



ATTACHMENT VII

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 24 YEAR 2005
DATE 13 JUNE 2005

**GOVERNMENT ACCOUNTING STANDARDS
STATEMENT NO.05**

ACCOUNTING FOR INVENTORIES



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1 **GOVERNMENT ACCOUNTING STANDARDS**
2 **STATEMENT NO.05**
3 **ACCOUNTING FOR INVENTORIES**

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 accounting
11 treatment for inventories and other information considered necessary to be
12 presented in the financial statements.

13 **Scope**

14 2. *This Standard is applied to the presentation of all*
15 *inventories in the general purpose financial statements where the*
16 *revenues, expenditures, transfers, and financing accounts are prepared*
17 *and presented on a cash basis and the assets, liabilities, and equity*
18 *accounts are on accrual basis. This Standard is applied to all the central*
19 *and local government entities excluding Central/Local Government*
20 *Business Enterprises (BUMN/BUMD).*

21 3. Central/Local Government Business Enterprises
22 (BUMN/BUMD) are required to apply the Financial Accounting Standards
23 issued by the Indonesian Institute of Accountants.

24 4. This Standard prescribes the accounting treatment on
25 inventories of the central and local governments, that covers:

- 26 (a) Definition;
27 (b) Recognition;
28 (c) Measurement; and
29 (d) Disclosure.

30 **DEFINITIONS**

31 5. *The following are terms used in this Standard with the*
32 *meanings specified:*

33 **Assets** *are economic resources controlled and/or owned by the*
34 *government as a result of past events and from which economic and/or*
35 *social benefits in the future are expected to be obtained, either by the*



1 **government or by the public, and can be measured in monetary units,**
2 **including the non-financial resources which are needed to provide**
3 **services to the public and resources that are maintained for historical**
4 **and cultural reasons.**

5 **Central/Local Government Business Enterprise is a legal business**
6 **entity, which all or part of its capital is owned by the central/local**
7 **government.**

8 **Fair Value is the amount for which an asset could be exchanged, or a**
9 **liability settled, between knowledgeable, willing parties in an arm's**
10 **length transactions.**

11 **Inventories are current assets in the form of goods or supplies that are**
12 **intended to support the operational activities of the government, and**
13 **the goods intended for sale and/or to be delivered for public services.**

14 **GENERAL**

15 **6. Inventories are tangible assets in the form of:**

16 **(a) Goods or supplies that are used in running the government**
17 **operational activities;**

18 **(b) Materials or supplies that are used in the production process;**

19 **(c) Work in process that are intended for sale or to be delivered to**
20 **the public;**

21 **(d) Goods that are stored for sales or to be delivered to the public in**
22 **the course of rendering governmental activities.**

23 7. Inventories may include goods or supplies purchased and
24 stored for use, for example consumable goods such as office supplies, non-
25 consumable goods such as equipment components and pipes, and used
26 goods such as used components.

27 8. In the event the government produces its own goods,
28 inventories also include goods that are used in the production process such
29 as materials for the production of agricultural equipments.

30 9. Unfinished goods in the production process are recorded as
31 inventories, for example half-finished agricultural equipments.

32 10. Inventories may include:

33 (a) Consumable goods;

34 (b) Ammunition;

35 (c) Maintenance materials;

36 (d) Spare parts;

37 (e) Inventories for strategic/emergency purposes;

38 (f) Excise stamps and other stamps;

39 (g) Raw materials;



- 1 (h) Work in process;
2 (i) Land/building for sale or to be delivered to the public;
3 (j) Livestock animals and plantation, for sale or to be delivered to the
4 public.

5 11. In the event the government stores goods for the purpose of
6 strategic reserves such as energy reserves (for example oil) or for the
7 emergency purposes such as food reserves (for example rice), those goods
8 are recognized as inventories.

9 12. Livestock animals and plantation for sale or to be delivered to
10 the public are among others cows, horses, fish, rice seedlings, and plant
11 seeds.

12 13. Damaged or obsolete inventories are not reported in the
13 Statement of Financial Position, but are disclosed in the Notes to the
14 Financial Statements.

15 **RECOGNITION**

16 **14. The inventories are recognized at the time the potential**
17 **future economic benefits are acquired by the government and have**
18 **value or cost that can be reliably measured.**

19 **15. The inventories are recognized at the time of receipt or**
20 **when the ownership right and/or the control have been transferred.**

21 16. At the end of the accounting period, the inventories will be
22 recorded based on physical inventory taking.

23 17. The raw materials and supplies owned by a self-construction
24 project that are charged to the account of construction in progress may not be
25 recorded as inventory.

26 **MEASUREMENTS**

27 **18. The inventory is presented at:**

28 **(a) The acquisition cost if it is acquired through purchase;**

29 **(b) The standard cost if it is acquired through self-production;**

30 **(c) Fair value, if it is acquired through other means such as**
31 **donation/seizure.**

32 19. The acquisition cost of the inventory comprises the purchase
33 price, transportation cost, handling cost, and other costs that can be directly
34 charged to the inventory acquisition. Discounts, rebates, and others similar
35 reduction will reduce the acquisition cost.



1 20. The purchase value used will be the latest acquired inventory
2 acquisition cost.

3 21. Inventories with a nominal value and intended for sale, such as
4 excise stamps, will be valued by the latest acquisition cost.

5 22. The inventory standard cost covers direct costs associated
6 with the produced inventory and indirect costs allocated systematically based
7 on the measures used in formulating the activities and budget plan.

8 23. Livestock animals and plantation in breeding should be valued
9 by using the fair value.

10 24. The fair price/value of the inventory covers the exchange value
11 of the assets or settlement of obligations between the parties that understand
12 and are willing to enter into a fair transaction.

13 **DISCLOSURE**

14 ***25. The financial statements will disclose:***

15 ***(a) The accounting policies used in the measurement of inventories;***

16 ***(b) Further explanation of the inventories such as goods or supplies
17 used in public services, goods or equipment used in the
18 production process, goods that are stored for sale or to be
19 delivered to the public, and goods that are still in the process of
20 production that are intended for sale or to be delivered to the
21 public;***

22 ***(c) The physical condition of the inventory.***

23 **EFFECTIVE DATE**

24 ***26. This Government Accounting Standard becomes effective
25 for the financial statements covering periods beginning with budget
26 year of 2005.***

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

(Signed)

Dr. H. SUSILO BAMBANG YUDHOYONO

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THE STATE SECRETARIAT OF THE RI

Head of Administration Bureau,

(Signed)

Sugiri, S.H.