. Fixed assets remain recorded on the basis of acquisition cost and are subsequently reduced by accumulated depreciation and accumulated impairment losses, where applicable.

The informant further confirmed that the company does not use the revaluation model:

“After assets are first recorded based on their acquisition price, then we only depreciate them according to their useful life. We do not revalue or re-examine these assets.”

The third finding is therefore that PDAM Kota Makassar maintains consistency in its subsequent measurement approach by continuing to apply the cost model rather than periodically reassessing assets at fair value. The available evidence indicates that this policy is applied across the company's fixed asset accounting process.

The financial records also demonstrate the substantial value of fixed assets managed by the company. As of December 31, 2023, the total acquisition value of fixed assets amounted to IDR 1,026,156,431,907. This amount comprised an opening balance of IDR 981,008,926,718, additions of IDR 47,764,496,755, and reductions of IDR 2,616,991,566.

Table 2. Fixed Asset Acquisition Value at PDAM Kota Makassar, 2023

Description	Amount (IDR)
Opening balance	981,008,926,718
Additions	47,764,496,755
Reductions	(2,616,991,566)
Total acquisition value	1,026,156,431,907

Source: PDAM Kota Makassar financial records, 2023

The fourth finding concerns the composition of additions during 2023. The largest identified increase occurred in transmission and distribution installations, amounting to IDR 38,000,891,081. Other documented additions included water treatment installations of IDR 226,131,820, buildings of IDR 2,329,147,254.50, and investment or office furniture of IDR 2,890,932,648.15.

These figures provide documentary support for the interview evidence that PDAM Kota Makassar records newly acquired fixed assets using acquisition cost. However, although the Methods section identifies accumulated depreciation, depreciation expense, and carrying amount as quantitative data, separate numerical values for those components are not provided in the available financial information in the manuscript. Therefore, no additional numerical depreciation figures are introduced in these Results.

Depreciation of Fixed Assets

The third finding concerns the depreciation practices applied to fixed assets. The research identified two depreciation methods at PDAM Kota Makassar. The straight-line method is used for buildings and installation assets, while the double-declining

balance method is used for vehicles and technical equipment. The useful life varies according to the type and characteristics of the asset.

Rahmawati confirmed this practice during the interview:

“We use two depreciation methods, depending on the type of asset. For building assets we use the straight line method, while for vehicle and machinery assets we use the double declining balance method.”

The first finding is therefore the existence of asset-specific depreciation methods rather than the application of a single method to all fixed assets. The depreciation treatment is differentiated according to the nature of the asset and its expected pattern of use.

The second finding concerns estimated useful lives. Buildings are assigned a useful life of approximately 20 years, vehicles are reported at approximately 5 to 8 years, and equipment is estimated at approximately 4 to 10 years depending on asset type and intensity of use.

Table 3. Depreciation Methods and Useful Lives

Asset category	Depreciation method	Reported useful life
Buildings	Straight-line	20 years
Installations	Straight-line	Based on useful life
Vehicles	Double-declining balance	5–8 years
Technical equipment	Double-declining balance	4–10 years

Source: Interview with Accounting and Financial Reporting Staff and PDAM Kota Makassar records, 2025

The third finding concerns the treatment of changes in asset condition. The interview indicates that PDAM Kota Makassar does not conduct a formal routine review of useful lives and depreciation methods. Instead, adjustments are considered when significant changes occur in the condition or use of an asset. Rahmawati stated:

“As for reviewing the useful life and depreciation methods, so far this has not been carried out routinely. But if there is a change in the condition of the asset, for example if it is seriously damaged or no longer used, then we will adjust it.”

The fourth finding is that adjustments to depreciation assumptions are therefore event-driven rather than based on a formally scheduled review. Changes may occur when an asset becomes seriously damaged, is no longer used, or experiences a significant change in its operational condition.

This finding is particularly relevant to the comparison with PSAK No. 16 undertaken in the study because the available interview evidence differs from the earlier statement in the manuscript that useful lives and depreciation methods were reviewed periodically. The direct response of the informant provides the clearer empirical evidence and therefore indicates that a formal routine review has not yet been established.

Derecognition of Fixed Assets

The fourth finding concerns the procedures used when fixed assets are no longer usable or no longer provide operational benefits. The interview shows that PDAM Kota Makassar uses a formal write-off procedure for assets that are seriously damaged or no longer viable. Rahmawati explained:

“If there are assets that are no longer viable or seriously damaged, then we submit an official report on the proposed write-off. Once approved by management, the assets are removed from the books and the loss or disposal of the assets is recorded.”

The first finding under derecognition is therefore the identification of assets that are no longer suitable for use. Such assets are identified by the responsible work unit rather than being automatically removed from the accounting records.

The second finding concerns documentation. The responsible unit prepares a formal write-off proposal describing the condition of the asset and the reasons for its removal. This documentation becomes the basis for submitting the asset for management authorization.

The third finding concerns authorization. Derecognition does not occur immediately after an asset is identified as damaged. The write-off proposal must first receive management approval. Only after authorization can the accounting department remove the asset from the fixed asset records.

The fourth finding concerns the accounting consequence of disposal. Where an asset still has a residual or carrying amount, the resulting loss is recorded when the asset is removed from the books.

Table 4. Derecognition Procedure

Stage	Procedure identified
1	Identification of damaged or unusable asset
2	Preparation of write-off proposal
3	Description of asset condition and reason for disposal
4	Management approval
5	Removal from fixed asset records
6	Recognition of disposal loss where applicable

Source: Primary data and supporting documents from PDAM Kota Makassar, 2025

The findings indicate that derecognition is supported by administrative documentation and authorization rather than being treated merely as an accounting adjustment.

Presentation of Fixed Assets

The final finding concerns how fixed assets are presented in PDAM Kota Makassar's financial statements. The interview indicates that fixed assets are presented in the statement of financial position and supplemented by information in the Notes to the Financial Statements (CaLK). Rahmawati stated:

"We present fixed assets in the balance sheet as fixed assets on the fixed assets side, with details of accumulated depreciation. In the annual report, fixed asset information is also explained in the Notes to the Financial Statements (CaLK)."

The first finding is that fixed assets are reported as non-current assets in the statement of financial position. The second finding is that assets are grouped according to their respective categories, including land, buildings, installations, vehicles, and other equipment.

The third finding concerns accumulated depreciation. The reported book or carrying value of fixed assets reflects acquisition cost after deduction of accumulated depreciation. This treatment connects the presentation of assets with the subsequent measurement approach described earlier.

The fourth finding concerns disclosure through the CaLK. The notes provide information concerning the accounting policies used for fixed assets, including depreciation methods, estimated useful lives, and movements in fixed assets during the reporting period.

Table 5. Presentation of Fixed Assets

Presentation aspect	Finding
Financial statement	Statement of financial position
Classification	Non-current assets
Asset grouping	Classified by type
Measurement basis	Acquisition cost less accumulated depreciation
Additional disclosure	Notes to Financial Statements
Disclosed information	Depreciation policy, useful lives, additions and reductions

Source: Primary data and supporting documents from PDAM Kota Makassar, 2025

The presentation practices therefore provide both summarized information in the statement of financial position and additional explanatory information in the CaLK.

Consolidated Findings

The findings from the five aspects demonstrate that fixed asset accounting at PDAM Kota Makassar operates through an interconnected process. Recognition is preceded by procurement and verification, measurement is based on acquisition cost, depreciation is differentiated according to asset type, derecognition requires formal authorization, and financial statement presentation includes both the statement of financial position and explanatory notes.

Table 6. Consolidated Findings on Fixed Asset Accounting

Accounting aspect	Empirical finding	Main evidence
Recognition	Capitalization based on useful life, operational use, and IDR 1 million threshold	Interview, observation, records
Measurement	Acquisition cost and subsequent cost model	Interview and 2023 records
Depreciation	Straight-line and double-declining balance methods	Interview and accounting information
Derecognition	Formal write-off with management approval	Interview and asset records
Presentation	Statement of financial position and CaLK	Interview and financial statements

Source: Primary data and supporting documents from PDAM Kota Makassar, 2025

The triangulation of interviews, observations, and documentary evidence supports the consistency of the main findings. The available evidence shows established procedures for the recognition, measurement, depreciation, derecognition, and presentation of fixed assets.

One specific finding requiring attention is the absence of a routine formal review of useful lives and depreciation methods. The interview indicates that revisions are made when there is a significant change in asset condition or use rather than through a scheduled review process. This finding is retained as an empirical result and can subsequently be examined in greater depth in the Discussion section in relation to PSAK No. 16. The results also show that PDAM Kota Makassar manages a substantial fixed asset base, with the documented acquisition value reaching IDR 1.026 trillion at the end of 2023. The combination of administrative procedures, physical verification, acquisition-cost measurement, differentiated depreciation, formal derecognition, and financial statement disclosure demonstrates that fixed asset accounting is embedded within the company's broader financial reporting process.

Fixed Asset Accounting Compliance and the Institutionalization of PSAK No. 16

The findings indicate that PDAM Kota Makassar has institutionalized fixed asset accounting through procedures covering recognition, measurement, depreciation, derecognition, and presentation. This pattern is consistent with the broader principle of IAS 16, which requires property, plant, and equipment to be recognized when future economic benefits are probable and cost can be reliably measured, with subsequent accounting based on systematic depreciation and appropriate disclosure. The use of acquisition cost at PDAM also corresponds with evidence from Indonesian companies showing that the cost model remains a commonly applied measurement approach under PSAK No. 16. Poerwati et al. (2020) found that most Indonesian manufacturing companies continued to use the cost model, although revaluation was increasingly adopted by some firms. This suggests that PDAM's preference for historical cost represents an established accounting practice rather than an isolated institutional choice.

The recognition procedure identified in this study also demonstrates the importance of linking accounting recognition with physical and administrative verification. This finding is comparable with Fadjarenie (2025), who found that Indonesian construction companies generally applied PSAK No. 16 throughout the acquisition, presentation, and disposal cycle, although weaknesses remained in disclosure practices. International literature similarly emphasizes that tangible assets should be supported by systematic measurement and accounting procedures because their valuation directly affects the quality and reliability of financial information. Feschiyan (2025), for example, identifies the harmonization of tangible-asset accounting with international standards as an important issue in improving accounting practice.

The depreciation findings provide a more important point of discussion. PDAM uses different depreciation methods according to asset characteristics, which is conceptually compatible with IAS 16 because depreciation should reflect the pattern in which economic benefits are consumed. The use of straight-line depreciation for buildings and declining-balance depreciation for vehicles and technical equipment therefore reflects an attempt to differentiate accounting treatment according to asset characteristics. Similar diversity in depreciation practices is documented in international accounting practice, where useful lives and depreciation rates vary substantially across asset classes (Kuzyk et al., 2025; Bah et al., 2022).

The absence of a routine formal review of useful lives and depreciation methods represents the principal area requiring improvement. IAS 16 requires useful lives, residual values, and depreciation methods to be reviewed at least at each financial year-end. This finding is particularly relevant because previous research on fixed asset accounting in an Indonesian organization similarly identified the absence of regular useful-life reviews as a weakness in PSAK-based implementation. Thus, the contribution of this study lies not simply in confirming PSAK No. 16 compliance, but in demonstrating that substantive compliance can coexist with procedural gaps in periodic reassessment.

Theoretically, this finding extends the understanding of accounting-standard implementation by showing that compliance should be examined as a continuous organizational process rather than merely through the presence of accounting policies. Practically, PDAM can strengthen asset governance by institutionalizing annual reviews of useful lives, residual values, depreciation methods, and asset conditions. Such procedures would improve the reliability of carrying amounts and depreciation expenses and strengthen the usefulness of financial statements for management and external stakeholders. Research on PPE measurement similarly

links appropriate measurement practices with financial reporting quality. The study's novelty is therefore located in its identification of the implementation gap between formal PSAK-based accounting procedures and the routine reassessment of depreciation assumptions within a public utility context. The implication is that PSAK No. 16 implementation should be evaluated not only through recognition and presentation, but also through the institutional mechanisms used to maintain accounting estimates over time.

This study has limitations. It relies primarily on one key informant and documentary evidence from PDAM Kota Makassar, limiting the breadth of organizational perspectives. Future research should therefore involve multiple accounting, asset-management, operational, and managerial informants and compare several regional water utilities. Longitudinal research could also examine whether systematic annual reviews of useful lives and depreciation methods improve the consistency and reliability of fixed asset reporting over time.

CONCLUSION

PDAM has implemented fixed asset treatment based on PSAK No. 16, namely: in terms of Recognition of Fixed Assets, Makassar City PDAM recognizes an asset as a fixed asset if it has economic benefits for more than one year and is used in the company's operations. The procurement process is carried out through budget planning and then recorded after the assets are received and ready to be used. This is in accordance with the criteria for recognizing fixed assets in PSAK No. 16. In terms of Measuring Fixed Assets, the acquisition value of fixed assets is measured based on the purchase price plus other direct costs such as transportation and installation costs. However, measurements after initial recognition are not fully in accordance with PSAK No. 16, because PDAM has not implemented a revaluation method for certain fixed assets that have the potential to increase in value over time.

This also has an impact on Depreciation of Fixed Assets. PDAM determines the economic useful life for each type of fixed asset and depreciates it using the straight-line method in accordance with PSAK No. 16. However, a review of the useful life and depreciation method has not been carried out routinely every year as required in this accounting standard.

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