

Specific Financial Accounting Standards for Political Parties (The Comparison of PSAK 45 and the Law of Political Parties in Indonesia)

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Abstract

This research deals to reveal whether the existing PSAK 45 can be used as a financial accounting standard for political parties and whether a specific financial accounting standard for political parties is needed to replace the existing PSAK 45. This is a qualitative research through literature study with comparative data analysis method, the standards made by IAI; namely PSAK 45 Financial Reporting of Non-Profit Entities is compared to the laws of political parties, especially those related to financial reporting. The results provide that PSAK 45 cannot be used as a standard for financial reporting for political parties. So that a specific financial accounting standard for political parties is needed to replace the existing PSAK 45.

Keywords

PSAK 45; specific financial standards for political parties



I. Introduction

The background of this research is related to the recommendation of a study report written by Hafild (2008), entitled financial accounting standards specifically for political parties. The study concluded that there is a need for specific financial accounting standards for political parties to replace PSAK 45 as the specific financial accounting standards for political parties. The reason is that PSAK 45 does not adequately accommodate the different characteristics of political parties with other non-profit entities. Hafild (2008) provided an explanation of the differences in the characteristics of non-profit organizations and political parties, as follows:

Table 1. Different Characters between Non-Profit Organizations and Political Parties

| Non-Profit Organizations | Political Parties |
|---|---|
| Foundation Law. | Political Party and Election Law. |
| There is no donor limit. | There is a donor limit. |
| There is no maximum limit on the number of donations. | There is a maximum limit on the number of donations. |
| There is no obligation to report the list of contributors (especially individuals) | The list of contributors must be reported. |
| The result of the activity is in the form of services for the public interest. | The result of this activity is political power. |
| Accountability in the form of activities in accordance with organizational goals and good management. | Accountability in the form of being clean from money politics, compliance with the law and political positions in accordance with promises to the people. |
| Performance is assessed from the ratio of costs to the quality of services and social services/products produced. | Performance is assessed from the ratio of costs and the number of votes it gets in the election. |

Except for mass organizations, in general, non-profit organizations are not public organizations so that the public's need to evaluate their performance is less than that of political parties.

It is a public organization so that the public's need to assess the performance of political parties is greater than that of other non-profit organizations.

Source: (Hafild, 2008) and some obtained from Regulation No. 28 year 2004 about Foundation and Regulation No. 2 year 2011 concerning Political parties.

From the explanation in table 1, if political parties in their financial reporting use PSAK 45, there will be limited accounting information affecting the usefulness of financial statements and causing at least two problems in the analysis, firstly, accounting dissimilarity causes comparison problems (comparability problems) and secondly accounting distortions.

1. Comparability problems. Non-profit organizations and political parties have their respective laws, but in their financial reporting each organization uses PSAK 45. (Hafild, 2008) stated that PSAK 45 is not sufficient because it does not accommodate the different characteristics of political with other non-profit organizations. This statement means that PSAK 45 is not sufficient as a financial standard for political parties, because non-profit organizations and political parties are "not the same comparison", (Subramanyam & Wild, 2009) argued that the problem of comparison begins with accounting uniformity.
2. The problem of accounting distortion (accounting distortion). If PSAK 45 is unable to capture the economic reality of political parties, it will cause accounting distortions. (Subramanyam & Wild, 2009) argued that accounting distortion is a deviation of accounting information from the basic economy, in which the distortion appears due to the failure of accounting standards capture the economic reality.

From the problems above, the motivation of this research is directed to analyze the ability of PSAK 45 to accommodate the characteristics of political parties based on the provisions of the political party law. From this motivation, the main question of this study is whether the existing PSAK 45 can be used as a financial accounting standard for political parties? and is there a need for specific financial accounting standards for political parties to replace the existing PSAK 45?

The specific objective of this research is to regulate the financial reporting of political parties, with the existence of reporting standards, it is hoped that the financial statements of political party organizations can be more easily understood, have relevance, be reliable, and have high comparability. And motivating various parties, in the case of IAI to agree on specific financial accounting standards for political parties to replace the existing PSAK 45.

II. Review of Literature

2.1 Definition of Non-Profit Organizations and Political Parties

As disclosed (Torang, 2013) that a non-profit organization is defined as a non-profit organization in the sense that the organization is not for profit. And one type of non-profit organization is a political party. According to (Soltou, 1951), a political party is a group of citizens who are organized, which acts as a political unit and aims to control the government and carry out the general policies of the organization. According to (Friedrich, 1950) a political party is a group of people who are stably organized with the aim of seizing or maintaining control of the government for the leader of his party, and based on this control, providing party members with ideal and material benefits. From this definition

(Saleh, 2008) argued that the purpose of political parties being established is to seize or maintain power in the government in order to implement the policies that have been set by each political party.

2.2 PSAK 45 and Financial Accounting Standards for Political Parties

Non-profit organization legal entities are regulated based on law number 16 of 2001 and its amendment number 28 of 2004 concerning foundations and financial reporting arrangements for non-profit organizations using PSAK 45. In the principles of accounting and accounting practices between non-profit organizations and the foundation law and PSAK 45 do not conflict with each other and are directly proportional to each other (parallel), this becomes a clash when political parties use PSAK 45 as a financial reporting standard, because political parties use PSAK 45 as a financial reporting standard. Politics has its own different laws from foundations, in which the organization of political parties is regulated by the laws of political parties. The main thing that makes differences between non-profit organization and political party is the intention and purpose of their establishment. (Friedrich, 1950; Hafild, 2008; Soltou, 1951) argued that the purpose of nonprofit organizations is to provide services to the public interest, while the goal of political parties is political power, from that differences will generate different recognition, assessment, disclosure in accordance with the characteristics of each organization, Therefore, to accommodate the differences in each organization in achieving its goals, then the different financial reporting standards are needed.

For this time being, PSAK 45 is the standard choice of financial reporting for political parties, although the application is still debated among academics and accounting practitioners. Studies conducted by (Hafild, 2008), the study included a variety of fairly in-depth analyzes. The results included the need for specific financial accounting standards for political parties to replace PSAK 45 as a specific financial accounting standard for political parties, as the reason, it is said no comprehensive financial accounting standard for political parties, so the standards currently used are not sufficient because they do not accommodate the characteristics of political parties that are different from other non-profit organizations. The support for for specific financial accounting standards for political parties was expressed by (Kariyoto, 2011), he concluded that the financial accounting standards specifically for political parties are expected to present financial statements that are easier to understand, have relevance, can be relied on and have high comparability, so that the resulting financial statement information can be used by users and it is not misleading.

III. Research Method

This is a qualitative research through literature study with comparative data analysis method, by comparing Undang-Undang number 2 of 2008 and its amendment number 2 of 2011 regarding political parties to the standards made by the Indonesian Institute of Accountants (IAI), namely “Pernyataan Standar Akuntansi Keuangan” (PSAK) 45 concerning Financial Reporting of Non-Profit Entities.

IV. Results and Discussion

The comparison of PSAK 45 toward the law on political parties can be seen in table 2 as follows.

Table 2. Comparison of PSAK 45 and the Law of Political Parties

| No | Details | PSAK 45 | Law on Political Parties |
|----|--|--|---|
| 1. | Financial statements | Statement of financial position (balance sheet), activity report, cash flow statement and notes to financial statements. Source : Paragraph 03. | Budget realization reports, balance sheets and cash flow reports. Source : No 2 year 2011 article 39 section 3. |
| 2. | Source of Receipt | Revenue from services, sales of goods, donations, and dividends or investment returns. Source: Paragraph 18. | Member fees and legal donations, financial assistance from the APBN/APBD. Source: No. 2 year 2011 article 34 section 1. |
| | | Unregulated | Political parties are prohibited from establishing a business entity and/or owning shares of a business entity Source : No 2 year 2008 article 40 section 4 |
| 3. | Limitations and prohibitions of contributors | Unregulated | Political parties are prohibited of requesting or receiving funds from state-owned enterprises, regionally-owned enterprises, village-owned enterprises or by other designations, or using the MPR, DPR, Provincial/Regency/City as a source of funding for political parties. Source : No 2 year 2008 article 40 section 3 point d and point e. |
| 4. | Limitation on the number of contributions member | Unregulated | Donations from individual members of political parties whose implementation is regulated in the AD and ART. Source : No 2 year 2011 article 35 section 1 point a. |
| 5 | Donation amount limit | Unregulated. | a. Donations from individuals who are not members of political parties, at most Rp 1.000.000.000 per person within one fiscal year. b. Donations from companies and/or business entities, at most Rp 7.500.000.000 per company and/or business entity within one fiscal year. Source : No 2 year 2011 article 35 |

| | | | |
|----|---------------------------------|---|---|
| | | | section 1 point a and b. |
| 6. | The basic principle of donation | Voluntary Principle. Source : Paragraph 1. | Donations as referred on section (1) based on the principles of honesty, voluntary, fairness, openness, responsibility, and the sovereignty and independence of political parties. Source : No 2 year 2011 article 35 section 2. |
| No | Detail | PSAK 45 | Law of Political Parties |
| 7. | Performance Measure | The main purpose of the activity report is to provide the information about the effects of transactions and other events that change the amount of net assets; in connection between transactions and other events; and how the usage of resources in the implementation of various programs or services. Information in activity reports, which is used in disclosure of information in other financial statements, can help resource providers who do not expect repayments, members, creditors and others in order to evaluate performance over a period; assessing the efforts, capabilities and sustainability of non-profit entities and provide services; and assessing the performance of managers' responsibilities and performance. Source : Paragraph 19. | Financial assistance from the APBN/APBD as referred in section (1) point c is given proportionally to Political Parties that get seats in the DPR, Provincial DPRD and Regency/Municipal DPRD whose calculations are based on the number of acquired votes. Source : No 2 year 2011 article 34 section 3. |
| 8 | Consolidation | UNregulated | Management of Political Parties, including: 1. The management of political parties at the central level is domiciled in the national capital. 2. The management of a political party at the provincial level is domiciled in the provincial capital. 3. The management of political parties at the district/city level in the district/city capital. 4. The management of political parties at the sub-district level is domiciled in the sub-district capital. In the case of the a Political Party management |

is formed up to the smaller sub district / dorp level or other designations, the position of the management is adjusted to the area concerned.

Source : No 2 year 2011 article 19.

Source: PSAK 45 Financial Reporting of Non-Profit Entities and Law No. 2 of 2008 and its amendments No. 2 of 2011 concerning Political Parties.

For political party financial reporting in the political party law, which requires a budget realization report and does not require activity reports and notes on financial statements, this statement is in contrast to PSAK 45 (see table 2 point 1). Political parties and non-profit entities have differences in financial reporting, due to the differences in the rules of each organization.

There are different types of revenue sources in PSAK 45 and the law on political parties (see table 2 point 2). PSAK 45 provides an explanation that revenue from non-profit entities comes from income of services, sales of goods, donations, and dividends or investment results. It is possible that a non-profit entity can establish a business entity and/or own shares in that business entity. In contrast to the law on political parties, every political party is prohibited from establishing a business entity and/or owning shares of a business entity (Regulation nomor 2 year 2008 article 40 section 4).

Regarding the donor limit (see table 2 point 3). PSAK 45 does not regulate donor limits, this means that every individual and business entity can make donations to non-profit entities. In contrast to the law on political parties, in which political parties are not allowed for requesting or receiving funds from state-owned enterprises, regional-owned enterprises, village-owned enterprises or by other names, cooperatives, foundations, non-governmental organizations, community organizations, and humanitarian organizations, So there is a limit on contributors to political parties.

Concerning to the limit on the number of member contributions (see table 2 point 4). PSAK 45 does not regulate the limit on the amount of member contributions. This is different from the law of political parties, in which donations come from individual members of political parties whose implementation is regulated in the articles of association and by-laws.

Concerning to the limit on the amount of donations (see table 2 point 5). PSAK 45 does not regulate the limit on the amount of donations. This means that any non-profit individual and business entity can make donations without a maximum limit to the non-profit entity. In contrast to the law of political parties, in which donations come from individuals who are not members of political parties and business entities, there is a limit on the maximum amount of donations.

The basic principle of donation (see table 2 point 6). PSAK 45, donations are only based on the voluntary principle. This is different from the law of political parties, in which the basic principles of donations are based on honesty, voluntary, fairness, openness, responsibility, and the sovereignty and independence of political parties.

Concerning to the performance measures (see table 2 point 7). PSAK 45 concerning to performance measures is assessed on the basis of performance of the cost ratio toward the quality of services and social services/produced products. This is different from the law on political parties in which the performance measures are assessed on the basis of the cost ratio and the number of votes obtained in elections.

Concerning to the consolidation (see table 2 point 8). PSAK 45 does not regulate the consolidation of financial statements, In contrast to the law of political parties, it regulates the organizational structure of political parties at the Central, Regional, Regency/City, District, Village levels. This means that it is possible for political parties to compile consolidated financial reports because political parties have a central, regional, regional, village, or similar organizational structure.

The explanation of the organizational structure of political parties in the political party law supports the implementation consistently of the business units consolidation, unit boundaries, assets, income and expenses.

Table 3. Results of the Comparison of PSAK 45 and the Law of Political Parties

| Details | PSAK 45 | The Law of Political Parties | Analysis Results* |
|--|--|--|-------------------|
| Financial statements: | | | |
| - Budget Realization Report | Unregulated | Regulated | BM |
| - Activity Report | Regulated | Unregulated | BM |
| - Notes to Financial Statements | Regulated | Unregulated | BM |
| Source of Receipt | Able to Establish a Business Entity | Unable to Establish a Business Entity | TK |
| Contributor Limit | Unregulated | Regulated | BM |
| Limit on the Amount of Member Contribution | Unregulated | Regulated | BM |
| Donation Amount Limit: | | | |
| - Outside Member | Unregulated | Regulated | BM |
| - business entity | Unregulated | Regulated | BM |
| Fundamental Principles of Donations | Voluntary Principle | The principles include: - Volunteer - Honesty - Justice - Available - Sovereign - Independence | TK |
| Performance Measure (UK) | $UK = \frac{\text{Total cost}}{\text{Number of Goods/Services}}$ | $UK = \frac{\text{Total Cost}}{\text{Number of vote}}$ | TK |
| Consolidation | Unregulated | Regulated | BM |

* BM: PSAK 45 Has Not Accommodated the Law on Political Parties yet, TK: PSAK 45 Is Not Consistent with the Law on Political Parties.

Based on the results of the comparative analysis of PSAK 45 toward the laws of political parties, it is concluded that PSAK 45 has not been able to accommodate the laws of political parties and even from the comparative analysis it is also stated that the application of PSAK 45 is inconsistent (contrary) to the laws of political parties. From this comparative analysis, it can be stated that PSAK 45 cannot be used as a standard for financial reporting for political parties.

V. Conclusion

The conclusion of this study is that PSAK 45 cannot be used as a standard for financial reporting for political parties. So that a special financial accounting standard for political parties is needed to replace the existing PSAK 45.

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