PRESIDEN
REPUBLIK INDONESIA

ATTACHMENT IX

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA

NUMBER 24 YEAR 2005

DATE 13 JUNE 2005

GOVERNMENT ACCOUNTING STANDARDS STATEMENT NO.07

ACCOUNTING FOR FIXED ASSETS

PRESIDEN
REPUBLIK INDONESIA

TABLE OF CONTENTS

	Paragraph
PREFACE	**1-4**
Objective	1-2
Scope	3-4
DEFINITIONS	**5**
GENERAL	**6-7**
CLASSIFICATION OF FIXED ASSETS	**8-15**
RECOGNITION OF FIXED ASSETS	**16-21**
MEASUREMENT OF FIXED ASSETS	**22-23**
INITIAL VALUATION OF FIXED ASSETS	**24-49**
Component of Cost	29-38
Construction in Progress	39-41
Composite Acquisition	42
Exchanges of Assets	43-45
Donated Assets	46-49
SUBSEQUENT EXPENDITURES	**50-52**
SUBSEQUENT MEASUREMENT ON INITIAL RECOGNITION	**53-59**
Depreciation	54-57
Revaluation of Fixed Assets	58-59
ACCOUNTING FOR LAND	**60-63**
HERITAGE ASSETS	**64-71**
INFRASTUCTURE ASSETS	**72-74**
MILITARY ASSETS	**75**
RETIREMENT AND DISPOSAL	**76-78**
DISCLOSURE	**79-81**
EFFECTIVE DATE	**82**

PRESIDEN
REPUBLIK INDONESIA

GOVERNMENT ACCOUNTING STANDARDS

STATEMENT NO.07

ACCOUNTING FOR FIXED ASSETS

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

PREFACE

Objective

1. The objective of this Standard is to prescribe the accounting treatment of fixed assets. The main accounting issues in fixed assets are the recognition of assets, the determination of the carrying amount, and the determination and accounting treatment on the revaluation and depreciation of fixed assets.

2. This Standard requires that the fixed assets are able to be recognized as assets if they comply with the definition and the criteria of asset recognition in the Conceptual Framework of the Government Accounting Standards.

Scope

3. This Standard applies to all government units which present general purpose financial statements and prescribe the accounting treatment thereof, including the recognition, valuation, presentation, and the required disclosure, except that other Government Accounting Standards impose different accounting treatment.

4. This Standard does not apply to:

(a) Forest and regenerative natural resources; and

(b) Mining right, the exploration and the extraction of minerals, oil, natural gas, and similar non-regenerative natural resources.

However, this Standard does apply to fixed assets which are used to develop or maintain the activities or assets covered in (a) and (b) above and which are separable from those activities or assets.

DEFINITIONS

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

Acquisition cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction up to the point where the asset is ready for use in its condition and location.

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

Carrying amount of an asset is the book value of an asset that is calculated from its acquisition cost after being deducted with the accumulated depreciation.

Depreciation is the adjustment of value that reflects the decline of capacity and benefit of a certain asset.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Fixed Assets are tangible assets that have a useful life of more than 12 (twelve) months to be used in government activities or to be used for the benefit of the public.

Residual value is the net amount that an entity can expect to obtain from an asset at the end of the term of its useful life after deducting the expected costs of disposal.

Useful life is either:

(a) The period of time over which an asset is expected to be used for government activities and/or public services; or

(b) The number of production or similar units expected to be produced from the assets for government activities and/or public services.

GENERAL

6. Fixed assets usually constitute the main part of the government assets, and therefore are significant in the presentation of the Statement of Financial Position. Included in the government fixed assets are:

(a) Fixed assets owned by a reporting entity but used by other entities, such as other government institutions, universities, and contractors;

(b) Land titles.

7. Not included in the definition of fixed assets are the assets that are controlled for consumption in the government operations, such as materials and supplies.

CLASSIFICATION OF FIXED ASSETS

8. Fixed assets are classified based on the similarity of the nature and functions thereof in the operational activities of the entities. The followings are the classification of fixed assets:

(a) Land;

(b) Equipments and Machineries;

(c) Buildings and Properties;

(d) Roads, Irrigations, and Transmission Networks;

(e) Other Fixed Assets; and

(f) Constructions in progress.

9. Lands classified as fixed assets are those that are acquired and intended to be utilized in the government operational activities and are ready for use.

10. Buildings and properties include all buildings and properties that are acquired and intended to be utilized in government operational activities and are in ready for use.

11. Equipments and machineries include the machineries and motor vehicles, electronic equipments, and all office equipments, and other equipments that are of significant value and the useful life of which is more than 12 (twelve) months and are ready for use.

12. Roads, irrigations, and transmission networks include roads, irrigations, and transmission networks that are constructed by the government and owned and/or controlled by the government and are ready for use.

13. Other fixed assets include fixed assets that cannot be classified into the above group of assets, which are acquired and used for government operational activities and are ready for use.

14. Constructions in progress include fixed assets that are in the development process but at the date of the financial statements are not fully completed.

15. Fixed assets that are not used for government operation do not meet the definition of fixed assets and have to be presented in the other assets accounts according to their carrying amount.

RECOGNITION OF FIXED ASSETS

16. In order to be recognized as fixed assets, a certain asset should be tangible and meet the following criteria:

(a) Has a useful life of more than 12 (twelve) months;

(b) The acquisition cost of the assets can be reliably measured;

(c) Not intended for sale in the normal operations of the entity; and

(d) Is acquired or constructed and intended to be utilized.

17. In determining whether or not a certain item has a useful life of more than 12 (twelve) months, an entity must assess the future economic benefits that can be generated from that item, whether directly or indirectly, for government operational activities. Such benefits may be in the form of revenues flows or the saving of the government expenditures. Future economic benefits that will flow to an entity can be ascertained if such entity will receive such benefits and the associated risks. This certainty is usually available if the benefits and the risks have been accepted by the entity. Otherwise, the acquisition of assets cannot be recognized.

18. A reliable measurement is normally accomplished if there is an exchange of transaction which is evidenced by the purchase of fixed assets and its corresponding cost. In case an asset is self-constructed, reliable measurement on cost can be obtained from the external party transaction with the entity for the acquisition of materials, labor, and other expenses used in the construction process.

19. The main objective of the fixed assets acquisition is to be used by the government in supporting its operational activities and is not intended for sale.

20. The recognition of fixed assets will be very reliable if the fixed assets have already been received or the title has been delivered and/or the control over which is transferred.

21. Assets recognition can be more reliable if there is an evidence that there has been a title transfer and/or legal control, for example, land certificate and the evidence of motor vehicle ownership. If a fixed asset acquisition has not been supported yet with legal evidence, due to an obligatory required administrative process, such as in case of land purchase where the deed of the sale and purchase process and the ownership certificate still have to be settled with the authorized institutions, therefore such fixed assets have to be recognized when there are an evidence that controls over such fixed assets have been transferred, for example, there is already a payment and control of the land certificate from the previous owner.

MEASUREMENT OF FIXED ASSETS

22. Fixed assets are measured using the acquisition cost. If measurement of fixed assets cannot be made using the acquisition cost, then the value of fixed asset should be based on the fair value at the time of acquisition.

23. The acquisition cost of fixed assets constructed under a self-managed method will include the direct costs of labor, materials, and indirect costs including the costs of planning and supervision, equipment, electricity, equipment rent, and all other costs which are incurred to develop such assets.

INITIAL VALUATION OF FIXED ASSETS

24. Tangible asset that qualifies for recognition as an asset and is classified as fixed asset, initially must be measured based on the acquisition cost.

25. If the fixed asset is acquired without any cost, the cost of such asset will be the fair value of the time when it is acquired.

26. A fixed asset may be received by the government as a gift or donation. For example, land may be granted to the local government by a developer without any cost which allows the local government to develop some parking spaces, roads, or pedestrian paths. An asset may also be received without any cost through the implementation of government authorities. For example, due to the authorization and existing regulation, the local government confiscates a plot of land and building which are thereafter used for the location of government operations. For both matters mentioned above, the acquired fixed assets should be measured based on the fair value at the time the assets are acquired.

27. For the purpose of this Standard, the use of the fair value at the time of acquisition, as mentioned in paragraph 25, does not constitute a revaluation process and it is still consistent with the acquisition cost as stated in paragraph 24. Revaluation as mentioned in paragraph 58 and other relevant paragraphs is only applied to the valuation for the subsequent reporting period, and it is not applied at the time of the initial acquisition.

28. For the purpose of preparing the initial statement of financial position of an entity, the acquisition cost of a fixed is the fair value at the time the initial statement of financial position is prepared. For the following periods after the date of the initial statement of financial position, an entity uses either the acquisition cost or the fair value, if there is no acquisition cost, on acquisition of new fixed assets.

Component of Cost

29. Acquisition cost of a fixed asset consists of its purchase price or its construction cost, including the import duty and each directly attributable cost in bringing the asset into a condition where such asset may work for the intended purpose.

30. Examples of directly attributable costs are:

(a) The cost of site preparation;

(b) Initial delivery, storage, and handling costs;

(c) Installation costs;

(d) Professional fees such as for architects and engineers; and

(e) Construction costs.

31. The land will be initially recognized according to its acquisition cost. The acquisition cost includes the purchase price or the cost of land clearance, cost incurred in obtaining the rights, cost of land maturing, measuring, filling, and other costs incurred until the land is ready for use. The costs of land also include the value of the old building on the purchased land that is intended to be demolished.

32. The acquisition cost of equipments and machineries reflects the amount of disbursement made for acquiring the equipments and machineries until they are ready for use. These costs include among others, the purchase price, transportation cost, installation cost, and other direct costs in obtaining and preparing the equipments and machineries until they are ready for use.

33. The acquisition cost of buildings and properties reflects all the costs incurred in acquiring buildings and properties until they are ready for use. These costs include among others the purchase price or construction cost, including the cost for the Building Permit (IMB), the notary fee, and taxes.

34. The acquisition cost of roads, irrigations, and transmission networks reflects all costs incurred in acquiring roads, irrigations, and transmission networks until they are ready for use. These costs include the acquisition cost or construction cost and other cost incurred until the roads, irrigations, and transmission networks are ready for use.

35. The acquisition cost of other fixed assets reflects all the costs incurred in acquiring such assets until they are ready for use.

36. The other general and administrative costs are not a component of the cost of fixed assets, as long as they cannot be directly attributed to the acquisition cost of the assets or they can not bring the assets to their working condition. Similarly, start-up costs and pre-production costs are not part of the cost of an asset unless they are necessary to bring the assets to their working condition.

37. The acquisition cost of an asset that is constructed under a self-managed method is determined by using a similar principle as the purchased asset.

38. Any discount and rebate is deducted from the purchase price.

Construction in Progress

39. If the completion of a fixed asset under construction exceeds one period of a budget year, then the uncompleted fixed assets will be classified and reported as construction in progress until that asset is complete and ready for use.

40. The Government Accounting Standard Number 08 (PSAP No.08) on Construction in Progress prescribes in detail the treatment of construction in progress, including the details of the construction costs for fixed assets, whether they are constructed by self-managed method or constructed by contractors. Unless otherwise prescribed in this Standard (PSAP), then the principles and details set forth in PSAP 08 will be applicable.

41. Construction in Progress that has been completed and ready for use should be immediately reclassified into fixed assets.

Composite Acquisition

42. The acquisition cost of each fixed asset which is compositely acquired is determined by allocating such composite cost based on the comparative fair value of each respective asset.

Exchanges of Assets

43. A fixed asset may be acquired by exchanging the same fixed assets or partly dissimilar fixed assets or other assets. The cost of such assets will be measured by the fair value of the asset received, which is equivalent to the carrying value of the exchanged assets adjusted with the amount of transferred cash or cash equivalent.

44. A fixed asset may be acquired in exchange for a similar asset that has the similar benefit and which has a similar fair value. A fixed asset may also be released in exchange for a similar asset. In both cases, no gain or loss is recognized on the transaction. The cost of the acquired asset is recorded in the carrying amount of the released asset.

45. The fair value of the asset received may indicate some evidence on an impairment of the released asset. Under this circumstance, the value of the released asset should be written down and the value after being written down is the fair value of the received asset. Examples of similar assets exchanges are the exchange of buildings, machineries, specialized

equipments, and aircrafts. If there is other asset involved in this exchange, such as cash, this may indicate that the fixed asset exchanged does not have a similar value.

Donated Assets

46. Fixed assets acquired by a donation must be recorded in the fair value when they are acquired.

47. Donation of fixed assets can be defined as an unconditional transfer of a fixed asset to an entity, for example a non-government business enterprise delivers its own building for use by a government unit without any condition. The delivery of such assets will very reliable, if supported by evidence of the legal transfer of ownership thereof, for example, a deed of grant.

48. If the delivery of the fixed assets is in connection with the liabilities of other entity to the government, then it is not considered as the acquisition of donated assets. As an example, a private company constructs fixed assets for the government under a condition that its liabilities to the government will be considered as settled. The acquisition of such fixed assets should be treated as the acquisition of fixed assets under exchange.

49. If the acquisition of fixed assets complies with the criteria of the acquisition of donated assets, then such acquisition is recognized as government revenue and the same amount will also be recognized as capital expenditure in the Statement of Budget Realization.

SUBSEQUENT EXPENDITURES

50. Expenditure after the initial acquisition of a fixed asset which extends the useful life or which has great possibility in generating future economic benefits in the form of capacity, product quality, or the increase of performance standard, should be added to the carrying value of the asset.

51. The capitalization of cost as mentioned in paragraph 50 must be determined in the accounting policy of that entity with the criteria as set forth in paragraph 50 and/or a certain capitalization threshold which should be applied in determining whether or not the certain expenditure has to be capitalized.

52. Since government organizations vary in terms of number and utilization of fixed assets, therefore a certain capitalization threshold cannot be uniformed for all existing entities. Each entity has to establish such threshold with due observance to its financial and operational conditions. When established, the capitalization thresholds should be applied consistently and be disclosed in the Notes to the Financial Statements.

SUBSEQUENT MEASUREMENT ON INITIAL RECOGNITION

53. Fixed assets should be presented at its acquisition cost deducted with any accumulated depreciation. If some condition occurs where a revaluation is allowed, then the fixed assets will be presented with an adjustment to the fixed assets account and the corresponding equity account.

Depreciation

54. The value adjustment of fixed assets should be carried out in a systematic basis over its useful life. The applied depreciation method should represent the assets economic benefits or the service potential flowing to the government. The depreciation charge for each period should be credited to the carrying values of the fixed assets and debited to the Equity from Fixed Assets.

55. The depreciable useful life of fixed assets must be reviewed periodically and if there is a significant difference from previous estimation, the current and future depreciations have to be adjusted.

56. The methods of depreciation that can be used are, among others:

(a) Straight-line method; or

(b) Double declining balance method; or

(c) Unit of production method.

57. Except for land and construction in progress, all fixed assets can be depreciated according to the nature and characteristics of such assets.

Revaluation of Fixed Assets

58. Generally, revaluation of fixed assets is prohibited since Government Accounting Standards adopt asset valuation based on the acquisition cost or exchange price. Deviation to this requirement may be conducted based on government provisions that are applicable nation-wide.

59. In this case, the financial statements must explain the deviation to the concept of acquisition cost in the presentation of fixed assets as well as the impact of such deviation to the financial representation of an entity. The difference between the revaluation and the carrying amount of the fixed assets should be recorded in the Equity from Fixed Assets.

ACCOUNTING FOR LAND

60. Land owned and/or controlled by the government is not treated in some particular way, and basically follows the provisions as set forth in the accounting for fixed asset standard.

61. Unlike non-government organizations, the government ownership and/or control over land is not restricted by a certain period of time such as Using Rights (Hak Pakai), Cultivating Rights (Hak Pengelolaan), and other rights to land as stipulated under the prevailing statutory regulations. Therefore, after the initial acquisitions of land, the government does not need any costs for maintaining the rights over such land. Land complies the definition of fixed assets and must be treated in accordance with the principles set forth in this Standard (PSAP).

62. The recognition of overseas land as fixed assets will only be possible if an agreement of control and statutory laws and regulations with the respective country where the Representative of the Republic of Indonesia domiciles indicates such permanent control.

63. Land owned or controlled by a government agency abroad, such as land used by the Representative of the Republic of Indonesia overseas, must abide to the provisions of the agreement of control and the laws and the prevailing regulations in the country where the Representative of the Republic of Indonesia domiciles. This is necessary to determine whether the control over such land is permanent or temporary. Control over land will be considered as permanent if the right over such land constitutes a strong right among other rights over land in that country without any time limit.

HERITAGE ASSETS

64. This Standard does not oblige the government to present the heritage assets in the Statement of Financial Position but such assets must be disclosed in the Notes to the Financial Statements.

65. Some fixed assets are determined as heritage assets because of the cultural, environmental, and historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, such as temples, and works of art. Certain characteristics, including the followings, are often displayed by heritage assets:

(a) Cultural, environmental, educational, and historical values are not likely and fully reflected in a financial value based purely on market price;

(b) Prevailing regulations and laws may impose prohibition or severe restriction on disposal by sale;

(c) They are often irreplaceable and their value may increase over time even if their physical condition deteriorates; and

(d) It may be difficult to estimate their useful lives that in some cases could be several hundred years.

66. Heritage assets are usually expected to be preserved for an indefinite period of time. Heritage assets are usually proven by the prevailing statutory regulations.

67. The government may have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest, and sequestration. These assets are rarely held due to the their inability to generate cash inflow, and there may be some legal or social obstacles if they are used for such purposes.

68. Heritage assets must be presented in the Notes to the Financial Statement in their unitary forms without any value, for example the number of units of collections owned or the number of monument units.

69. The acquisition, construction, improvement, and reconstruction costs must be charged as expenditures for the year such costs occur. Such cost will include all costs incurred for maintaining the heritage assets in its condition and existing location within the current period.

70. Several heritage assets also provide other potential benefits to the government other than the historical value thereof, for example a historical building used for office space. In such case, such asset is treated with the same principles as those of other fixed assets.

71. For other heritage assets, their potential benefit will be limited to the historical characteristics, for example monuments and ruins.

INFRASTUCTURE ASSETS

72. Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

(a) They are part of a system or network;

(b) They are specialized in nature and do not have alternative uses;

(c) They are immovable; and

(d) They may be subject to constraint on disposal.

73. Although the ownership of infrastructure assets is not confined to the government, significant infrastructure assets are sometimes found as government assets. Infrastructure assets meet the definition of fixed assets and should be accounted for in accordance with the principles set forth in this Standard.

74. Examples of infrastructure assets are transmission networks, roads and bridges, drainage systems, and communication transmission networks.

MILITARY ASSETS

75. Military equipments, either specific or general, comply the definition of fixed assets and should be accounted for in accordance with the same principles set forth in this Standard.

RETIREMENT AND DISPOSAL

76. A fixed asset should be eliminated from the Statement of Financial Position when disposed or when its utilization is permanently withdrawn and there is no future economic benefit.

77. Fixed assets which are permanently withdrawn or disposed off should be eliminated from the Statement of Financial Position and be disclosed in the Notes to the Financial Statements.

78. Fixed assets that are ceased from the government operation do not comply with the definition of fixed assets and should be transferred to other assets account along with their carrying amount.

DISCLOSURE

79. The financial statements should disclose, for each class of the fixed assets, the followings:

(a) The measurement bases used for determining the carrying amount;

(b) A reconciliation of the carrying amount at the beginning and end of the period showing:

- ***(1) Additions;***
- ***(2) Disposals;***
- ***(3) Accumulated depreciation and the change of value, if any;***
- ***(4) Other transaction of fixed assets.***

(c) Depreciation information, including:

- ***(1) The depreciation value;***
- ***(2) The depreciation method used;***
- ***(3) The useful lives or the depreciation rates used;***
- ***(4) The gross carrying amount and the accumulated depreciation at the beginning and end of period.***

80. The financial statements should also disclose:

(a) The existence and restrictions on title for fixed assets;

(b) The accounting policy on capitalization in relation to fixed assets;

(c) ***The amount of disbursements on construction in progress account; and***

(d) ***The amount of commitments for acquiring the fixed assets.***

81. If fixed asset is stated at revaluated amounts, the following should be disclosed:

(a) The legal provisions used for revaluating the fixed assets;

(b) The effective date of revaluation;

(c) The identity of the independent appraiser, if any;

(d) The nature of each guidance used to determine the replacement cost;

(e) The carrying amount of each fixed asset.

EFFECTIVE DATE

82. This Government Accounting Standard becomes effective for the financial statements covering periods beginning with budget 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.