



ATTACHMENT V

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 24 YEAR 2005
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**GOVERNMENT ACCOUNTING STANDARDS
STATEMENT NO.03**

STATEMENT OF CASH FLOWS



PRESIDEN
REPUBLIK INDONESIA

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ATTACHMENTS:

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1 **GOVERNMENT ACCOUNTING STANDARDS**
2 **STATEMENT NO.03**
3 **STATEMENT OF CASH FLOWS**

4 *The standards, which have been set in bold italic type, should be read in*
5 *the context of the commentary paragraphs in this Standard, which are in*
6 *plain type, and in the context of the Conceptual Framework of the*
7 *Government Accounting.*

8 **PREFACE**

9 **Objective**

10 1. The objective of this Standard is to prescribe the presentation
11 of statement of cash flows, which provides historical information on changes
12 in cash and cash equivalent of a reporting entity by classifying the cash flows
13 based on operating, non-financial asset investing, financing, and non-
14 budgeting activity during one accounting period.

15 2. The objective of cash flow reporting is to provide information
16 on sources, uses, and changes of cash and cash equivalent during one
17 accounting period and the balance of cash and cash equivalent on the
18 reporting date. The information is presented for accountability and decision
19 making.

20 **Scope**

21 3. *The Central and Local Government prepare the Statement*
22 *of Cash Flows in accordance with this Standard and present the*
23 *Statement as one of the main financial statements component for each*
24 *period.*

25 4. *This Standard applies to the preparation of Statement of*
26 *Cash Flows of central and local government, unit of organization in the*
27 *central and local government, or other organization, which, in*
28 *accordance with the regulations or in accordance with the standards,*
29 *are required to prepare the Statement of Cash Flows, except for the*
30 *Central/Local Government Business Enterprises whose standards are*
31 *prescribed separately in the Financial Accounting Standards issued by*
32 *the Indonesian Institute of Accountants.*

33 **Benefits of Cash Flow Information**

34 5. The cash flow information is beneficial as indicators of
35 amounts of cash flows in the future, and is also beneficial to evaluate the
36 accuracy of previously estimated of cash flows.

37 6. The statement of cash flows is also a tool for the accountability
38 of cash inflows and cash outflows during the reporting period.



1 7. A statement of cash flows, when used in conjunction with
2 other financial statements, provides information that enables users to
3 evaluate the changes in net assets/equity of a reporting entity and the
4 government financial structure (including the liquidity and solvency).

5 **Definitions**

6 8. *The following terms are used in this Standard with the*
7 *meanings specified:*

8 **Accounting period** *is the financial accountability period of a reporting*
9 *entity, the period of which is the same as the budget year.*

10 **Allotment** *is a document of budget execution that shows parts of*
11 *appropriation made available to the agencies and is used to obtain cash*
12 *from the Central/Local Government General Treasurer (BUN/BUD) in*
13 *order to finance disbursements during the period of allotment.*

14 **Appropriation** *is a budget approved by the Central/Local House of*
15 *Representatives (DPR/DPRD) which constitutes a mandate to the*
16 *President/governor/district head (bupati)/mayor to spend in accordance*
17 *with the specified objectives.*

18 **Assets** *are economic resources controlled and/or owned by the*
19 *government as a result of past events and from which economic and/or*
20 *social benefits in the future are expected to be obtained, either by the*
21 *government or by the public, and can be measured in monetary unit,*
22 *including the non-financial resources which are needed to provide*
23 *services to the public and resources that are maintained for historical*
24 *and cultural reasons.*

25 **Budget** *is a guideline for government actions comprising plan of*
26 *revenues, expenditures, transfers, and financing that are measured in*
27 *Rupiah, which is systematically prepared according to certain*
28 *classifications for one period.*

29 **Cash** *is cash on hand and demand deposits that can be readily used to*
30 *finance the government activity.*

31 **Cash disbursement** *is an outflow of all cash from the Central/Local*
32 *Government General Treasurer.*

33 **Cash equivalents** *are short-term, highly liquid investments that are*
34 *readily convertible into cash and which are subject to an insignificant*
35 *risks of changes in value.*

36 **Cash Flows** *are inflows and outflows of cash and cash equivalents*
37 *within Central Government General Treasurer (BUN) or Local*
38 *Government General Treasurer (BUD).*

39 **Cash receipt** *is all cash inflow to the Central/Local Government General*
40 *Treasurer.*

41 **Central Government Cash** *is the depository of central government*
42 *money as determined by the Minister of Finance as Central Government*
43 *General Treasurer (BUN) to keep all the central government receipts and*
44 *disbursements.*



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1 **Central/Local Government Business Enterprise** is a legal business
2 entity, whole or part of which capital is owned by the central/local
3 government.

4 **Cost Method** is an accounting method, which records the value of
5 investment based on the acquisition cost.

6 **Equity** is the net asset of the government, which is the difference
7 between government assets and liabilities.

8 **Equity Method** is an accounting method that records the value of initial
9 investment based on the acquisition cost. The said investment value is
10 then adjusted with the changes in the investor's share on the net
11 assets/equity of the investee that occurs after the investment's initial
12 acquisition.

13 **Exchange Rate** is the exchange ratio of two currencies.

14 **Expenditures** are all disbursements from the Central/Local Government
15 Cash Account that reduce the current equity in the related budget year
16 period for which repayment will not be received by the government.

17 **Financing activity** is some receipts that needs to be repaid and/or
18 disbursements that should be re-received because of the deficit
19 financing or the use of budget surplus, that consequently changes the
20 size and composition of long-term investments, long-term loans, and
21 government debts.

22 **Foreign currency** is a currency other than the currency of the reporting
23 entity.

24 **Incoming Transfer** is a receipt of cash from other reporting entity,
25 including receipt of fiscal balance funds and revenue sharing funds.

26 **Liabilities** are present obligations that arise from past events, the
27 settlement of which is expected to result in an outflow of government
28 economic resources.

29 **Local Government Cash** is the depository of local government money as
30 determined by the Local Government General Treasurer (BUD) to keep
31 all the local government receipts and disbursements.

32 **Non-budgeting activity** is the activity of cash receiving and disbursing
33 which do not affect the government budget of revenues, expenditures,
34 transfers, and financing activity.

35 **Non-financial asset investing activity** is the activity of cash receiving
36 and disbursing which are aimed at acquiring and disposing fixed assets
37 and other non-financial assets.

38 **Operating activity** is the activity of cash receiving and disbursing for
39 government operation during one accounting period.

40 **Outgoing Transfer** is a disbursement of cash from a reporting entity to
41 other reporting entity, including disbursement of fiscal balance funds
42 and revenue sharing funds.



1 ***Partnership is the agreement between two or more parties that have a***
2 ***commitment to carry out activities which are jointly controlled by using***
3 ***their assets and or business rights.***

4 ***Reporting currency is the Rupiah that is used in the presentation of***
5 ***financial statements.***

6 ***Reporting Date is the last date of a certain reporting period.***

7 ***Reporting Entity is a government unit consisting of one or more***
8 ***accounting entities which according to the statutory regulations is***
9 ***obliged to prepare and submit accountability reports in the form of***
10 ***financial statements.***

11 ***Reserved Funds are funds reserved to cover the needs that require***
12 ***relatively large funds which cannot be fulfilled within one budget year.***

13 ***Revenues are all receipts of the Central/Local General Government***
14 ***Cash which add the current equity in the related budget year period that***
15 ***become the right of the government and with no repayment obligation***
16 ***by the government.***

17 **Cash and Cash Equivalents**

18 9. Government cash equivalents are held for the purpose of
19 meeting short-term cash needs or for other purposes. To be considered as
20 cash equivalents, short-term investments must be readily convertible to a
21 certain amount of cash and without significant risk of changes in values.
22 Hence, an investment may be qualified as a cash equivalent if such
23 investment has short-term maturity of 3 months or less from the date of
24 acquisition.

25 10. Transactions between cash and cash equivalents are
26 excluded from statement of cash flows, because these activities are parts of
27 cash management of an entity and are not parts of operating, non-financial
28 assets investing, financing, and non-budgeting activity.

29 **THE CASH FLOWS REPORTING ENTITY**

30 11. ***A reporting entity is a government unit which consists of***
31 ***one or more accounting entities which according to prevailing statutory***
32 ***regulations is obliged to submit accountability reports in the form of***
33 ***financial statements. This entity includes:***

34 ***(a) Central Government;***

35 ***(b) Local Government; and***

36 ***(c) Organization units in the central/local government or other***
37 ***organization, which according to the prevailing statutory regulations***
38 ***such organization units are obliged to prepare statement of cash flows.***

39 12. ***The reporting entity, which is obliged to prepare and***
40 ***present statement of cash flows, is the organization unit which has***
41 ***treasury function.***



1 13. The organization unit which has treasury function is the unit
2 determined as Central/Local Government General Treasurer (BUN/BUD)
3 and/or its acting Central/Local Government General Treasurer (Kuasa
4 BUN/BUD).

5 **PRESENTATION OF STATEMENT OF CASH** 6 **FLOWS**

7 14. *A statement of cash flows presents information on cash*
8 *inflows and cash outflows during a certain period, which is classified*
9 *based on operating, non-financial assets investing, financing, and non-*
10 *budgeting activity.*

11 15. The classification of cash flow on operating, non-financial
12 assets investing, financing, and non-budgeting activity enables the users to
13 evaluate the effects of such activity on government cash and cash equivalent
14 position. Such information can also be used to evaluate the relationship
15 between operating, non-financial asset investing, financing, and non-
16 budgeting activity.

17 16. A certain transaction may affect several activities of cash flow,
18 for example, debt redemption transaction which consists of principal and its
19 interest. The payment of debt principal should be categorized as a financing
20 activity, meanwhile the payment of debt interest should be categorized as an
21 operating activity.

22 17. The statement of cash flows is illustrated in Attachment V.A-C
23 of this Standard. The illustration is intended to assist the understanding of
24 cash flows and it is not part of this Standard.

25 **Operating Activity**

26 18. Net cash flow of operating activity is an indicator that shows
27 government operating capabilities in generating sufficient cash to finance its
28 operating activity in the future without relying on outside financing sources.

29 19. The cash inflows from operating activity are mainly generated
30 from:

- 31 (a) Taxes;
- 32 (b) Non-Taxes Revenue (PNBP);
- 33 (c) Grants;
- 34 (d) Income from share of profit (such as dividends) from Central/Local
35 Business Enterprise and return from other investment; and
- 36 (e) Incoming transfer.

37 20. The cash outflows for operating activity are mainly used for the
38 following disbursements:

- 39 (a) Employee expenditures;
- 40 (b) Procurement of goods and services;
- 41 (c) Interest;



- 1 (d) Subsidy;
- 2 (e) Grants;
- 3 (f) Social aid;
- 4 (g) Other or unexpected expenditures; and
- 5 (h) Outgoing transfer.

6 **21. If a reporting entity holds securities which have the same**
7 **characteristics as inventories, which are purchased to be resold, then**
8 **the acquisition and sale of the securities are classified as operating**
9 **activity.**

10 **22. If the reporting entity authorizes an allotment for the**
11 **activity of other entity, whose purpose is not clear whether as a working**
12 **capital, investment placement, or as financing the current activity, then**
13 **the disbursement of such allotment should be classified as operating**
14 **activity. This event should be disclosed in the Notes to the Financial**
15 **Statements.**

16 **Non-financial Assets Investing Activity**

17 23. The cash flows from non-financial assets investing activity
18 represent gross cash receipts and cash payments for acquisition and from
19 disposal of economic resources aimed at increasing and supporting
20 government services for the public in the future.

21 24. The cash inflows from non-financial assets investing activity
22 consist of:

- 23 (a) Sale of fixed assets;
- 24 (b) Sale of other assets.

25 25. The cash outflows for non-financial assets investing activity
26 consist of:

- 27 (a) Acquisition of fixed assets;
- 28 (b) Acquisition of other assets.

29 **Financing Activity**

30 26. The cash flows from the financing activity reflect gross cash
31 receipts and payments of deficit financing or use of budget surplus, whose
32 purpose is to predict claims from other parties on government cash flows and
33 government claims to other parties in the future.

34 27. The cash inflows from financing activity are among others,
35 receipts of cash from:

- 36 (a) Borrowings;
- 37 (b) Sale of government bonds;
- 38 (c) Divestment;
- 39 (d) Repayment of loan;
- 40 (e) Liquidation of reserved funds.

41 28. The cash outflows for financing activity among others are:



- 1 (a) Investment placement by the government;
- 2 (b) Payment of principal of the borrowing;
- 3 (c) Issuance of long-term loan; and
- 4 (d) Establishment of reserved fund.

5 **Non-budgeting Activity**

6 29. The cash flows from non-budgeting activity represent gross
7 cash receipts and disbursements, which do not affect the government
8 budgeted revenues, expenditures, and financing. Examples of cash flows
9 from non-budgeting activity among others are, third party withheld (PFK) and
10 transfers of funds. Third party withheld (PFK) represents cash which is
11 derived from the amount of funds deducted from Payment Authorization
12 (SPM) or received in cash for third parties, for example Pension Fund
13 (Taspen) and Health Insurance (Askes) deductions. Transfer of funds
14 represents cash transactions between accounts in central/local government
15 cash.

16 30. The incoming cash flows from non-budgeting activity include
17 PFK receipts and incoming transfers.

18 31. The outgoing cash flows from non-budgeting activity include
19 third party withheld (PFK) disbursements and outgoing transfers.

20 **REPORTING OF CASH FLOWS FROM** 21 **OPERATING, NON-FINANCIAL ASSETS** 22 **INVESTING, FINANCING, AND NON-BUDGETING** 23 **ACTIVITY**

24 32. *The reporting entity separately presents the main*
25 *categories of gross cash receipts and disbursements from operating,*
26 *non-financial assets investing, financing, and non-budgeting activity,*
27 *except those stated in paragraph 35.*

28 33. *The reporting entity may present cash flows from*
29 *operating activity by using:*

30 *(a) Direct method*

31 *This method shows main classifications of gross cash receipts and*
32 *disbursements.*

33 *(b) Indirect method*

34 *In this method, the surplus or deficit is adjusted in accordance with*
35 *non-cash operating transactions, deferral or accrual of past/future cash*
36 *receipts or payments, and cash revenue and expenditure elements*
37 *related with non-financial assets investing and financing activity.*

38 34. Central/local government reporting entity is suggested to use
39 the direct method in reporting cash flows from operating activity. The benefits
40 of using the direct method are as follow:



- 1 (a) It provides better information to estimate future cash flows;
2 (b) It is easier to be understood by the report users; and
3 (c) It provides data on groups of gross cash receipts and disbursements that
4 are directly obtained from accounting records.

5 **REPORTING OF CASH FLOWS BASED ON NET** 6 **CASH FLOWS**

7 ***35. Cash flows that emerge from operating activity may be***
8 ***reported based on net cash flows in the following conditions:***

9 ***(a) Cash receipts and disbursements for the interest of the beneficiary***
10 ***reflect more other parties activity rather than government activity. One***
11 ***of the example is the result generated from joint operation.***

12 ***(b) Cash receipts and disbursements of high turnover, of large volume,***
13 ***and of short period transactions.***

14 **FOREIGN CURRENCY CASH FLOW**

15 ***36. The cash flows that result from foreign currency***
16 ***transactions should be recorded in Rupiah by converting foreign***
17 ***currency into Rupiah based on the exchange rate on the transaction***
18 ***date.***

19 ***37. The cash flows that result from overseas reporting entity***
20 ***activity should be converted into Rupiah based on the exchange rate on***
21 ***the transaction date.***

22 ***38. Unrealized gains or losses resulted from the change of foreign***
23 ***currency exchange rate do not affect the cash flows.***

24 **INTEREST AND SHARES OF PROFIT**

25 ***39. The cash flows from transactions of interest revenues***
26 ***receipts and interest of borrowing expenditures disbursements and***
27 ***receipts of revenues from shares of profits in central/local government***
28 ***business enterprises should be separately disclosed. Each related***
29 ***account to such transactions should be consistently classified from***
30 ***period to period into operating activity.***

31 ***40. The amount of interest revenue receipts which is reported as***
32 ***cash flows in the operating activity is the amount of cash actually received***
33 ***from interest revenue in the related accounting period.***

34 ***41. The amount of disbursement on payment of interest on debt***
35 ***which is reported as cash flows in the operating activity is the amount of cash***
36 ***disbursed for interest payment in the related accounting period.***

37 ***42. The amount of revenue received from shares of profit from***
38 ***central/local government business enterprises which is reported as cash flows***



1 in operating activity is the amount of cash actually received from shares of
2 profit from central/local government business enterprises in the related
3 accounting period.

4 **INVESTMENTS IN CENTRAL/LOCAL** 5 **GOVERNMENT BUSINESS ENTERPRISES AND** 6 **PARTNERSHIP**

7 43. Investments in central/local government business enterprises
8 should be recorded by using either one of these two methods, namely the
9 equity method or cost method.

10 ***44. Government investments in central/local government***
11 ***business enterprises and partnership are recorded by using the cost***
12 ***method, in the amount of their acquisition cost.***

13 ***45. The entity reports the long-term investment placement in***
14 ***central/local government business enterprises and partnership as the***
15 ***cash flow of financing activity.***

16 **ACQUISITIONS AND DIVESTMENTS OF** 17 **CENTRAL/LOCAL GOVERNMENT BUSINESS** 18 **ENTERPRISES AND OTHER OPERATIONAL** 19 **UNITS**

20 ***46. The cash flows from acquisitions and divestments of***
21 ***central/local government business enterprises and other operational***
22 ***units must be separately presented in financing activity.***

23 ***47. The entity discloses all acquisitions and divestments of***
24 ***central/local government business enterprises and other operational***
25 ***units during a reporting period, whose disclosure consists of:***

26 ***(a) The values of acquisition or divestment;***

27 ***(b) Parts of the acquisition or divestment prices paid in cash or cash***
28 ***equivalent;***

29 ***(c) The amount of cash and cash equivalent in the acquisition or***
30 ***divestment of central/local government business enterprises and***
31 ***other operational units; and***

32 ***(d) The amount of assets and debts other than cash or cash equivalent,***
33 ***which are recognized in the acquisition or divestment of central/local***
34 ***government business enterprises and other operational units.***

35 48. Separate presentation of cash flows from central/local
36 government business enterprises and other operational units in a specific
37 account, will ease to distinguish the cash flows from that of operating, non-
38 financial assets investing, financing and non-budgeting activity. The incoming



1 cash flows from such divestments are not deducted by the acquisition costs of
2 other investments.

3 **49. Assets and debts other than cash or cash equivalent from**
4 **acquired or divested central/local government business enterprises and**
5 **other operational units need to be disclosed when the transactions have**
6 **been previously recognized as assets or debts by central/local**
7 **government business enterprises and other operational units.**

8 **NON-CASH TRANSACTIONS**

9 **50. Investing and financing transactions, which do not**
10 **generate receipts or disbursements of cash and cash equivalent, should**
11 **not be reported in the Statement of Cash Flows. Such transactions**
12 **should be disclosed in the Notes to the Financial Statements.**

13 51. The exclusions of non-cash transactions from the Statement of
14 Cash Flows is consistent with the purpose of the Statement of Cash Flows,
15 since non-cash transactions do not affect cash during the related period. An
16 example of a non-cash transaction that does not affect the Statement of Cash
17 Flows is the acquisition of assets through exchange or grant.

18 **COMPONENTS OF CASH AND CASH** 19 **EQUIVALENT**

20 **52. The reporting entity discloses the components of cash**
21 **and cash equivalent in the Statement of Cash Flows in the same amount**
22 **with the related accounts in the Statement of Financial Position.**

23 **OTHER DISCLOSURES**

24 **53. The reporting entity discloses significant amount of cash**
25 **and cash equivalent balance which is restricted by the entity. Such**
26 **restriction is disclosed in the Notes to the Financial Statements.**

27 54. Additional information related to cash flows will be useful for
28 the users in understanding the financial position and the liquidity of a
29 reporting entity.

30 55. If the budgeted appropriation or allotment authorization is
31 prepared on cash basis, the Statement of Cash Flows will facilitate its users in
32 understanding the relationship between the government activity or program
33 and the government budgeting information.

34 **EFFECTIVE DATE**

35 **56. This Government Accounting Standard becomes effective**
36 **for the financial statements covering periods beginning with budget**
37 **year of 2005.**



THE PRESIDENT OF THE REPUBLIC OF INDONESIA
(Signed)

Dr. H. SUSILO BAMBANG YUDHOYONO

The similar copy to the original

THE STATE SECRETARIAT OF THE RI

Head of Administration Bureau,

(Signed)

Sugiri, S.H.