



Analysis of Fixed Asset Accounting in Public Service Institutions under the New Accounting System

Xue Yang and Yan Gao*

China Institute of Geo-Environment Monitoring, Beijing, 100081, China

*Corresponding Author: GYAN20232024@163.com

Abstract. With the implementation of the new government accounting system, there have been significant changes in the accounting of fixed assets in public service institutions. Financial professionals are required to adjust their fixed asset accounting methods to align with these new changes. This paper provides a detailed analysis of key aspects encompassed in fixed asset accounting, including asset classification, asset recognition and measurement, depreciation policies, asset impairment losses, asset disposal, and information disclosure. The aim is to explore the impact of the transformation in fixed asset accounting under the new accounting system on accounting practices in public service institutions. This research intends to assist financial professionals in accurately understanding the new government accounting standards and promote precision, standardization, and scientific management in the accounting of fixed assets in public service institutions.

Keywords: New accounting system; Public service institutions; Fixed assets; Asset accounting.

1 Introduction

As a public service institution, the accounting and management of fixed assets are of paramount importance for ensuring the effective operation of public services and promoting the steady development of philanthropic endeavors. Fixed assets constitute the tangible elements that enable public service institutions to provide relevant public services and engage in operational activities, and their accounting represents a comprehensive, accurate, and timely process of recording and managing fixed assets within these institutions [1-2]. Therefore, strengthening the accounting and management of fixed assets and enhancing their utilization efficiency is a function of the financial departments within public service institutions, as well as the relevant supervisory authorities [3-5]. However, the new accounting system for fixed asset accounting has undergone significant changes compared to the old system. It is essential to conduct fixed asset accounting for public service institutions based on the new accounting system, focusing on key aspects such as asset classification, asset recognition, depreciation policies, asset impairment, asset disposal, and information disclosure [6-11]. This aims to leverage modern information technology to audit the fixed assets of the

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units, enhance internal control systems, improve the qualifications of professional personnel, and strengthen the supervision and regulation of the measurement and continuity of fixed assets within the units. This, in turn, safeguards the sound operation of public service institutions in terms of public service and operational activities. It also aims to scientifically enhance the standardization and identification of fixed asset management within organizations, ensuring the accuracy and compliance of financial information, and supporting high-quality operation and sustainable development of public service institutions [12-17].

2 Analysis of Key Accounting Points

2.1 Asset Classification

According to the new accounting system, fixed assets are categorized based on their intended use and functionality, primarily into two categories: productive fixed assets and administrative fixed assets. Productive fixed assets are primarily used in the operational activities of public service institutions, including fixed assets directly involved in production, provision of services, or business management. Examples of productive fixed assets include production equipment, machinery, and factory buildings, which are assets directly related to the organization's primary business activities. Administrative fixed assets, on the other hand, are primarily used to support the administrative management and office affairs of public service institutions, including office buildings, office equipment, and administrative vehicles that provide administrative management support. It is important to note that administrative fixed assets typically require more maintenance and upkeep in daily operations to ensure their normal functioning. This may require additional budgeting and resource allocation, and these expenses are usually not included in the original cost of fixed assets. Therefore, in the accounting treatment of administrative fixed assets, consideration should be given to these maintenance costs. A unique feature of the new accounting system is the separate accounting and depreciation provisioning for public facilities, government reserve materials, cultural relics, and subsidized housing, which were originally classified as administrative fixed assets. This expansion of the composition elements of asset accounting highlights the importance of these four new asset categories in the accounting and management of public service institutions.

2.2 Asset Recognition

Under the new accounting system, the recognition criteria for fixed assets in public service institutions entail assets over which the entity has control and from which it expects to derive economic benefits. This implies that the entity possesses both the rights to control and use the asset and the ability to determine the asset's management and usage. Furthermore, it should have the capability to obtain economic benefits from the asset. This is a narrower concept compared to the previous system, which considered "ownership" as a broader prerequisite category. Additionally, the new system stipulates that the measurement of fixed assets primarily follows the cost model, where

the initial measurement amount is based on acquisition or self-construction costs. This includes the purchase price, renovation expenses, transportation costs, and other directly related expenses incurred in acquiring the asset. Moreover, if capitalization criteria are met, it may also include other indirect costs associated with asset acquisition, such as installation and trial operation expenses.

The accuracy and compliance of asset recognition are crucial for ensuring that financial statements accurately reflect the fundamental assets and operational efficiency of public service institutions. Therefore, adhering to the relevant provisions of the new accounting system is essential for presenting the overall status of fixed assets correctly in financial statements, enhancing the reliability and transparency of financial information, and enabling asset providers, managers, regulators, and other stakeholders to better understand and assess the overall asset situation of public service institutions.

2.3 Depreciation Policy

According to the new accounting system, public service institutions should calculate depreciation based on the estimated useful life of assets, without considering net residual value after disposal. Depreciation should be recognized as an expense or an adjustment to other assets in accordance with the accrual basis of accounting. This change differs from the old system's "virtual depreciation" method. Depreciation expense under the new system reflects the gradual consumption and reduction of the value of fixed assets, emphasizing asset utilization efficiency and value. When calculating depreciation, it is necessary to accurately assess the remaining time during which fixed assets can create economic value for the organization at different points in time.

3 Countermeasures and Recommendations

3.1 Asset Inventory for Entities

Conducting a thorough asset inventory is fundamental to fixed asset accounting and management for public service institutions. It involves establishing a clear understanding of the organization's assets, financial capabilities, and acting as responsible stewards of their operations. Currently, there are several deficiencies in the management of fixed assets in public service institutions, such as delayed asset recording, lack of uniform measurement standards, arbitrary depreciation methods, and failure to recognize depreciation as a current expense. Additionally, there is often a focus on asset acquisition rather than effective asset management, leading to many assets being unaccounted for, resulting in discrepancies between accounting records and actual asset quantities. As a result, it is imperative to conduct a comprehensive asset inventory. First, classify and register all fixed assets, including their names, specifications, quantities, purchase dates, and other relevant information to establish a reliable basis for fixed asset accounting. Second, assign a unique identifier code to each fixed asset to dynamically track, identify, record, and manage asset movements. Third, conduct a physical inventory of all fixed assets, verify and confirm their current status, and ensure consistency between the actual use of fixed assets and registered information. Fourth,

assess the market value of assets based on their actual condition to determine net asset value and potential value, providing a reference for decision-making. Finally, compile a comprehensive asset inventory report, including all registered asset information, inventory results, and assessed values, to facilitate decision-making by higher-level supervisory authorities.

3.2 Enhancement of Internal Control Systems

Public service institutions often face challenges related to procurement approval, accounting, registration, usage tracking, and audit oversight in the management and accounting of fixed assets. Based on the asset management responsibility framework for public service institutions, it is essential to standardize asset registration, depreciation, inventory, disposal, and external clearance processes to ensure seamless coordination between asset provision, utilization, management, accounting, and supervisory departments. On one hand, strengthen regular asset inventory checks to promptly identify and address asset-related issues such as idleness, scrapping, and wear and tear, ensuring consistency between the physical presence and recorded data of fixed assets, and their value matching their actual condition. On the other hand, proactively implement comprehensive risk management to effectively identify potential asset management risks, minimize unnecessary losses, and reduce risks. Furthermore, leverage the supervisory functions of internal and external audits to promptly identify issues such as excessive allocations, delayed maintenance leading to asset damage, and low asset operational efficiency, and examine whether asset accounting complies with relevant laws, regulations, and financial standards, thus enhancing the authenticity and reliability of financial information.

3.3 Utilization of Modern Information Technology

Under the assistance of fixed asset information management systems, fixed asset accounting becomes more convenient, expedient, timely, and accurate. Explore the use of information technologies such as QR code technology, big data analytics, blockchain technology, and others to register, categorize, organize, and consolidate asset information, establishing a fixed asset database for real-time information sharing among relevant departments. Simultaneously, employ data analytics tools for in-depth analysis to assess the operational status, performance, and risks associated with assets, promoting precision, dynamism, and standardization in the management of fixed assets for public service institutions.

4 Conclusion

Assessing the implementation effects: Investigate the impact of the new accounting system on the quality of fixed asset accounting and financial reporting for public service institutions, assisting in evaluating the effectiveness and direction of the new accounting system. Accounting policy choices: Compare the impact of different ac-

counting policies on financial statements, revealing the decision-making factors behind different policies. Influence of enhanced information disclosure: Examine the quality and credibility of information disclosure, as well as the impact of disclosure content on decision-makers' behavior. Impact of asset impairment losses: Investigate the effects of asset impairment losses on business decisions and risk management. Cross-industry comparative experiences: Compare different accounting systems in different countries or regions, timely understanding the impact of different systems on fixed asset accounting for public service institutions, and provide references for continuous improvement and refinement of the existing government accounting standards and regulations in China.

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