



REPUBLIC OF INDONESIA

**GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010**

**GOVERNMENT  
ACCOUNTING STANDARDS**

**KOMITE STANDAR AKUNTANSI PEMERINTAHAN  
GOVERNMENT ACCOUNTING STANDARDS COMMITTEE**





**REPUBLIC OF INDONESIA**

**GOVERNMENT  
ACCOUNTING STANDARDS**

**GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010**

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**Disclaimer**

The Republic of Indonesia's Government Regulation Number 71 Year 2010 on Government Accounting Standards represents the translation of *Peraturan Pemerintah Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan* issued on 22 October 2010.

This translation is provided for information purposes only. Where the Government Accounting Standards need to be applied, the original version (Bahasa Indonesia) should be relied on.

The translation of the Government Regulation Number 71 Year 2010 *on Government Accounting Standards* was assisted by the Australian Government under the Government Partnership Fund.

REPUBLIC OF INDONESIA GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010  
REGARDING  
GOVERNMENT ACCOUNTING STANDARDS

BY THE GRACE OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : that in order to implement the provisions of Article 32 paragraph (2) of Law No. 17 of 2003 on State Finances and Article 184 paragraph (3) of Law No. 32 Year 2004 on Local Government, as amended by Law No. 12 Year 2008 regarding the Second Amendment to Law Number 32 Year 2004 on Local Government, the Government should establish regulations concerning Government Accounting Standards;

In the light of:

1. Article 5 paragraph (2) of the Constitution of the Republic of Indonesia Year 1945;
2. Law Number 17 of 2003 on State Finance (State Gazette of the Republic of Indonesia Year 2003 Number 47, Supplement to Republic of Indonesia Number 4286);
3. Law Number 32 Year 2004 on Local Government (State Gazette of the Republic of Indonesia Year 2004 Number 125, Supplement to State Gazette of the Republic of Indonesia Number 4437) as amended by Law No. 12 of 2008 on the Second Amendment Act No. 32 of 2004 on Local Government (State Gazette of the Republic of Indonesia Year 2008 Number 59, Supplement to State Gazette of the Republic of Indonesia Number 4844 Nomor 4844);

DECREED: . . .

DECREED:

Stipulate : GOVERNMENT REGULATION ON THE GOVERNMENT ACCOUNTING STANDARDS.

## CHAPTER I GENERAL PROVISIONS

### Article 1

Terms in this Government Regulation have the following meaning:

1. Government refers to the central government and local governments.
2. Accounting is the process of identifying, recording, measuring, classifying, summarizing financial transactions and events, presentation of reports, along with the interpretation of their results.
3. Government Accounting Standards, hereafter referred to as GAS, are the accounting principles applied in preparing and presenting government financial statements.
4. A Statement of Government Accounting Standards, hereafter referred to as SGAS, is a GAS which is titled, numbered, and with a date of effect.
5. The Government Accounting Conceptual Framework is the basic concept for the formulation and development of the Government Accounting Standards, and is a reference for the Government Accounting Standards Committee, preparers of financial reports, auditors/inspectors, and users of financial reports in seeking solutions to any problems that have not been regulated in the Statement of Governmental Accounting Standards.
6. The Interpretation of the Statement of Government Accounting Standards, hereafter abbreviated as ISGAS, is the explanation, clarification and further discussion on the SGAS.
7. Bulletin . . .
7. The GAS Technical Bulletin is information that contains a technical description of accounting as a guide for users.
8. Accrual-Basis GAS is the GAS which recognizes revenue, expenses, assets, debt, and equity in accrual-based

financial reporting, and recognizes revenue, expenditure, and financing in budget execution reporting on the basis set out in the APBN / APBD.

9. The Cash Towards Accrual Basis GAS is the GAS which recognizes revenue, expenditure, and financing using the cash basis, and recognizes tassets, debt, and equity funds using the accrual basis.
10. The Government Accounting Standards Committee, hereafter referred to as GASC, is the committee referred to in Law No. 17 of 2003 on State Finances and Law No. 1 of 2004 on State Treasury which is in charge of preparing GAS.
11. The Government Accounting System is a systematic series of procedures, organizers, tools, and other elements to realize accounting functions, from transaction analysis to financial reporting, within government organizations.

## Article 2

- (1) GAS is stated in the form of SGAS.
- (2) The GAS is completed by the Government Accounting Conceptual Framework.

## Article 3

- (1) A SGAS as defined in Article 2 paragraph (1) can come with an ISGAS and / or a GAS Technical Bulletin.

(2) ISGAS . . .

- (2) The ISGAS and GAS Technical Bulletin referred to in paragraph (1) is prepared and published by the GASC and communicated to the Government and the State Audit Board.
- (3) The draft ISGAS referred to in paragraph (2) is submitted to the State Audit Board no later than 14 (fourteen) days prior to the publication of the ISGAS.

## CHAPTER II

## APPLICATION OF THE GOVERNMENT ACCOUNTING STANDARDS

### Article 4

- (1) The Government applies the Accrual Basis GAS.
- (2) The Accrual Basis GAS referred to in paragraph (1) is declared in the form of an SGAS.
- (3) The Accrual Basis GAS referred to in paragraph (1) is completed by the Government Accounting Conceptual Framework.
- (4) The SGAS as described in paragraph (2) and the Government Accounting Conceptual Framework referred to in paragraph (3) as set out in Annex I form integral parts of this Government Regulation.

### Article 5

- (1) In the event that changes are required to the SGAS as referred to in Article 4 paragraph (2), the changes are regulated by the Ministry of Finance after receiving the opinion of the State Audit Board.
- (2) The draft SGAS changes referred to in paragraph (1) is prepared by the GASC in accordance with the existing mechanisms in the preparation of the GAS.

(3) The Draft . . .

- (3) The draft SGAS changes referred to in paragraph (2) are presented by the GASC to the Minister of Finance.
- (4) The Minister of Finance conveys the proposed draft amendments to the SGAS as referred to in paragraph (3) to the State Audit Board to obtain their considerations.

### Article 6

- (1) The Government arranges the Government Accounting System that refers to the GAS.
- (2) The Government Accounting System in the Central Government is regulated by the Finance Minister's



Regulation which refers to the general guidelines for the Government Accounting System.

- (3) The Government Accounting System in local governments is governed by governor / regent / mayor regulations that refer to the Government Accounting System general guidelines.
- (4) The Government Accounting System general guidelines referred to in paragraph (2) and paragraph (3) are regulated by the Minister of Finance in coordination with the Minister for Home Affairs.

#### Article 7

- (1) The implementation of Accrual Basis GAS as referred to in Article 4 paragraph (1) may be implemented in stages, from the application of Cash Towards Accrual Basis GAS to the application of Accrual Basis GAS.
- (2) Further provisions on the gradual application of Accrual Basis GAS referred to in paragraph (1) in the central government is governed by the Finance Minister's Regulation.
- (3) Further provisions on the gradual implementation of the Accrual Basis GAS referred to in paragraph (1) in local governmentS is governed by the Minister for Home Affairs Regulation.

#### Article 8 . . .

#### Article 8

- (1) The Cash Towards Accrual Basis GAS referred to in Article 7 is declared in the form of a SGAS.
- (2) The Cash Towards Accrual Basis GAS referred to in paragraph (1) is completed by the Government Accounting Conceptual Framework.
- (3) The SGAS as referred to in paragraph (1) and the Government Accounting Conceptual Framework referred to in paragraph (2) as contained in Annex II form integral parts of this Government Regulation.

CHAPTER III  
CONCLUDING PROVISIONS

Article 9

At the time this Government Regulation comes into force:

1. The Government Regulation Number 24 Year 2005 concerning the Government Accounting Standards (State Gazette of the Republic of Indonesia Year 2005 Number 49, Supplement to State Gazette of the Republic of Indonesia Number 4503) is revoked and declared invalid; and
2. Laws and regulations governing the implementation of whole of government accounting that have not changed and are not contrary to this Government Regulation, shall remain valid.

Article 10

This Government Regulation shall come into force on the date of enactment.

In order that . . .

In order that everyone is informed, this Government Regulation shall be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

on 22 October 2010

PRESIDENT OF THE REPUBLIC OF  
INDONESIA,

ttd

- 7 -

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta

on 22 October 2010

MINISTER FOR LAW AND BASIC HUMAN  
RIGHTS          REPUBLIC OF INDONESIA,

ttd

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2010 NUMBER 123

**Copy in accordance with the original**

STATE SECRETARIAT REPUBLIC OF  
INDONESIA

Head of Bureau of Laws and Regulations  
Economy and Industry Sector,

SETIO SAPTO NUGROHO

EXPLANATION  
OF  
REPUBLIC OF INDONESIA GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010  
REGARDING  
GOVERNMENT ACCOUNTING STANDARDS

I. GENERAL

Law Number 17 of 2003 on State Finances in Article 32 mandates that the form and content of accountability reports of the APBN / APBD are to be prepared and presented in accordance with the Government Accounting Standards. The Government Accounting Standards are developed by the independent Government Accounting Standards Committee and determined by Government Regulation after the first obtaining the considerations of the State Audit Board.

The preparation of Accrual-Basis GAS by GASC is conducted via due process. The due process for the preparation of GAS is the professional responsibility of GASC which is fully contained in Appendix III.

The preparation of SGAS is based on the Government Accounting Conceptual Framework, which is the basic concept for the formulation and development of the Government Accounting Standards, and is a reference for the Government Accounting Standards Committee, the preparers of financial reports, auditors/inspectors, and users of financial statements in seeking solutions to any problems that have not been provided for in the Statements of Government Accounting Standards.

In accordance with the mandate of the aforementioned State Finance Laws, the Government has issued Government Regulation No. 24 of 2005 concerning the Government Accounting Standards. The Government Accounting Standards use the cash basis for the recognition of revenue, expenditure and financing transactions, and the accrual basis for the recognition assets, liabilities, and equity funds.

Application . . .

Implementation of Government Regulation No. 24 of 2005 is still provisional, as mandated in Article 36 paragraph (1) of Law No. 17 Year 2003 on State Finance which states that for as long as the recognition and

measurement of revenue and expenditure using the accrual basis has not been implemented, the cash-basis of recognition and measurement is used. The recognition and measurement of revenue and expenditure on an accrual basis in accordance with Article 36 paragraph (1) Law No. 17 of 2003 must be implemented in 5 (five) years at the latest. Therefore, the Government Regulation No. 24 of 2005 will need to be replaced.

The scope of the arrangements for this Government Regulation includes Accrual Basis GAS and Cash Towards Accrual Basis GAS. The Accrual-Basis GAS are contained in Appendix I and are in force from the date specified and can be immediately applied by each entity. The Cash Towards Accrual Basis GAS in Appendix II apply during the transition period for entities that are not yet ready to implement Accrual Basis GAS.

The application of the Cash Towards Accrual Basis GAS is to be applied in accordance with the time frame as listed in Appendix II. Furthermore, each reporting entity, both in the central and local governments, must implement Accrual Basis GAS. Although the reporting entity is still allowed to apply the Cash Towards Accrual Basis GAS temporarily, the reporting entity is expected to immediately implement the Accrual Basis GAS.

Financial reports resulting from the adoption of Accrual Basis GAS are intended to provide greater benefits for stakeholders, both for users and inspectors of government financial reports, compared with the costs incurred. This is in line with one of the principles of accounting that the costs are proportional with the benefits gained.

In addition to changing the GAS basis from cash towards accrual to accrual, this Government Regulation delegates changes to the SGAS to be arranged by a Finance Minister's Regulation. Changes to the SGAS can be conducted in accordance with the dynamics of state financial management. Nevertheless, the preparation of a statement of GAS by the GASC still has to go through the GAS due process and obtain the considerations of the State Audit Board.

## II. ARTICLE BY ARTICLE

### Article 1

Self-explanatory.

Article 2 . . .

### Article 2

Self-explanatory.

### Article 3

Paragraph (1)

ISGAS are intended to further clarify the particular subject in order to avoid misinterpretation by SGAS users.

GAS Technical Bulletins are intended to resolve technical accounting problems by explaining technically the application of the SGAS and / or ISGAS.

Paragraph (2)  
Self-explanatory.

Paragraph (3)  
Self-explanatory.

Article 4  
Self-explanatory.

Article 5  
Paragraph (1)  
The meaning of "change" is the addition, removal, or replacement of one or more SGAS.

Paragraph (2)  
Self-explanatory.

Paragraph (3)  
Self-explanatory.

Paragraph (4)  
Self-explanatory.

Article 6  
Paragraph (1)  
Self-explanatory.

Paragraph (2)  
Government Accounting System general guidelines are needed in order to achieve fiscal consolidation and national government finance statistics.

Paragraph (3)  
In addition to referring to the Government Accounting System general guidelines, in preparing the Government Accounting System in local governments, the governor / regent / mayor also refers to the local regulations and provisions of laws and regulations on local financial management.

Paragraph (4)  
Self-explanatory. Paragraph (4) . . .

Article 7  
Paragraph (1)

The gradual application of Accrual Basis GAS is conducted by giving attention to the sequence of preparation and the scope of the reports.

Paragraph (2)  
Self-explanatory.

Paragraph (3)  
Self-explanatory.

Article 8  
Self-explanatory.

Article 9  
Figure 1  
Self-explanatory.

Figure 2  
Laws and regulations that are still relevant and do not conflict with Accrual Basis SAP shall remain valid. Laws and regulations to the contrary must be revoked and / or adjusted.

The ISGAS and GAS Technical Bulletins prepared by the GASC, as long as they are not contrary to this Government Regulation, shall remain valid. Any ISGAS and GAS Technical Bulletins contrary to this Government Regulation should be revoked and / or adjusted.

Article 10  
Self-explanatory.



# **ATTACHMENT I**

GOVERNMENT  
ACCOUNTING STANDARDS

**ACCRUAL BASIS**



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REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION

NUMBER 71 YEAR 2010

DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

# **GOVERNMENT ACCOUNTING CONCEPTUAL FRAMEWORK**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION*

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# 1 INTRODUCTION

## 2 OBJECTIVE

3 1. This Conceptual Framework formulates the concept which  
4 underlies the preparation and presentation of the central and local  
5 government financial reports. The objective of the framework is to serve as  
6 a reference for:

- 7 (a) government accounting standard setters in performing their duties;
- 8 (b) compilers of financial reports in addressing accounting issues which  
9 have yet to regulated in the standards;
- 10 (c) auditors in providing an opinion as to whether the financial reports  
11 have been prepared in accordance with the governmental  
12 accounting standards; and
- 13 (d) users of financial reports in interpreting the information presented in  
14 the financial reports that have been prepared in accordance with the  
15 Governmental Accounting Standards.

16 2. This conceptual framework serves as a reference in the  
17 event of any accounting issues that have not been stated in the  
18 Governmental Accounting Standards.

19 3. In the case of an inconsistency between the conceptual  
20 framework and the accounting standards, the provisions of the accounting  
21 standards supercede the conceptual framework. In the long term, such  
22 conflicts are expected to be resolved in line with the development of the  
23 accounting standards in the future.

## 24 SCOPE

25 4. This conceptual framework discusses the:

- 26 (a) purpose of the conceptual framework;
- 27 (b) government accounting environment;
- 28 (c) user and the information needs of users;
- 29 (d) accounting entities and reporting entities;
- 30 (e) role and purpose of financial reporting, financial reporting  
31 components as well as the legal basis;
- 32 (f) basic assumptions, the qualitative characteristics that determine the  
33 usefulness of the information in the financial reports, the principles,  
34 as well as the constraints of accounting information; and
- 35 (g) elements which form the financial reports, recognition and  
36 measurement.

37 5. This conceptual framework applies to the central and local  
38 government financial reports.

## **GOVERNMENT ACCOUNTING ENVIRONMENT**

6. The operating environment of government organizations affects the characteristics of the purpose of accounting and financial reporting.

7. The important traits of the government environment that need to be considered in determining the purpose of accounting and financial reporting are as follows:

- (a) A key feature is the structure of government and the services provided:
  - (1) the general form of government and the separation of powers;
  - (2) the system of government autonomy and revenue transfers between governments;
  - (3) the influence of the political process;
  - (4) the relationship between tax payments with government services.
- (b) The characteristics of government finances that are important for control:
  - (1) the budget as a statement of public policy, fiscal targets, and as a means of control;
  - (2) investing in assets that do not directly generate revenue;
  - (3) the possible use of fund accounting for control purposes; and
  - (4) the depreciation of the value of assets as economic resources because of use in the operations of government.

## **GENERAL FORM OF GOVERNMENT AND SEPARATION OF POWERS**

8. In the Republic of Indonesia, the power is in the hands of the people. The people delegate powers to public officials through the electoral process. Along with this there is a separation of powers delegation of authority among the executive, legislative, judiciary, and other state officials as stipulated in the Constitution of the Republic of Indonesia 1945. The system is intended to monitor and maintain the balance against the possibility of abuse of power among state officials.

9. As applicable in the financial environment, the government prepares a budget and submits it to the Parliament / local parliament for approval. After receiving approval, the government implements within the appropriation limits and the provisions of laws and regulations relating to the appropriation. Government is responsible for financial administration to the Parliament / local parliament for financial administration.

## **SYSTEM OF GOVERNMENT AUTONOMY AND REVENUE TRANSFERS BETWEEN GOVERNMENTS**

10. Substantially, there are three spheres of government in the system of government of the Republic of Indonesia: the central government; the provincial; and the district / city governments. The government with the broader coverage provides direction to the government with the narrower coverage. There is a government which generates greater tax and non-tax revenues, resulting in the convening of the revenue sharing system, the allocation of general funds, grants, or subsidies amongst government entities.

## **EFFECT OF THE POLITICAL PROCESS**

11. One of the government's main objectives is to improve the welfare of all people. Accordingly, the government seeks to achieve fiscal balance by maintaining state financial capacity which is derived from tax revenues and other sources to fulfill the needs of the community. One of the characteristics that is important in achieving that balance is the ongoing political process to harmonize the different interests in society.

## **RELATIONSHIP BETWEEN TAX PAYMENTS AND GOVERNMENT SERVICES**

12. Although in certain circumstances the government directly levies for services provided, basically most of the government's revenue comes from taxation in order to provide services to the community. The amount of tax collected is not directly related to the services provided by the government to the taxpayer. Taxes collected and services provided by the government contain certain properties that must be considered in developing the financial statements, which are, among others as follows:

- (a) The payment of tax is not a source of income that is voluntary.
- (b) The amount of tax payable is determined by the tax base as determined by laws and regulations, such as income earned, assets owned, value-added economic activity, or the value of the enjoyment obtained.
- (c) The efficiency of services provided by the government compared with charges that are used to provide the services is often difficult to measure with respect to the monopoly services of government. With the opening of opportunities for others to conduct services normally performed by the government, such as education and health services, the measurement of the efficiency of government services becomes easier.
- (d) Measurement of the quality and quantity of the various services provided by the government is relatively difficult relatif sulit.

## **THE BUDGET AS A PUBLIC POLICY STATEMENT, FISCAL TARGET AND CONTROL DEVICE**

13. The government budget is a document of the formal agreement between the executive and legislative regarding the expenditure assigned to implement government activities and the revenue expected to cover those expenditure needs, or the financing required or expected to occur in the event of a deficit or surplus. As such, the budget coordinates government expenditure activities and provides the foundation for revenue and financing efforts by the government for a specific period, usually an annual period. However, it is also possible that the budget is prepared for a period of more or less than one year. Thus, the function of the government's budget has a significant impact on accounting and financial reporting, partly because:

- (a) The budget is a statement of public policy.
- (b) The budget is a fiscal target depicting the balance between expenditure, revenue, and desired financing.
- (c) The budget becomes the basis of control that has legal consequences.
- (d) The budget provides the basis of performance evaluation of the government.
- (e) The results of the implementation of the budget set out in government's financial reports is an expression of the government's accountability to the public.

## **INVESTMENT IN ASSETS INDIRECTLY PRODUCING REVENUE**

14. The government invests substantial funds in assets that do not directly generate revenue for the government, such as office buildings, bridges, roads, parks, and regional reservations. Most of the assets in question have long useful lives, thus a program of adequate maintenance and rehabilitation is needed to sustain the intended benefits to be achieved. As such, the function of the asset for the government is different to the function for commercial organizations. Most of the assets do not produce direct revenue for the government, and even create a government commitment to maintain it in the future.

## **POSSIBLE USE OF FUND ACCOUNTING FOR THE PURPOSES OF CONTROL**

15. Fund accounting is an accounting and financial reporting system commonly applied in the government spheres that divides the funds according to their objective, so that each is an accounting entity that



1 is able to demonstrate a balance between expenditure and revenues or  
2 transfers received. Fund accounting can be applied for control purposes.  
3 Each group of funds other than the group of general funds (the general  
4 fund) should be considered in the development of government financial  
5 reporting.

## 6 **FIXED ASSET DEPRECIATION**

7 16.Assets used by the government, except for some specific  
8 types of assets such as land, have a useful life and limited capacity. In line  
9 with this reduction in capacity and benefits an adjustment is made to the  
10 asset value.

## 11 **USERS AND USER INFORMATION NEEDS**

### 12 **FINANCIAL REPORT USERS**

13 17.There are several major groups of users of government  
14 financial statements, including, but not limited to:

- 15 (a) The public;
- 16 (b) representatives of the people, regulatory agencies, and agency  
17 inspectors;
- 18 (c) parties that give or play a role in the process of donations,  
19 investments, and loans, and;
- 20 (d) governments.

### 21 **FINANCIAL REPORT USERS' INFORMATION NEEDS**

22 18.The information presented in general purpose financial  
23 reports is to satisfy the information needs of all user groups. As such,  
24 government financial reports are not designed to meet the specific needs  
25 of each user group. However, since government financial reports the act  
26 as a form of accountability of public financial management, the  
27 components of the reports presented at the very least include the types of  
28 reports and information elements required by the provisions of laws and  
29 regulations (statutory reports). In addition, because taxes are the main  
30 source of government revenue, the provision of financial statements that  
31 meet the information needs of the taxpayers requires attention.

32 19.The need for information about the operations of government  
33 and the position of assets and liabilities can be met better and more  
34 adequately when based on the accrual basis, i.e. based on the recognition  
35 of the emergence of rights and obligations, not based on cash flow alone.  
36 However, if there is a provision in laws and regulations that require the  
37 presentation of financial statements with the cash basis, the financial  
38 statements shall be presented thus.

1                   20.Despite having access to detailed information contained in  
2 the financial statements, the government must pay attention to the  
3 information presented in financial reports for the purposes of planning,  
4 controlling, and decision making. Furthermore, the government can  
5 determine the shape and type of additional information for its own needs  
6 beyond the types of information set out in this conceptual framework and  
7 further stated in the accounting standards.

## 8                   **ACCOUNTING AND REPORTING ENTITIES**

9                   21.An accounting entity is a unit of the government that  
10 manages a budget, assets and liabilities and conduct accounting and  
11 present financial reports based on the accounting conducted.

12                  22. A reporting entity is a government unit consisting of one or  
13 more accounting entities and in accordance with the provisions of laws  
14 and regulations are required to present accountability reports, such as  
15 general purpose financial reports, which consists of:

- 16 (a) The central government;
- 17 (b) The local government;
- 18 (c) Each state ministry or agency within the central government;
- 19 (d) Organizational units within the central / local government or other  
20 organizations, which according to laws and regulations are required  
21 to present financial reports.

22                  23.In the establishment of a reporting entity, consideration is  
23 given to the terms imposed on management, control, and a reporting  
24 entity's governance of assets of a, jurisdiction, certain tasks and missions,  
25 with a form of responsibility and authority that is separate from other  
26 reporting entities.

## 27                   **ROLE AND OBJECTIVES OF FINANCIAL** 28                   **REPORTING**

### 29                   **ROLE OF FINANCIAL REPORTING**

30                  24.Financial reports are prepared to provide relevant information  
31 regarding the financial position and all transactions carried out by a  
32 reporting entity during the reporting period. Financial reports are primarily  
33 used to determine the economic value of the resources used to carry out  
34 the operations of government, assess the financial condition, evaluating  
35 the effectiveness and efficiency of a reporting entity, and help determine  
36 adherence to laws and regulations.

37                  25.Each reporting entity has an obligation to report on the efforts  
38 that have been made and the results achieved the implementation of

activities systematically and structured in a reporting period for the following purposes:

(a) Accountability

Accountability for resource management and policy implementation is entrusted to the reporting entity in achieving the goals set periodically.

(b) Management

Assist users evaluate the implementation of activities of a reporting entity in the reporting period to facilitate functional planning, management and control over all assets, liabilities, and government equity in the public interest.

(c) Transparency

Provide financial information that is open and honest to the public on the basis that the public has a right to know, openly and comprehensively, the government's accountability for the management of the resources entrusted to it, and obedience to the laws and regulations.

(d) Intergenerational Equity

Assist users in knowing the adequacy of government revenues in the reporting period to cover all the expenditures allocated and whether future generations will be assumed to share the burden of such expenditures.

(e) Performance evaluation

Evaluating the performance of the reporting entity, especially in the use of economic resources managed by the government to achieve planned performance.

## OBJECTIVES OF FINANCIAL REPORTING

26. Government financial reporting should provide information useful to users in assessing accountability and making decisions not only economic and social decisions but political decisions by:

(a) provide information about the source, allocation and use of financial resources;

(b) Provide information about the adequacy current period receipts to cover all the expenditures;

(c) Provide information on the amount of economic resources that are used in the activities of the reporting entity and the results that have been achieved;

(d) Provide information on how the reporting entity funds its activities and meets its cash needs;

- 1 (e) Providing information on the financial position and condition of the  
2 reporting entity associated with the sources of revenues, both short  
3 and long term, including those derived from taxation and loans;  
4 (f) Providing information on changes in the financial position of the  
5 reporting entity, whether an increase or decrease, as a result of  
6 activities undertaken during the reporting period.

7 27.To meet these objectives, the financial statements provide  
8 information about the sources and uses of financial / economic resources,  
9 transfers, financing, budget execution excess / shortfall, the excess budget  
10 balance, the Statement of Operations (LO) surplus / deficit, assets,  
11 liabilities, equity, and cash flows of the reporting entity.

## 12 **FINANCIAL REPORT COMPONENTS**

13 28.The principal financial reports consist of the:

- 14 (a) Budget Realization Report (LRA);  
15 (b) Statement of Changes in the Excess Budget Balance;  
16 (c) Balance Sheet;  
17 (d) Statement of Operations (LO);  
18 (e) Statement of Cash Flows (LAK);  
19 (f) Statement of Changes in Equity (LPE);  
20 (g) Notes to the Financial Statements (CaLK).

21 29.In addition to the principal financial statements as referred to  
22 in paragraph 28, a reporting entity shall present other statements and / or  
23 accounting information elements required by the provisions of laws and  
24 regulations (statutory reports).

## 25 **LEGAL BASIS FOR FINANCIAL REPORTING**

26 30.Government financial reporting is conducted based on laws  
27 and regulations governing government finances which include, among  
28 others:

- 29 (a) the Constitution of the Republic of Indonesia 1945, particularly the  
30 section that governs state finances;  
31 (b) Laws in the field of state finance;  
32 (c) Laws on the State Budget and local government regulations  
33 regarding local government budgets;  
34 (d) laws and regulations governing local government, particularly local  
35 finances;  
36 (e) laws and regulations governing the fiscal balance between central  
37 and local governments;

- 1 (f) laws and regulations on the implementation of the State / Local  
2 Budget; and  
3 (g) other laws and regulations governing central and local government  
4 finances.

## 5 **BASIC ASSUMPTIONS**

- 6 31.the basic assumptions in government financial reporting that  
7 are presumed to be true and do not need to be proven in order to  
8 implement the accounting standards consist of the:  
9 (a) Assumption of entity independence;  
10 (b) Assumption of entity continuity; dan  
11 (c) Assumption of monetary measurement.

## 12 **ENTITY INDEPENDENCE**

- 13 32.The assumption of entity independence means that each unit  
14 of the organization is considered as an independent unit and has the  
15 obligation to present financial statements so as to avoid chaos among  
16 government units in financial reporting. One indication of the fulfillment of  
17 this assumption is the existence an entity authorized to formulate and  
18 execute budgets with full responsibility. The entity is responsible for the  
19 management of assets and off-balance sheet resources for the benefit of  
20 their main duty jurisdiction, including any loss or damage to assets and  
21 resources in question, debts arising from an entity's decision, as well as  
22 the performance or non-performance of programs that have been  
23 established.

## 24 **ENTITY CONTINUITY**

- 25 33.Financial reports are prepared assuming that the reporting  
26 entity will continue its existence. Thus, it is assumed the government does  
27 not intend to liquidate the reporting entity in the short term.

## 28 **MONETARY MEASUREMENT**

- 29 34.The reporting entity's financial reports should present every  
30 activity with the assumption that it can be valued in terms of money. This is  
31 necessary in order to allow for analysis and measurement in accounting.

## 32 **QUALITATIVE CHARACTERISTICS OF** 33 **FINANCIAL REPORTS**

- 34 35.Qualitative characteristics of financial statements are  
35 normative measurements that need to be embodied in accounting

information so that it can fulfill its purpose. All four of the following characteristics is a necessary normative prerequisite in order to meet the government's financial statements have the following desired qualities:

- (a) Relevant;
- (b) Reliable;
- (c) Comparable; dan
- (d) Understandable.

## **RELEVANT**

36. Financial reports can be said to be relevant if the information contained in them can affect the user's decision to help them evaluate the events of the past or the present, and predict the future, and confirm or correct the results of their evaluations in the past. Accordingly, the relevant information in financial statements can be linked to the intended use.

37. Relevant information:

- (a) Has feedback value  
Information allows users to confirm or correct their past expectations.
- (b) Has predictive value  
Information can help the user to predict the future based on the past and present events.
- (c) Is timely  
Information should be presented on time so it can be influential and useful in decision-making.
- (d) Complete  
Government financial accounting information is presented as complete as possible, including all accounting information that can influence decision-making taking into account any constraints. The information behind every major piece of information contained in the financial statements should be clearly revealed so errors in the use of such information can be prevented.

## **RELIABLE**

38. The information in financial statements must be are free from misleading understandings and material errors, presenting every fact honestly, and able to be verified. Information may be relevant, but if the nature or presentation is unreliable then the use of such information can be potentially misleading. Reliable information meet the following characteristics:

- (a) Honest Presentation,

- 1 Information describing transactions honestly and other events that  
2 should be presented or that may reasonably be expected to be  
3 presented.
- 4 (b) Verifiability
- 5 The information presented in the financial statements is testable,  
6 and where testing is done more than once by different parties, the  
7 results still show that the conclusions do not differ greatly.
- 8 (c) Neutrality
- 9 Information is directed to the needs of the public and does not favor  
10 the needs of a particular party.

## 11 **COMPARABLE**

12 39.The information contained in the financial statements will be  
13 more useful if it can be compared with the prior period financial statements  
14 or another reporting entity's financial statements in general. Comparison  
15 can be done internally and externally. Internal comparisons can be made  
16 when an entity applies the same accounting policies from year to year.  
17 External comparisons can be made when a comparable entity applies the  
18 same accounting policies. If the government entity applies accounting  
19 policies that are better than the current accounting policies, the changes  
20 are disclosed in the period of change.

## 21 **UNDERSTANDABLE**

22 40.The information presented in the financial statements can be  
23 understood by users and expressed in a form and in terms adapted to the  
24 understanding of the users. To that end, the user is assumed to have  
25 sufficient knowledge of the activities and operating environment of the  
26 reporting entity, as well as the willingness to learn the information.

## 27 **PRINCIPLES OF ACCOUNTING AND** 28 **FINANCIAL REPORTING**

29 41.Accounting principles and financial reporting provisions are  
30 intended to be understood and followed by the standard setters in setting  
31 the standard, organizers of accounting and financial reporting in  
32 conducting their activities, as well as users of financial reports in  
33 understanding the financial statements. Below are eight principles used in  
34 government accounting and financial reporting:

- 35 (a) Accounting basis;  
36 (b) Historical value principle;  
37 (c) Realization principle;

- (d) Substance over formal form principle;
- (e) Periodicity principle;
- (f) Consistency principle;
- (g) Full disclosure principle; and
- (h) Fair presentation principle.

## **ACCOUNTING BASIS**

42. Basis of accounting used in the government's financial statements is the accrual basis, for the recognition of revenue-LO, expenses, assets, liabilities, and equity. In the event laws and regulations require the presentation of financial statements with the cash basis, the entity shall present a statement thus.

43. Accrual basis for LO means that revenue is recognized when the right to earn revenue has been met even though the cash has not been received in the State / Local Treasury or by the reporting entity. Expenses are recognized when a liability, resulting decline in net worth, has arisen even though cash has not been issued from the State / Local Treasury Single Account or from the reporting entity. Revenue such as outside / foreign assistance in the form of services is also presented in LO.

44. In the event the budget is formulated and implemented based on the cash basis, the LRA is prepared based the cash basis, meaning that revenue and financing receipts are recognized when cash is received in the State / Local Treasury Single Account or by the reporting entity, while expenditures, transfers and financing expenditures are recognized when the cash is withdrawn from the State / Local Treasury Single Account. However, when budgets are prepared and implemented based on the accrual basis, the LRA is prepared on the accrual basis.

45. The accrual basis for the Balance Sheet means that the assets, liabilities, and equity are recognized and carried at the time of the transaction, or at the time of the event or the environmental condition that has an effect on the government's finances, regardless of when cash or its equivalent is received or paid.

## **HISTORICAL COST**

46. Assets are recorded at amounts of cash and cash equivalents paid or the fair value of the consideration to acquire the asset at the time of acquisition. Liabilities are recorded at the amount of cash and cash equivalents expected to be paid to fulfill the obligations in the future in the implementation of government activities.

47. Historical values are more reliable than others because assessments are more objective and verifiable. In the absence of historical value, the fair value of the related assets or liabilities may be used.



## 1       **REALIZATION**

2               48. For the government, revenue on the cash basis that is  
3 available and has been authorized by the government budget in an  
4 accounting period will be used to pay debt and expenditures in that period.  
5 Given the LRA is still a report that must be prepared, then revenue or  
6 expenditure under the cash basis is recognized when it has been  
7 authorized by the budget and adds to or reduces cash.

8               49. The principle of cost against revenue matching in  
9 government accounting does not receive the emphasis as practiced in  
10 commercial accounting.

## 11       **SUBSTANCE OVER FORM**

12              50. Information is intended to present transactions fairly and  
13 other events that should be presented, as such the transaction or other  
14 event need to be recorded and presented in accordance with the  
15 substance and economic reality, and not merely in terms of formal  
16 aspects. If the substance of transactions or other events is inconsistent /  
17 different with formal aspects, then it must be clearly disclosed in the Notes  
18 to the Financial Statements.

## 19       **PERIODICITY**

20              51. Accounting and financial reporting activities of a reporting  
21 entity should be divided into reporting periods so that the entity's  
22 performance can be measured and the position of its resources can be  
23 determined. The main period used is annual. However, monthly, quarterly,  
24 and semi-annual periods are also recommended.

## 25       **CONSISTENCY**

26              52. The same accounting treatment is to be applied to similar  
27 events from period to period by a reporting entity (the principle of internal  
28 consistency). This does not mean that there should not be a change from  
29 one accounting method to another method of accounting. Accounting  
30 methods used can be changed on the condition that the new method is  
31 applied to provide better information than the old method. The effect of  
32 changes in the application of the accounting method are disclosed in the  
33 Notes to the Financial Statements.

## 34       **FULL DISCLOSURE**

35              53. Financial reports present complete information required by  
36 the user. The information required by financial report users can be placed  
37 on the face of the financial statements or in the Notes to the Financial  
38 Statements.

## **FAIR PRESENTATION**

54. Financial statements provide a fair presentation of the Budget Realization Report, the Statement of Changes in Excess Budget Balance, the Balance Sheet, the Statement of Operations, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to Financial Statements.

55. In terms of fair presentation, the factor of sound judgment is necessary in preparing financial reports when facing uncertainty of events and circumstances. Such uncertainties are recognized by disclosing the nature and level by using sound judgment in preparing financial statements. Sound judgment contains elements of prudence when producing forecasts in conditions of uncertainty, so that assets or revenues are not overstated and liabilities not understated. However, the use of sound judgment does not allow, for example, the formation of hidden reserves, assets or revenues accidentally understated, or accidentally overstating liabilities or expenditure, so that financial statements become non-neutral and unreliable.

## **RELEVANT AND RELIABLE INFORMATION CONSTRAINTS**

56. Constraints to accounting information and financial reports refers to any situation that does not allow the realization of the ideal conditions in realizing accounting and financial reporting information that is relevant and reliable as a result of limitations or for reasons of practicality. There are three things that give rise to constraints in accounting information and government financial reports, namely:

- (a) Materiality;
- (b) Consideration of costs and benefits;
- (c) The balance between qualitative characteristics.

## **MATERIALITY**

57. While ideally including all information, government financial reports are only required to include information that meets the criteria of materiality. Information is considered material if the omission to include or errors in recording information could influence the economic decisions taken by users based on the financial reports.

## **CONSIDERATION OF COSTS AND BENEFITS**

58. The resulting benefits of information should exceed the cost of preparation. Therefore, government financial reports should not present any information the benefits of which are less than the cost of preparation.

1 However, the evaluation of costs and benefits is a substantial  
2 consideration process. The costs should not be borne by the users who  
3 enjoy the benefits of the information. Benefits may also be enjoyed by  
4 other users beside those for whom the information was intended, such as  
5 the provision of further information to lenders which may reduce the costs  
6 borne by the reporting entity.

## 7 **BALANCE BETWEEN QUALITATIVE CHARACTERISTICS**

8 59.A balance between qualitative characteristics is necessary to  
9 achieve an appropriate balance between the various normative objectives  
10 that are expected to be met by the government's financial reports. The  
11 relative importance among the characteristics is different in different  
12 cases, especially between relevance and reliability. Determination of the  
13 importance of the qualitative characteristics between the two is a matter of  
14 professional judgment.  
15

## 16 **ELEMENTS OF FINANCIAL STATEMENTS**

17 60. Government financial reports consist of the budget  
18 execution report (budgetary reports), financial reports, and CaLK. The  
19 budget execution report consists of the LRA and the Statement of  
20 Changes in SAL. Financial reports consist of the Balance Sheet, LO, LPE,  
21 and LAK. The CaLK is a report detailing or further explaining the items in  
22 the budget execution report as well as financial reports and forms a report  
23 that is an integral part of the budget execution reports and financial  
24 reports.

## 25 **BUDGET REALIZATION REPORT**

26 61.The Budget Realization Report provides an overview of  
27 sources, allocation and use of financial resources managed by the central  
28 / local governments, which illustrates the comparison between budget and  
29 realization in the reporting period.

30 62.The elements that are directly covered by the Budget  
31 Realization Report are: revenue-LRA; expenditure; transfers; and  
32 financing. Each element can be described as follows:

- 33 (a) Revenue-LRA is a receipt by the State General Treasurer / Local  
34 General Treasurer or by other government entities that adds to the  
35 Excess Budget Balance in the corresponding period of the fiscal year  
36 and becomes the right of the government, and does not need to be  
37 repaid.
- 38 (b) Expenditure is all spending by the the State General Treasurer /  
39 Local General Treasurer which reduces the Excess Budget Balance

- 1 in the period corresponding to the fiscal year, and will not be paid  
2 back to the government.
- 3 (c) Transfers are receipts or expenditures of money by a reporting entity  
4 from / to other reporting entities, including the balance funds and the  
5 revenue sharing fund.
- 6 (d) Financing is any receipt / expenditure that has no effect on the net  
7 assets of the entity and that needs to be paid back and / or will be  
8 received again, either in the relevant fiscal year as well as  
9 subsequent fiscal years, which in government budgeting is mainly  
10 intended to cover or utilize a budget surplus or deficit. Financing  
11 receipts, among others, can come from loans and the proceeds from  
12 divestment. Financing expenditure, among others, is used for the  
13 repayment of the loan principal, lending to other entities, and equity  
14 investment by the government.

## 15 **STATEMENT OF CHANGES IN THE EXCESS BUDGET** 16 **BALANCE**

17 63.The Statement of Changes in the Excess Budget Balance  
18 presents information on the increase or decrease in the Excess Budget  
19 Balance in the reporting year compared with the previous year.

## 20 **BALANCE SHEET**

21 64.The balance sheet describes the financial position of a  
22 reporting entity regarding its assets, liabilities, and equity at a specific  
23 date.

24 65.Elements covered by the balance sheet consist of assets,  
25 liabilities, and equity. Each element can be described as follows:

- 26 (a) Assets are economic resources controlled and / or owned by the  
27 government as a result of past events and from which future  
28 economic and / or social benefits are expected to be obtained, either  
29 by the government or the public, and can be measured in terms of  
30 money including non-financial resources required for the provision of  
31 services to the public and resources that are maintained for reasons  
32 of history and culture.
- 33 (b) Liabilities are debts arising from past events the settlement of which  
34 results in outflows of the government's economic resources.
- 35 (c) Equity is the net worth of the government which represents the  
36 difference between government's assets and liabilities.

## 37 **Assets**

38 66.The future economic benefits embodied in an asset refer's to  
39 the asset's potential to contribute, either directly or indirectly, to the

1 operations of government, in the form of a stream of income or  
2 expenditure savings for the government.

3 67.Assets are classified into current and non-current assets. An  
4 asset is classified as a current asset if is expected to be realized  
5 immediately or held for use or sale within 12 (twelve) months from the  
6 reporting date. Assets that can not be included in this criteria are classified  
7 as non-current assets.

8 68.Current assets include cash and cash equivalents, short term  
9 investments, accounts receivable, and inventory.

10 69.Non-current assets include long-term assets, and intangible  
11 assets that are used either directly or indirectly for government activities or  
12 public use. Non-current assets are classified into long-term investments,  
13 fixed assets, reserves, and other assets.

14 70.Long-term investments are investments that are held with a  
15 view to gaining economic benefits and social benefits within a period of  
16 more than one accounting period. Long-term investments include  
17 permanent and non-permanent investments. Non-permanent investments  
18 include, among others, investments in Government Securities, equity in  
19 development projects, and other non-permanent investments. Permanent  
20 investments include, among others, government equity investments and  
21 other permanent investments.

22 71.Fixed assets include land, equipment and machinery,  
23 buildings, roads, irrigation, and networks, other fixed assets and  
24 construction in progress.

25 72.Other non-current assets are classified as other assets.  
26 Included in other assets are intangible assets and assets of cooperation  
27 (partnerships).

## 28 **Liabilities**

29 73.The essential characteristic of a liability is that the  
30 government has a present obligation the settlement of which will result in  
31 the sacrifice of economic resources in the future.

32 74.Liabilities generally arise due to the consequences of the  
33 implementation of tasks or responsibilities to act in the past. In the context  
34 of the government, liabilities arise partly because of the use of loan  
35 financing sources from the public, financial institutions, government  
36 entities, or international agencies. Government liabilities also occur due to  
37 engagement with employees who work for the government or with other  
38 service providers.

39 75.Any liability can be imposed by law as a consequence of a  
40 binding contract or laws and regulations.

1                   76.Liabilities are classified into short-term liabilities and long  
2 term liabilities. Short-term liabilities forms a group of liabilities that will be  
3 settled in less than twelve months after the reporting date. Long-term  
4 liabilities form a group of liabilities whose settlement is after 12 (twelve)  
5 months from the date of reporting.

## 6                   **Equity**

7                   77.Equity is the net worth of the government that represents the  
8 difference between assets and liabilities at the government reporting date.  
9 The balance of equity in the balance sheet comes from the closing equity  
10 balance in the Statement of Changes in Equity.

## 11                  **OPERATING STATEMENT**

12                  78.The Statement of Operations provides an overview of the  
13 economic resources that add to equity and their use that is managed by  
14 the central / local government for implementation of activities in the  
15 reporting period.

16                  79.Elements covered directly in the Statement of Operations  
17 consists of revenue-LO, expenses, transfers, and extraordinary items.  
18 Each element can be described as follows:

- 19                  (a) Revenue-LO is the right of a government recognized as an addition to  
20 net worth bersih.
- 21                  (b) Expenses are government obligations recorded as a reduction of net  
22 worth.
- 23                  (c) Transfers refer to the right to receive or obligation to pay money of a  
24 reporting entity from / to other reporting entities, including the balance  
25 funds and the revenue sharing fund.
- 26                  (d) Extraordinary Item is extraordinary revenue or expense arising from  
27 extraordinary events or transactions that do not form normal  
28 operations, are not expected to occur frequently or regularly and are  
29 outside the control or influence of the entity concerned.

## 30                  **CASH FLOW STATEMENT**

31                  80.The Statement of Cash Flows presents cash information with  
32 respect to operating, investing, financing, and transitory activities,  
33 depicting the opening balance, receipts, expenditures, and the closing  
34 cash balance of the central / local governments during a certain period.

35                  81.The elements included in the Statement of Cash Flows  
36 comprise cash receipts and expenditures, each of which is explained as  
37 follows:

- 1 (a) Cash receipts are all cash flows into the State / Local General  
2 Treasury.  
3 (b) Cash Expenditures are all cash flows from the State / Local General  
4 Treasury.

## 5 **STATEMENT OF CHANGES IN EQUITY**

6 82. The Statement of Changes in Equity provides information on  
7 increases or decreases in equity during the reporting year compared with  
8 the previous year.

## 9 **NOTES TO FINANCIAL STATEMENTS**

10 83. Notes to the Financial Statements include narrative  
11 explanations or details of the figures shown in the Budget Realization  
12 Report, the Statement of Changes in SAL, the Operating Statement, the  
13 Statement of Changes in Equity, the Balance Sheet and the Statement of  
14 Cash Flows. The Notes to the Financial Statements also include  
15 information about the accounting policies used by the reporting entity and  
16 other information required and recommended to be disclosed in the  
17 Government Accounting Standards, and expressions required to produce  
18 financial statements that are presented fairly. The Notes to the Financial  
19 Statements disclose / present / provide:

- 20 (a) General information about the Reporting and Accounting Entities;  
21 (b) Information on the fiscal / financial and macro-economic policies;  
22 (c) An overview of the achievement of financial targets for the reporting  
23 year and the constraints and obstacles encountered in achieving the  
24 targets;  
25 (d) Information about the basis of preparation of the financial statements  
26 and accounting policies chosen to be applied to the selected  
27 transactions and other significant events;  
28 (e) The details and explanation of each item presented on the face of  
29 the financial statements;  
30 (f) Information required by the Governmental Accounting Standards that  
31 has not been presented on the face of financial statements;  
32 (g) Other information necessary for a fair presentation, which is not  
33 presented on the face of the financial statements;

## 34 **RECOGNITION OF FINANCIAL STATEMENTS** 35 **ELEMENTS**

36 84. Recognition in accounting is the process of determining the  
37 fulfillment of criteria for recording an event or occurrence in the accounting

1 records that will become a complementary part of the elements of assets,  
2 liabilities, equity, revenue-LRA, expenditure, financing, revenue-LO, and  
3 expenses, as contained in the reporting entity's financial statements.  
4 Recognition is realized in recording amounts of money for the items in the  
5 financial statements that are affected by the related event or occurrence.

6 85.The minimum criteria that need to be met by an event or  
7 occurrence to be recognized are:

- 8 (a) it is probable that the economic benefits associated with the event or  
9 occurrence will flow out of or into the relevant reporting entity;  
10 (b) the event or the occurrence has a value or a cost that can be  
11 measured or can be estimated reliably.

12 86.In determining whether the recognition criteria for the event /  
13 occurrence are met, the aspect of materiality should be considered.

## 14 **POSSIBILTiy OF FUTURE ECONOMICS BENEFITS**

15 87.In the revenue recognition criteria, the concept that there is a  
16 possibility of future economic benefits occurring is used in the sense of a  
17 high degree of certainty that future economic benefits associated with the  
18 post or occurrence / event will flow to or from the reporting entity. This  
19 concept is necessary in the face of uncertainty in the government's  
20 operating environment. Assessment of the degree of certainty attached to  
21 the flow of future economic benefits is made on the basis of evidence  
22 available at the time of the preparation of the financial statements.

## 23 **RELIABILITY OF MEASUREMENT**

24 88.The recognition criteria are generally based on the value of  
25 money arising from the event or occurrence which can be reliably  
26 measured. But there are times when recognition is based on the result of  
27 reasonable estimation. If the measurement is based on cost and a reliable  
28 estimate is not possible, then it is sufficient to recognize the transaction in  
29 the Notes to the Financial Statements.

30 89.Delayed recognition of an item or event may occur if the  
31 recognition criteria are met only after the event or other circumstance  
32 occurs or does not occur in the future.

## 33 **ASSET RECOGNITION**

34 90.Assets are recognized as potential future economic benefits  
35 obtained by the government and have a value or cost that can be  
36 measured reliably.

37 91.In line with the implementation of the accrual basis, assets in  
38 the form of receivables or prepaid expenses are recognized when the right  
39 to obtain cash flows or other economic benefits from other entities have



1 been or are still being met, and the value of those claims can be measured  
2 or estimated.

3 92.Assets in the form of cash obtained by the government, are,  
4 among others, derived from taxes, customs duty, excise duty, non-tax  
5 revenues, user charges, and levy proceeds from the utilization of state  
6 assets, transfers, and other deposits, as well as the receipt of financing,  
7 such as loans. The process of collecting every element of receipt is very  
8 diverse and involves many parties or agencies. Thus, the point of  
9 recognition of cash receipts by the government for accounting recognition  
10 requires more detailed arrangements, including setting limits on the time  
11 from when money is received until its deposit into the State / Local  
12 General Treasury Account. Assets are not recognized if the expenditure  
13 has occurred and the economic benefits are considered unlikely to be  
14 obtained by the government after the current accounting period.

## 15 **RECOGNITION OF LIABILITIES**

16 93.Liabilities are recognized when it is probable that the  
17 expenditure of economic resources will be undertaken to settle existing  
18 obligations until the time of reporting, and changes in the liability has a  
19 settlement value that can be measured reliably.

20 94.In line with the implementation of the accrual basis, liabilities  
21 are recognized when loan funds are received or when the liabilities arise.

## 22 **REVENUE RECOGNITION**

23 95.Revenue-LO is recognized when there is a right to the  
24 revenue or there is an inflow of of economic resources. Revenue-LRA is  
25 recognized when cash is received in the State / Local Treasury Single  
26 Account or by the reporting entity.

## 27 **RECOGNITION OF EXPENSES AND EXPENDITURE**

28 96. Expenses are recognized when there are liabilities, the  
29 consumption of assets, or a decline in economic benefits or service  
30 potential.

31 97.Expenditures are recognized based on expenditure from the  
32 State / Local Treasury Single Account or from the reporting entity.  
33 Recognition of special expenditures through the expenditure treasurer  
34 occurs when the responsibility for such expenditures is authorized by the  
35 unit which has the treasury function.

## **MEASUREMENT OF FINANCIAL STATEMENT ELEMENTS**

98.Measurement is the process of determining the value of money to recognize and include each item in the financial statements. Measurement of items in the financial statements use the historical acquisition value. Assets are recorded at the expenditure / utilization of economic resources or fair value of the consideration given to acquire the asset. Liabilities are recorded at the fair value of economic resources used by the government to satisfy the liabilities in question.

99.Measurement of items in the financial statements use rupiah. Transactions using foreign currencies are converted first and denominated in rupiah.

ATTACHMENT I.02  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

### **STATEMENT NO. 01**

## **FINANCIAL REPORT PRESENTATION**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION.*

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**Attachments :**

<b>Attachment Illustration I.02 PSAP 01.A</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Government Balance Sheet</b>		
<b>Attachment Illustration I.02 PSAP 01.B</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Province/District/City</b>	<b>Government</b>	
		<b>Balance Sheet</b>		
<b>Attachment Illustration I.02 PSAP 01.C</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Government Statement of Changes in Equity</b>		
<b>Attachment Illustration I.02 PSAP 01.D</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Province/District/City</b>	<b>Government</b>	
		<b>Statement of Changes in Equity</b>		
<b>Attachment Illustration I.02 PSAP 01.E</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Government Statement of Changes in the Excess Budget Balance</b>		
<b>Attachment Illustration I.02 PSAP 01.F</b>	<b>:</b>	<b>Sample</b>	<b>Format</b>	<b>Central</b>
		<b>Province/District/City</b>	<b>Government</b>	
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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 01**  
4       **FINANCIAL STATEMENT PRESENTATION**  
5       *The standards, which have been set in bold italic type, should be read in*  
6       *the context of the explanatory paragraphs, which are in plain type, and in*  
7       *the context of the Conceptual Framework of the Government Accounting*  
8       *Standards.*

9       **INTRODUCTION**

10  
11       **OBJECTIVE**

12               1. The objective of this Standard is to prescribe the presentation of  
13       general purpose financial reports in order to enhance the comparability of  
14       financial statements both against the budget, between periods, and between  
15       entities. General purpose financial reports are financial reports intended to  
16       meet the common needs of most report users including legislatures, as  
17       stipulated in the provisions of laws and regulations. To achieve that goal, this  
18       standard establishes all considerations in the context of the presentation of  
19       financial reports, guidelines for the structure of financial reporting and the  
20       minimum content requirements of financial statements. Financial reports are  
21       prepared by applying the accrual basis. Recognition, measurement and  
22       disclosure of specific transactions and other events are regulated in other  
23       government accounting standards.

24       **SCOPE**

25               2. *General purpose financial reports are prepared and*  
26       *presented on an accrual basis.*

27               3. A general purpose financial report is a report that is intended to  
28       meet the needs of users. What is meant by the user is the public, including  
29       legislatures, inspectors / supervisors, parties who provide or participate in the  
30       process of donations, investments, and loans, and the government. The  
31       financial reports include the financial statements that are presented separately  
32       or part of the financial reports presented in public documents such as annual  
33       reports.

34               4. *This Standard applies to reporting entities in preparing the*  
35       *financial statements of an entity of the central government, local*  
36       *governments, and the consolidated financial statements, but does not*  
37       *include State / Local enterprises.*

1       **ACCOUNTING BASIS**

2               5. The basis of accounting used in the government's financial  
3 statements *is the accrual basis.*

4               6. Reporting entities conduct accounting and the presentation of  
5 financial statements on an accrual basis in both the recognition of revenues and  
6 expenses, as well as the recognition of assets, liabilities, and equity.

7               7. Reporting entities conducting the accrual basis of  
8 accounting, presents the budget realization report on the basis set forth  
9 in the laws and regulations on the budget.

10       **DEFINITIONS**

11               8. The following are terms used in this Standard:

12       **Budget** *is a guide for actions to be implemented by government covering*  
13 *planned revenues, expenditures, transfers, and financing which is*  
14 *measured in rupiah, and arranged systematically according to a specific*  
15 *classification for one period.*

16       **Local Expenditure and Revenue Budget (APBD)** *is the local government*  
17 *annual financial plan agreed by local legislatures.*

18       **National Expenditure and Revenue Budget (APBN)** *is the central*  
19 *government annual financial plan agreed by the House of Representatives*  
20 *(DPR).*

21       **Appropriation** *is the budget approved by DPR / local parliaments which is*  
22 *the mandate given to president / governor / regent / mayor to undertake*  
23 *expenditures according to the purpose specified.*

24       **Cash flows** *are inflows and outflows of cash and cash equivalents in the*  
25 *State / Local General Treasury.*

26       **Assets** *are economic resources controlled and / or owned by the*  
27 *government as a result of past events and from which future economic*  
28 *and / or social benefits are expected to be obtained, either by the*  
29 *government or the public, and can be measured in terms of money,*  
30 *including non-financial resources required for the provision of public*  
31 *services and resources that are maintained for reasons of history and*  
32 *culture.*

33       **Intangible assets** *are non-financial assets that can be identified, do not*  
34 *have physical form and are held for use in producing goods or services,*  
35 *or used for other purposes, including intellectual property rights.*

36       **Fixed assets** *are tangible assets with a useful life of more than 12 (twelve)*  
37 *months for use in government operations or used by the general public.*

38       **Accrual basis** *is the basis of accounting that recognizes the effects of*  
39 *transactions and other events at the time the transaction and event*  
40 *occurred, regardless of when cash or its equivalent is received or paid.*

1     **Cash basis** is the basis of accounting that recognizes the effects of  
2     **transactions and other events when cash or cash equivalents are**  
3     **received or paid.**

4     **Expenditures** are all disbursements from the State/Local General Treasury  
5     **that reduce the Excess Budget Balance in the corresponding period of the**  
6     **budget year and that will not be paid back to the government.**

7     **Expenses** are decreases in economic benefits or service potential in the  
8     **reporting period which decreases equity, which may include expenditure**  
9     **or consumption of an asset or the incurrence of liabilities.**

10    **Reserve Funds** are funds set aside to accommodate needs requiring  
11    **relatively large funds that cannot be met within one budget year.**

12    **Equity** is the government's net worth and is the difference between the  
13    **government's assets and liabilities.**

14    **Accounting Entity** is a unit of government budget users / user of goods  
15    **and therefore obligated to conduct accounting and compile financial**  
16    **statements for the combined entity reporting.**

17    **Reporting Entity** is a unit of government consisting of one or more  
18    **accounting entities in accordance with the accounting provisions of**  
19    **legislation and are required to submit accountability reports in the form of**  
20    **financial statements.**

21    **Investments** are assets that are intended to obtain economic benefits  
22    **such as interest, dividends, and royalties, or social benefits that can**  
23    **improve the ability of government to provide public services.**

24    **Cash** is cash and the balance of bank deposits at any time that can be  
25    **used to finance government activities.**

26    **Local Treasury** is the depository for local government monies that is  
27    **determined by the Local Treasurer to accommodate all local government**  
28    **receipts and expenditures.**

29    **State Treasury** is the depository of state monies as determined by the  
30    **Minister of Finance as the General Treasurer of the State to accommodate**  
31    **all the central government receipts and expenditures.**

32    **Accounting Policies** are the principles, foundations, conventions, rules,  
33    **and specific practices chosen by a reporting entity in the preparation and**  
34    **presentation of financial statements.**

35    **Partnerships** are agreements between two or more parties who are  
36    **committed to carry out a jointly controlled activity using owned assets**  
37    **and/or operating rights.**

38    **Liabilities** are debts arising from past events whose settlement results in  
39    **outflows of government economic resources.**

40    **Consolidated financial reports** are financial reports which form a  
41    **combination of all the reporting entity's financial reports presented as a**  
42    **single entity.**



1 **Interim financial reports** are financial reports issued between two annual  
2 financial reports.

3 **Foreign currency** is a currency other than the reporting currency of the  
4 entity.

5 **Reporting currency** is rupiah used in presenting financial reports.

6 **Materiality** is a condition that arises if unrepresented or misstated  
7 information influences the decisions or assessments of users made on  
8 the basis of financial reports. Materiality depends on the nature or  
9 magnitude of the item or the error under consideration given the specific  
10 circumstances in which the deficiency or misstatement occurred.

11 **Fair value** is the exchange value of assets or settlement of liabilities  
12 between parties who understand and are willing to make a fair deal.

13 **Budget Credit Authorization (allotment)** is the budget implementation  
14 document that shows the part of the appropriation provided for agency  
15 units and used to obtain money from the State / Local General Treasury to  
16 finance expenditures during the period of authorization.

17 **Financing** is any receipt that needs to be repaid and / or expenditures that  
18 will be readmitted, both in the budget year concerned and in subsequent  
19 budget years, which in government budgeting is primarily intended to  
20 cover a budget deficit or utilize a surplus.

21 **Revenue-LO** is the right of the central / local government that is  
22 recognized as additions to equity in the period of the corresponding  
23 budget year and does not need to be repaid.

24 **Revenue-LRA** is all receipts into the State / Local General Treasury  
25 Account that adds to the Excess Budget Balance in the period of the  
26 corresponding budget year that becomes the right of the government, and  
27 does not need to be repaid by the government.

28 **Depreciation** is the systematic allocation of the value of a fixed asset that  
29 can be depreciated (depreciable assets) over the useful life of the asset.

30 **Inventories** are current assets in the form of goods or supplies which are  
31 intended to support government operations, and items intended to be  
32 sold and / or delivered in the context of services to the community.

33 **Transfers receivable** is the right of a reporting entity to receive payment  
34 from another report entity as a result of laws or regulations.

35 **Post** is a collection of similar accounts that appear on the face of the  
36 financial statements.

37 **Extraordinary items** are extraordinary revenues or expenses arising from  
38 extraordinary events or transactions which do not constitute normal  
39 operations, are not expected to occur frequently or regularly, and are  
40 beyond the control or influence of the entity concerned.

41 **State General Treasury Account** is a depository account of State funds  
42 prescribed by the Minister of Finance as General Treasurer of the State to

1 *accommodate all State receipts and pay all State expenditures in the*  
2 *central bank.*

3 *Local General Treasury Account is a local depository account determined*  
4 *by the governor / regent / mayor to hold all local receipts and pay all local*  
5 *expenditures in a specified bank.*

6 *Excess Budget Balance is the total amount derived from accumulated*  
7 *SiLPA / SiKPA balances from previous budget years and the current year*  
8 *as well as other permitted adjustments.*

9 *Exchange rate differences are differences arising from the translation of*  
10 *foreign currencies to rupiah at different exchange rates.*

11 *Cash equivalents are short-term investments that are highly liquid and*  
12 *ready to be converted into cash, and are free from a significant risk of*  
13 *changes in value.*

14 *Budget Financing Surplus/Deficit Balance (SiLPA/SiKPA) is the excess /*  
15 *shortfall difference between realized revenue-LRA and expenditures, as*  
16 *well as financing receipts and expenditures in the APBN/APBD during one*  
17 *reporting period.*

18 *Surplus/deficit-LO is the difference between revenue-LO and expenses*  
19 *during one reporting period, after taking into account the surplus/deficit*  
20 *from non-operational activities dan extraordinary items.*

21 *Surplus/deficit-LRA is the excess/shortfall difference between revenue-*  
22 *LRA and expenditures during one reporting period.*

23 *Reporting date is the date of the last day of the reporting period.*

24 *Transfers are revenues / expenditures of money of a reporting entity from*  
25 */ to other reporting entities, including the balance funds and revenue*  
26 *sharing funds.*

27 *Debt transfers are obligations of a reporting entity to make payments to*  
28 *other entities as a result of statutory provisions.*

29 **OBJECTIVES OF FINANCIAL REPORTING**

30 9. Financial reports are structured reports on the financial position  
31 and transactions carried out by a reporting entity. The general purpose of  
32 financial reports is to present information regarding the financial position,  
33 budget realization, excess budget balance, cash flows, operating result, and  
34 changes in equity of a reporting entity that is useful to users in making and  
35 evaluating decisions about the allocation of resources. Specifically, the  
36 purpose of government financial reports is to provide useful information for  
37 decision-making and to demonstrate the reporting entity's accountability for the  
38 resources entrusted to it, by providing:

39 a) information about the position of the government's economic resources,  
40 liabilities and equity;

- 1 b) information on the changes in the position of the government's economic
- 2 resources, liabilities and equity;
- 3 c) information about the source, allocation and use of economic resources;
- 4 d) information on conformity of the realization to the budget;
- 5 e) information about the way the reporting entity funds its activities and meets
- 6 its cash requirements;
- 7 f) information on the government's potential to finance the implementation of
- 8 government activities;
- 9 g) useful information for evaluating the ability of the reporting entity to finance
- 10 its activities.

11 10. General purpose financial reports also have a predictive and  
12 prospective role, by providing useful information to predict the amount of  
13 resources needed for ongoing operations, resources generated from  
14 continuing operations, as well as the associated risks and uncertainties.  
15 Financial reporting also provides information to users through indicating as to  
16 whether the resources have:

- 17 a) been obtained and used in accordance with the budget; and
- 18 b) been obtained and used in accordance with the relevant provisions,
- 19 including the budget limits set by the DPR / DPRD.

20 11. To meet this general objective, financial reports provide  
21 information about the reporting entity in terms of:

- 22 a. assets;
- 23 b. liabilities;
- 24 c. equity;
- 25 d. revenue-LRA;
- 26 e. expenditure;
- 27 f. transfers;
- 28 g. financing;
- 29 h. excess budget balance
- 30 i. revenue-LO;
- 31 j. expenses; and
- 32 k. cash flows.

33 12. Information in financial reports is relevant to meet the objectives  
34 set forth in paragraph 9, but is unable to fully meet that goal. Additional  
35 information, including non-financial reports, can be reported together with the  
36 financial reports to provide a more comprehensive picture about the activities of  
37 a reporting entity during the period.

## 38 **RESPONSIBILITY FOR FINANCIAL REPORTING**

39 13. Responsibility for the preparation and presentation of financial  
40 reports lies with the leadership of the entity.

## COMPONENTS OF FINANCIAL REPORTS

14. The components contained in a set of financial reports consist of the budget execution report (*budgetary reports*) and the financial statements, thus all the components are as follows:

- a) **Budget Realization Report;**
- b) **Statement of Changes in the Excess Budget Balance;**
- c) **Balance Sheet;**
- d) **Statement of Operations;**
- e) **Statement of Cash Flows;**
- f) **Statement of Changes in Equity;**
- g) **Notes to the Financial Statements.**

15. The components of the financial reports are presented by each reporting entity, **except for the:**

- (a) **Statement of Cash Flows, which is only presented by the unit with the general treasury function; and**
- (b) **Statement of Changes in the Excess Budget Balance, which is only presented by the State General Treasurer and reporting entities which prepare the consolidated financial statements.**

16. Units having the treasury function are defined as a unit of the state / local general treasurer and / or as the state / local authorized general treasurer.

17. Financial activities of the government are limited by the budget in the form of appropriation or budget authorization. Financial reports provide information about whether the economic resources have been obtained and used in accordance with the specified budget. Budget Realization Reports include the budget and realization.

18. Government reporting entities also present the government's Excess Budget Balance which covers the Excess Budget Balance of the previous year, the use of the Excess Budget Balance, the Budget Financing Surplus / Deficit Balance (SiLPA / SiKPA) in the current year, and other permitted adjustments.

19. Financial reports provide information about the economic resources and obligations of the reporting entity at the reporting date and the flow of economic resources during the period. This information is required by users to assess the ability of the reporting entity to conduct government activities in the future.

20. Reporting entities provide additional information to help users in predicting the entity's financial performance and asset management, as well as in making and evaluating decisions about the allocation of economic resources.

21. Entities that have the general treasury function provide information about the source, use, change in cash and cash equivalents during the

1 accounting period and the balance of cash and cash equivalents at the  
2 reporting date.

3 22.Entities reporting present the net assets of government which  
4 includes initial equity, surplus / deficit of the relevant period, and cumulative  
5 impacts due to changes in policies and fundamental errors.

6 23.To avoid misunderstandings in reading financial reports, the  
7 reporting entity must disclose all important information, not only that which has  
8 been presented but also that which is not presented on the face of the financial  
9 statements.

10 24.Reporting entities disclose information about the adherence to  
11 budget.

## 12 **STRUCTURE AND CONTENTS**

### 13 **INTRODUCTION**

14 25.This Standard requires certain disclosures on the face of the  
15 financial reports, requires disclosure of the other posts on the face of the  
16 financial statements or in the notes to the financial reports, and recommends as  
17 an attachment a standard format that can be followed by a reporting entity  
18 according to each situation.

19 26.This Standard uses the term disclosure in the broadest sense,  
20 encompassing posts presented in each sheet and on the face of the financial  
21 reports as well as in the Notes to the Financial Statements. Disclosures  
22 required under other Government Accounting Standard Statements are  
23 presented in accordance with the provisions of those standards. Unless there is  
24 a standard that governs to the contrary, such a disclosure is made on the face  
25 of the relevant financial statement or in the Notes to the Financial Statements.

### 26 **Identification of Financial Statements**

27 ***27.Financial reports are clearly identified and distinguished from***  
28 ***other information in the same published document.***

29 ***28.This Statement of Government Accounting Standards applies***  
30 ***only to financial reports and do not apply to other information presented***  
31 ***in an annual report or other documents. Therefore, it is important for***  
32 ***users to be able to distinguish between information that is presented in***  
33 ***accordance with the Governmental Accounting Standards from other***  
34 ***information, but it is not a subject stipulated in this Statement.***

35 29. Each component of the financial report should be clearly  
36 identified. In addition, the following information must be clearly stated and  
37 repeated on each page of the report where necessary to obtain an adequate  
38 understanding of the information presented:

- 39 a) the name of the reporting entity or other means of identification;  
40 b) the scope of the financial report, whether it be for a single entity or the  
41 consolidated report of multiple entities;

- 1 c) the reporting date or the period covered by the financial report, in  
2 accordance with the components of the financial report;  
3 d) the reporting currency; and  
4 e) the level of precision used in the presentation of the figures in financial  
5 reports.

6 30. The requirements in paragraph 27 are met with the presentation of  
7 the title and brief column headings on each page of the financial reports.  
8 Various considerations are used for regulating page numbering, references,  
9 and the arrangement of attachments that can help users understand the  
10 financial reports.

11 31. Financial reports are often easier to understand when the  
12 information is presented in thousands or millions of rupiah. This presentation is  
13 acceptable as long as the level of accuracy in the presentation of the figures  
14 disclosed and the relevant information is not lost.

## 15 **Reporting Period**

16 32. *Financial reports are presented at least once a year. If, in*  
17 *certain situations, an entity's reporting date changes and the annual*  
18 *financial reports are presented with a period longer or shorter than one*  
19 *year, the reporting entity is to disclose the following information:*

- 20 *a) the reasons for not reporting a period of one year,*  
21 *b) the fact that comparative amounts for certain reports such as cash*  
22 *flows and related notes are not comparable.*

23 33. In the particular situation a reporting entity must change its  
24 reporting date, for example in connection with a change in the fiscal year.  
25 Disclosure of changes in reporting dates are important so that users are aware  
26 that the amounts presented for the current period and comparative amounts are  
27 not comparable. Further examples are the transition from cash to accrual-based  
28 accounting, or where a reporting entity changes the reporting date of  
29 accounting entities within the reporting entity to enable the preparation of a  
30 consolidated financial report.

## 31 **Timeliness**

32 34. The usefulness of financial reports is reduced if the report is not  
33 available to users within a certain period after the reporting date. Factors, such  
34 as the operational complexity faced by a reporting entity, are not adequate  
35 reasons for the failure of timely reporting. The deadline for the submission of  
36 reports is no later than 6 (six) months after the end of financial year.

## 37 **BUDGET REALIZATION REPORT**

38 35. *Budget Realization Reports disclose the financial activities of*  
39 *central / local governments and show conformity with the APBN/ APBD.*

1 36. Budget Realization Reports present an overview of the sources,  
2 allocation and use of economic resources managed by central / local  
3 governments in a reporting period.

4 37. *Budget Realization Reports present at least the following*  
5 *elements:*

6 ***a. revenue-LRA;***

7 ***b. expenditure;***

8 ***c. transfers;***

9 ***d. surplus/deficit-LRA;***

10 ***e. financing;***

11 ***f. budget financing surplus / deficit balance.***

12 38. ***Laporan Realisasi Anggaran menggambarkan perbandingan***  
13 ***antara anggaran dengan realisasinya dalam satu periode pelaporan.***

14 39. Budget Realization Reports is explained further in the Notes to  
15 Financial Statements. These explanations contain matters that affect the  
16 implementation of the budget such as fiscal and monetary policy, the causes of  
17 material differences between the budget and realization, as well as lists further  
18 detailing figures for which an explanation is considered necessary.

19 40. PSAP No. 02 sets the requirements for the presentation of Budget  
20 Realization Reports and related information disclosure.

## 21 **STATEMENT OF CHANGES IN THE EXCESS BUDGET** 22 **BALANCE**

23 41. ***The Statement of Changes in the Excess Budget Balance***  
24 ***presents comparative information with the previous period of the***  
25 ***following items:***

26 ***a) Opening Excess Budget Balance;***

27 ***b) Use of the Excess Budget Balance;***

28 ***c) Budget Financing Surplus / Deficit Balance for the current year;***

29 ***d) Accounting error correction in the previous year; and***

30 ***e) Others;***

31 ***f) Closing Excess Budget Balance.***

32 42. ***In addition, a reporting entity presents further details of the***  
33 ***elements contained in the Statement of Changes in the Excess Budget***  
34 ***Balance in the Notes to the Financial Statements.***

35 43. Sample report formats for the Statement of Changes in the  
36 Excess Budget Balance are presented in illustration PSAP 01 E and 01 F. The  
37 illustrations are examples only and are not part of the standard. The purpose of  
38 this illustration is to describe the application of the standard to assist in  
39 financial reporting.

1       **BALANCE SHEET**

2                   44.The balance sheet describes the financial position of a reporting  
3       entity regarding the assets, liabilities, and equity at a specific date.

4       **Classification**

5                   45.*Each reporting entity classifies its assets into current and*  
6       *non-current assets and classifies liabilities into short-term and long-term*  
7       *liabilities in the balance sheet.*

8                   46.*Each reporting entity discloses every asset and liability item*  
9       *including amounts expected to be received or paid within 12 (twelve)*  
10       *months after the reporting date and the amounts expected to be received*  
11       *or paid in more than 12 (twelve) months.*

12                  47.If a reporting entity provides goods which will be used in carrying  
13       out the activities of government, there needs to be a separate classification  
14       between current and non-current assets in the balance sheet to provide  
15       information about the goods to be used in the next accounting period and those  
16       that will be used for long-term needs.

17                  48.Information about the maturity dates of financial assets and  
18       liabilities are useful for assessing the liquidity and solvency of a reporting entity.  
19       Information on the settlement date of non-financial assets and liabilities such as  
20       inventories and reserves is also useful to know whether the assets are  
21       classified as current or non-current assets and liabilities are classified as short-  
22       term and long-term liabilities.

23                  49. *The Balance Sheet presents, in comparision with the*  
24       *previous period, the following items:*

- 25       a) *cash and cash equivalents;*  
26       b) *short-term investments;*  
27       c) *tax and non-tax receivables;*  
28       d) *inventories;*  
29       e) *long-term investments;*  
30       f) *fixed assets;*  
31       g) *short-term liabilities;*  
32       h) *long-term liabilities;*  
33       i) *equity.*

34                  50.*Posts other than those mentioned in paragraph 49 are*  
35       *presented in the balance sheet if the Government Accounting Standards*  
36       *require, or if such presentation is necessary to present fairly the financial*  
37       *position of the reporting entity.*

38                  51.Examples of the balance sheet format are presented in  
39       illustrations PSAP 01.A and 01.B of this Standard. The illustrations are



examples only and are not part of the standard. The purpose of the illustrations is to describe the application of the standard to assist in financial reporting.

52. Consideration for the presentation of additional items separately is based on the following factors:

- a) The nature, liquidity, and materiality of an asset;
- b) The function of these items within the reporting entity;
- c) The amount, nature and duration of liabilities.

53. Assets and liabilities that are different in nature and function are sometimes measured using different measurement bases. For example, a group of certain fixed assets are recorded on the basis of the acquisition cost and other groups are recorded based on the estimated fair value.

## Current Assets

**54. An asset is classified as a current asset if:**

- a) It is expected to be soon realized, used, or held for sale within 12 (twelve) months from the date of reporting, or**
- b) Is in the form of cash and cash equivalents.**

**All assets other than those included in (a) and (b), are classified as non-current assets.**

55. Current assets include cash and cash equivalents, short term investments, accounts receivable, and inventory. Short-term investment posts include term deposits of 3 (three) to 12 (twelve) months and easily traded securities. Accounts receivable posts include, among others, taxes receivable, levies, fines, installment sales, claims for compensation, and other receivables that are expected to be received within 12 (twelve) months after the reporting date. Inventories include goods or equipment purchased and stored for later use, for example consumable goods such as office stationery and durable items such as equipment and piping components, and second-hand goods used as second-hand components.

## Non-current Assets

**56. Non-current assets include long-term assets and intangible assets, which are used directly or indirectly for government activities or by the general public.**

**57. Non-current assets are classified into long-term investments, fixed assets, reserves, and other assets to facilitate the understanding of non-current asset items presented in the balance sheet.**

**58. Long-term investments are investments intended to be held for more than 12 (twelve) months. Long-term investments consist of non-permanent investments and permanent investments.**

**59. Non-permanent investments are long-term investments not intended to be held on an ongoing basis.**

1                   60. *Permanent investments are long-term investments which are*  
2 *intended to be held on an ongoing basis.*

3                   61. *Non-permanent investments consist of:*

- 4       a) *Investments in Government Securities;*  
5       b) *Capital investment in development projects that can be transferred to*  
6       *third parties; and*  
7       c) *Other non-permanent investments.*

8                   62. *Permanent Investments consist of:*

- 9       a) *Government Equity Participation in state / local enterprises, state*  
10       *financial institutions, state-owned legal entities, international*  
11       *organizations and other legal entities that do not belong to the state.*  
12       b) *Other permanent investments.*

13                  63. *Fixed assets are tangible assets with a useful life of more*  
14 *than twelve months for use in government operations or utilized by the*  
15 *general public.*

16                  64. *Fixed assets consist of:*

- 17       a) *Land;*  
18       b) *Equipment and machinery;*  
19       c) *Building and construction;*  
20       d) *Roads, irrigation, and networks;*  
21       e) *Other fixed assets; and*  
22       f) *Construction in progress.*

23                  65. *Reserve funds are funds set aside to accommodate needs*  
24 *that require relatively large funds and can not be met in a single budget*  
25 *year. The reserve funds are detailed according to the purposes of the*  
26 *funds' establishment.*

27                  66. *Other non-current assets are classified as other assets.*  
28 *Included in other assets are intangible assets, installment sales charges*  
29 *with a maturity of more than 12 (twelve) months, and assets arising from*  
30 *cooperation with third parties (partnerships), and cash that has*  
31 *restricted-use.*

## 32       **Asset Recognition**

33                  67. *Assets are recognized as potential future economic benefits*  
34 *obtained by the government and have a value or cost that can be*  
35 *measured reliably.*

36                  68. *Assets are recognized when received or ownership and / or*  
37 *control is transferred.*

1       **Asset Measurement**

2                       69. *Measurement of assets is as follows:*

- 3       **a) Cash is recorded at nominal value;**  
4       **b) Short-term investments are recorded at the value of acquisition;**  
5       **c) Accounts receivable recorded at nominal value;**  
6       **d) Inventories are recorded at:**  
7               **(1) Acquisition cost if acquired by purchase;**  
8               **(2) The Standard Cost if obtained through self-production;**  
9               **(3) The fair value if obtained by other means such as donations /**  
10              **booty.**

11                   70. *Long-term investments are recorded at cost including any*  
12 *other additional charges incurred to acquire legal ownership of the*  
13 *investment;*

14                   71. *Fixed assets are recorded at acquisition cost. If the valuation*  
15 *of fixed assets using cost of acquisition is not possible then the value of*  
16 *fixed assets is to be based on the fair value at the time of acquisition.*

17                   72. *Aside from land and construction in progress, all fixed assets*  
18 *are depreciated according to the nature and characteristics of the asset.*

19                   73. *The acquisition cost of fixed assets constructed by way of self-*  
20 *management includes the direct costs for labor, raw materials, and indirect*  
21 *costs, including the cost of planning and supervision, equipment, electricity,*  
22 *equipment rental, and all other costs incurred with respect to the construction*  
23 *of fixed assets.*

24                   74. *Assets denominated in foreign currencies are translated and*  
25 *expressed in rupiah. Foreign currency translation is conducted using the*  
26 *central bank middle rate at the balance sheet date.*

27       **Short-term Liabilities**

28                   75. *A liability is classified as a current liability if it is expected to*  
29 *be paid within 12 (twelve) months after the reporting date. All other*  
30 *liabilities are classified as long-term liabilities.*

31                   76. *Short-term liabilities can be categorized in the same way as*  
32 *current assets. Some short-term liabilities, such as government debt transfers*  
33 *or debt to employees is the part that will absorb current assets within the next*  
34 *reporting year.*

35                   77. *Other short-term liabilities are obligations due within 12 (twelve)*  
36 *months after the reporting date. For example, interest on loans, short-term debt*  
37 *of a third party, third party debt calculation (PFK), and the current portion of*  
38 *long-term debt.*

1       **Long-term Liabilities**

2               78. *A reporting entity continues to classify debt as long-term*  
3 *debt, although the obligation is due and to be completed within 12*  
4 *(twelve) months after the reporting date if:*

- 5 *a) the original term is for a period of more than 12 (twelve) months;*  
6 *b) the entity intends to refinance the liability on a long-term basis; and*  
7 *c) this intention is supported by the existence of a refinancing*  
8 *agreement, or the rescheduling of the payment, which was completed*  
9 *before the financial reports were approved.*

10 *The amount of each liability incurred from short-term obligations in*  
11 *accordance with this paragraph, together with information supporting this*  
12 *presentation, is disclosed in the Notes to the Financial Statements.*

13               79. Some liabilities that are due to be repaid in the next year may be  
14 expected to be refinanced or rolled over based on the reporting entity's policy  
15 and it is expected it will not immediately absorb the entity's funds. Such  
16 liabilities are considered to be a part of long-term financing and are classified  
17 as long-term liabilities. However, in situations where the re-financing policy is  
18 not in the entity (as in the case of an absence of a refinancing approval),  
19 refinancing can not be considered automatically and the liabilities are to be  
20 classified to a short-term posting unless settlement of the refinancing  
21 agreement before approval of the financial report proves that the substance of  
22 the liability at the reporting date is long-term.

23               80. Some loan agreements include certain conditions (covenants)  
24 that cause long-term liabilities to become current liabilities (payable on  
25 demand) if certain conditions relating to the financial position of the borrower  
26 are violated. In such circumstances, the liability can be classified as a  
27 long-term liability only if:

- 28 a) the lender has agreed not to seek repayment as a consequence of the  
29 breach; and  
30 b) it is unlikely that subsequent violations will occur within 12 (twelve) months  
31 after the reporting date.

32       **Liability Recognition**

33               81. *Liabilities are recognized when it is probable that this*  
34 *expenditure of economic resources will be made or has been made to*  
35 *settle existing liabilities, and changes to the liability has a settlement*  
36 *value that can be measured reliably.*

37               82. *Liabilities are recognized at the time loan funds are received*  
38 *or when the liabilities arise.*

1       **Liability Measurement**

2               83. *Liabilities are recorded at their nominal value. Liabilities*  
3 *denominated in foreign currencies are translated and expressed in*  
4 *rupiah. Foreign currency translation is conducted using the middle rate*  
5 *of the central bank at the balance sheet date.*

6       **Equity**

7               84. *Equity is the net worth of the government which represents*  
8 *the difference between the government's assets and liabilities at the*  
9 *reporting date.*

10              85. The balance of equity in the balance sheet comes from the final  
11 equity balance in the Statement of Changes in Equity.

12       **INFORMATION PRESENTED IN THE BALANCE SHEET OR IN**  
13 **THE NOTES TO THE FINANCIAL STATEMENTS**

14              86. *A reporting entity discloses, either within the Balance Sheet*  
15 *or in the Notes to the Financial Reports, a subclassification of posts*  
16 *presented, classified in a manner consistent with the operations of the*  
17 *entity concerned. A post is to be further subclassified, if necessary, in*  
18 *accordance with its nature.*

19              87. The details included in the subclassification on the Balance Sheet  
20 or in the Notes to the Financial Statements depends on the requirements of  
21 Government Accounting Standards and the materiality of the amount of the  
22 post in question. The factors mentioned in paragraph 86 may be used in  
23 determining the basis for the subclassification.

24              88. Disclosure will vary for each item, for example:

- 25       (a) accounts receivable are specified according to amounts for taxes  
26           receivable, levies, sales, related parties, advances and other amounts;  
27           transfers receivable are specified according to source;
- 28       (b) inventories are further detailed in accordance with the standards  
29           governing the accounting for inventories;
- 30       (c) fixed assets are classified by group in accordance with the standards set  
31           for fixed assets;
- 32       (d) debt transfers are analyzed according to receiving entity;
- 33       (e) reserve funds are classified in accordance with their purpose;
- 34       (f) disclosure of the interests of the government in state / local / other  
35           enterprises is subclassified into the amount of the investment provided,  
36           the level of control and valuation methods.

1       **STATEMENT OF CASH FLOWS**

2               89.The Statement of Cash Flows provides information about the  
3 source, use of, changes in cash and cash equivalents during the accounting  
4 period, and the balance of cash and cash equivalents at the reporting date.

5               90. **Cash inflows and outflows are classified according to**  
6 **operating, investing, financing, dan transitory activities.**

7               91. The presentation of the Statement of Cash Flows and disclosures  
8 related to cash flows is set out in Governmental Accounting Standards  
9 Statement No. 03 Statement of Cash Flows.

10       **STATEMENT OF OPERATIONS**

11               92. *The financial reports include the statement of operations*  
12 *which presents the following items:*

- 13       a) **Revenue-LO from operational activities;**  
14       b) **Expenses from operational activities ;**  
15       c) **Surplus/deficit from Non Operational Activities, if any;**  
16       d) **Extraordinary Items, if any;**  
17       e) **Surplus/deficit-LO.**

18       *Additional posts, headings and subtotals are presented in the Statement*  
19 *of Operations when these standards require it, or if it is necessary to*  
20 *present fairly the operating result of a reporting entity.*

21               93. In conjunction with the Statement of Operations, operational  
22 activities of a reporting entity can be analyzed by economic classification or  
23 functions / programs classification to achieve the predetermined objectives.

24               94. Additional posts in the Statement of Operations, descriptions  
25 used and the arrangement of posts can be changed if necessary to explain  
26 performance. Factors to be considered include materiality and the nature and  
27 function of the components of revenue-LO and expenses.

28               95. In the Statement of Operations, which is analyzed according to  
29 expense classification, expenses are classified by economic classification (as  
30 examples, depreciation / amortization, office stationery, transportation  
31 expenses, and salaries and employee benefits), and are not reallocated to the  
32 various functions within a reporting entity. This method is simple to apply in  
33 most small entities because it does not require the allocation of operating  
34 expenses to the various functionssi.

35               96. In the Statement of Operations, which is analyzed according to  
36 classification by function, expenses are grouped by program or intention.  
37 Presentation of the report provides more relevant information to users than the  
38 report by economic classification, although in this case the allocation of  
39 expenses to functions is sometimes arbitrary and on the basis of certain  
40 considerations.

1           97. The reporting entity that classifies expenses according to  
2 functional classification also discloses additional information on expenses by  
3 economic classification, i.e. including depreciation / amortization expense,  
4 salaries and employee benefits expense, and debt interest expense.

5           98. In selecting to apply either the economic classification or  
6 functional classification method will depend on historical factors and laws and  
7 regulations, as well as the nature of the organization. Both methods can  
8 provide an indication of possible expenses, directly or indirectly, in contrast  
9 with the output of the reporting entity concerned. Because the application of  
10 each method on different entities has its own advantages, then the standards  
11 allow reporting entities to choose one method that is considered to present the  
12 elements of performance appropriately.

13           99. In the Statement of Operations, gains / losses of the sale of non-  
14 current assets and extraordinary revenue / expenses are divided into separate  
15 groups.

16           100. PSAP 12 outlines in more detail the Statement of Operations  
17 which groups expenses by economic classification. The Statement of  
18 Operations is presented in the form of a comparison with the previous year,  
19 which can be seen in sample formats in illustrations PSAP 12.A and 12.b.

20           **STATEMENT OF CHANGES IN EQUITY**

21           101. *A reporting entity that presents the Statement of Changes*  
22 *in Equity as referred to in paragraph 20 presents at least these items:*

- 23           a) *Opening equity;*
- 24           b) *Surplus/deficit-LO in the relevant period;*
- 25           c) *Corrections that directly increase / decrease equity, which, among*  
26 *others, are derived from the cumulative impacts caused by changes*  
27 *in accounting policies and the correction fundamental errors, such*  
28 *as:*
  - 29           1. *correction of fundamental errors to inventories that occurred in*  
30 *prior periods;*
  - 31           2. *changes in the value of fixed assets due to revaluations.*
- 32           d) *Closing equity.*

33           102. *In addition, a reporting entity presents further details of the*  
34 *elements contained in the Statement of Changes in Equity in the Notes to*  
35 *the Financial Statements.*

36           103. Examples of the Statement of Changes in Equity formats are  
37 presented in illustrations PSAP 01.C and 01.D. The illustrations are examples  
38 only and are not part of the standard. The purpose of these illustrations is to  
39 describe the application of the standard to assist in financial reporting.

# 1       NOTES TO THE FINANCIAL STATEMENTS

## 2       Structure

3               104. *To be used by the user in understanding and comparing it*  
4 *with the other entity's financial statements, the Notes to the Financial*  
5 *Statements disclose the following:*

- 6       a) *General Information about the Reporting Entity and the Accounting*  
7       *Entity;*  
8       b) *Information on fiscal / financial policies and macroeconomy;*  
9       c) *Summary of achievement of financial targets during the reporting*  
10       *year together with the constraints and obstacles encountered in*  
11       *achieving the target;*  
12       d) *Information about the basis of preparation of the financial statements*  
13       *and accounting policies selected to be applied to transactions and*  
14       *other significant events;*  
15       e) *Details and explanation of each item presented on the face of the*  
16       *financial statements;*  
17       f) *The information required by the Governmental Accounting Standards*  
18       *that have not been presented on the face of the financial statements;*  
19       g) *Other information necessary for a fair presentation, which is not*  
20       *presented on the face of the financial statements.*

21               105. *The Notes to the Financial Statements are presented*  
22 *systematically. Each item in the Budget Realization Report, Statement of*  
23 *Changes in the Excess Budget Balance, Balance Sheet, Statement of*  
24 *Operations, Statement of Cash Flows, and Statement of Changes in*  
25 *Equity should have cross-references to the related information in the*  
26 *Notes to the Financial Statements.*

27               106. *The Notes to the Financial Statements include an*  
28 *explanation or a detailed list or analysis of the value of the items*  
29 *presented in the Budget Realization Report, Statement of Changes in the*  
30 *Excess Budget Balance, Balance Sheet, Statement of Operations,*  
31 *Statement of Cash Flows, and Statement of Changes in Equity. Included*  
32 *also in the Notes to the Financial Statements is the presentation of*  
33 *information required and recommended by the Government Accounting*  
34 *Standards and other disclosures necessary for a fair presentation of the*  
35 *financial statements, such as contingent liabilities and other*  
36 *commitments.*

37               107. *In certain circumstances it is possible to change the order of the*  
38 *presentation of certain items in the Notes to the Financial Statements. For*  
39 *example, information the interest rate and fair value adjustments may be*  
40 *combined with information on the maturity of securities.*



## 1       **Presentation of Accounting Policies**

2               108. *The accounting policies section in the Notes to the*  
3               *Financial Statements describes the following:*

- 4       **(a) the measurement basis used in the preparation of the financial**  
5       **statements;**  
6       **(b) the extent to which the accounting policies related to the transition**  
7       **provisions of the Government Accounting Standards have been**  
8       **applied by the reporting entity, and**  
9       **(c) each specific accounting policy that is necessary to understand the**  
10       **financial statements.**

11              109. Users of financial statements need to know the bases of  
12       measurement used as the basis in preparing the financial reports. If more than  
13       one measurement basis is used in the preparation of financial reports, then the  
14       information presented must be sufficient to indicate the measurements basis  
15       used for assets and liabilities.

16              110. In determining whether a particular accounting policy should be  
17       disclosed, management should consider whether disclosure would help users  
18       understand every transaction which is reflected in the financial statements. The  
19       accounting policies that need to be considered for presentation include, but are  
20       not limited to, the following:

- 21       (a) Recognition of revenue-LRA and revenue-LO;  
22       (b) Recognition of expenditure;  
23       (c) Recognition of expenses;  
24       (d) Principles for the preparation of the consolidated statements;  
25       (e) Investments;  
26       (f) Recognition of termination / disposal of tangible and intangible assets;  
27       (g) Construction contracts;  
28       (h) Expenditure capitalization policy;  
29       (i) Partnerships with third parties;  
30       (j) Research and development costs;  
31       (k) Inventories, whether for sale or for their own use;  
32       (l) Reserve funds;  
33       (m) Foreign currency translation and hedging.

34              111. Each reporting entity should consider the nature of the activities  
35       and policies that need to be disclosed in the Notes to the Financial Statements.  
36       For example, the disclosure of information for the recognition of taxes, levies  
37       and other forms of compulsory dues (non-reciprocal revenue), foreign currency  
38       translation and the accounting treatment of foreign exchange.

39              112. An accounting policy may be significant even if the value of the  
40       items presented in the current and previous period are not material. In addition,

1 any accounting policies selected and applied that are not regulated in this  
2 Statement also need to be disclosed.

3 **Other Disclosures**

4 113. *A reporting entity discloses the following if not yet stated in*  
5 *any part of the financial report, namely:*

6 *a. domicile and legal form of the entity, and the jurisdiction in which the*  
7 *entity operates;*

8 *b. explanation about the nature of the principal activities and operations*  
9 *of the entity;*

10 *c. statutory provisions that underlie its operations.*

11 **DATE OF EFFECT**

12 1. *This Statement of Governmental Accounting Standards is*  
13 *effective for financial statements from Budget Year 2010.*

14 2. *For reporting entities that are not able to implement this*  
15 *Standard, the reporting entities can apply the Cash Towards Accrual*  
16 *Basis Standards for a maximum of 4 (four) years after Budget Year 2010.*

17

ATTACHMENT I.03  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

### **STATEMENT NO. 02**

## **BUDGET REALIZATION REPORT CASH BASIS**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION*

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**Attachments :**

- Attachment Illustration I.03 PSAP 02.A :    Sample        Format        Central  
Government Budget Realization Report**
- Attachment Illustration I.03 PSAP 02.B :    Sample        Format        Provincial  
Government Budget Realization Report**
- Attachment Illustration I.03 PSAP 02.C :    Sample        Format        District/City  
Budget Realization Report**

1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **ACCRUAL BASIS**  
3 **STATEMENT NO. 02**

4 **BUDGET REALIZATION REPORT CASH BASIS**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

11 1. The objective of the Realization Budget Report Standard is to  
12 prescribe the basis for the presentation of government budget realization  
13 reports in order to meet accountability objectives as established by laws and  
14 regulations.

15 2. The objective of Budget Realization Reports is to provide  
16 information on the realization and budget of the reporting entity. Comparisons  
17 between the budget and realization indicate the level of achievement of the  
18 targets that have been agreed between the legislature and the executive in  
19 accordance with laws and regulations.

20 **SCOPE**

21 3. *This Standard is applied to the preparation of the Budget*  
22 *Realization Report prepared and presented using the cash-based budget.*

23 4. *This Standard applies to all reporting entities, both in the*  
24 *central government and local governments, which have a budget based*  
25 *on the APBN / APBD, not including state / local enterprises.*

26 **BENEFITS OF BUDGET REALIZATION INFORMATION**

27 5. The Budget Realization Report provides information on the  
28 realization of revenue-LRA, expenditures, transfers, surplus / deficit-LRA, and  
29 the financing of a reporting entity, compared with the budget. Such information  
30 is useful for users of reports in evaluating decisions about the allocation of  
31 economic resources, accountability and adherence by the reporting entity to  
32 the budget by:

33 (a). providing information about the source, allocation and use of economic  
34 resources;

- 1 (b). providing information about the realization of budget as a whole that is  
2 useful in evaluating the government's performance in terms of efficiency  
3 and effectiveness of the use of budget.
- 4 6. The Budget Realization Report provides information that is  
5 useful in predicting the economic resources that will be received to finance the  
6 activities of central and local governments in the coming period by presenting a  
7 comparative report. The Budget Realization Report can provide information to  
8 the report users indicating that the acquisition and use of economic resources:
- 9 (a). has been carried out in an efficient, effective, and efficient;  
10 (b). has been implemented in accordance with the budget (APBN / APBD),  
11 (c). has been implemented in accordance with laws and regulations.

## 12 DEFINITIONS

13 7. *The following are terms used in this Standard:*

14 ***Budget is a guide for actions to be implemented by government covering***  
15 ***planned revenues, expenditures, transfers, and financing which is***  
16 ***measured in rupiah, and arranged systematically according to a specific***  
17 ***classification for one period.***

18 ***Local Expenditure and Revenue Budget (APBD) is the local government***  
19 ***annual financial plan agreed by local legislatures.***

20 ***National Expenditure and Revenue Budget (APBN) is the central***  
21 ***government annual financial plan agreed by the House of Representatives***  
22 ***(DPR).***

23 ***Appropriation is the budget approved by DPR / local parliaments which is***  
24 ***the mandate given to president / governor / regent / mayor to undertake***  
25 ***expenditures according to the purpose specified.***

26 ***Gross Principle is a principle that does not permit recording on a net***  
27 ***basis, that is, the recording of receipts after deducting expenses in a unit***  
28 ***or organization, or does not permit the recording of expenditures after***  
29 ***compensation between receipts and expenditures.***

30 ***Cash basis is the basis of accounting that recognizes the effects of***  
31 ***transactions and other events when cash or cash equivalents are received***  
32 ***or paid.***

33 ***Expenditures are all disbursements from the State/Local General Treasury***  
34 ***that reduce the Excess Budget Balance in the corresponding period of the***  
35 ***budget year and that will not be paid back to the government.***

36 ***Reserve Funds are funds set aside to accommodate needs requiring***  
37 ***relatively large funds that cannot be met within one budget year.***

38 ***Reporting Entity is a unit of government consisting of one or more***  
39 ***accounting entities in accordance with the accounting provisions of***

1 *legislation and are required to submit accountability reports in the form of*  
2 *financial statements.*

3 *Local Treasury is the depository for local government monies that is*  
4 *determined by the Local Treasurer to accommodate all local government*  
5 *receipts and expenditures.*

6 *State Treasury is the depository of state monies as determined by the*  
7 *Minister of Finance as the General Treasurer of the State to accommodate*  
8 *all the central government receipts and expenditures.*

9 *Accounting Policies are the principles, foundations, conventions, rules,*  
10 *and specific practices chosen by a reporting entity in the preparation and*  
11 *presentation of financial statements.*

12 *Exchange rate is the ratio of exchange of two currencies.*

13 *Budget Credit Authorization (allotment) is the budget implementation*  
14 *document that shows the part of the appropriation provided for agency*  
15 *units and used to obtain money from the State / Local General Treasury to*  
16 *finance expenditures during the period of authorization.*

17 *Revenue-LRA is all receipts into the State / Local General Treasury*  
18 *Account that adds to the Excess Budget Balance in the period of the*  
19 *corresponding budget year that becomes the right of the government, and*  
20 *does not need to be repaid by the government.*

21 *Financing is any receipt that needs to be repaid and / or expenditures that*  
22 *will be readmitted, both in the budget year concerned and in subsequent*  
23 *budget years, which in government budgeting is primarily intended to*  
24 *cover a budget deficit or utilize a surplus.*

25 *Local enterprise is a business entity wholly or partially owned by the*  
26 *Local Government.*

27 *State enterprise is a business entity wholly or partially owned by the*  
28 *Central Government.*

29 *State General Treasury Account is a depository account of State funds*  
30 *prescribed by the Minister of Finance as General Treasurer of the State to*  
31 *accommodate all State receipts and pay all State expenditures in the*  
32 *central bank..*

33 *Local General Treasury Account is a local depository account determined*  
34 *by the governor / regent / mayor to hold all local receipts and pay all local*  
35 *expenditures in a specified bank.*

36 *Excess Budget Balance is the total amount derived from accumulated*  
37 *SiLPA / SiKPA balances from previous budget years and the current year*  
38 *as well as other permitted adjustments.*

39 *Budget Financing Surplus/Deficit Balance (SiLPA/SiKPA) is the excess /*  
40 *shortfall difference between realized revenue-LRA and expenditures, as*



1 *well as financing receipts and expenditures in the APBN/APBD during one*  
2 *reporting period.*

3 *Surplus/deficit-LRA is the excess/shortfall difference between revenue-*  
4 *LRA and expenditures during one reporting period.*

5 *Transfers are revenues / expenditures of money of a reporting entity from*  
6 */ to other reporting entities, including the balance funds and revenue*  
7 *sharing funds.*

## 8 **BUDGET REALIZATION REPORT STRUCTURE**

9           8. The Budget Realization Report presents information *on the*  
10 *realization of revenue-LRA, expenditures, transfers, surplus / deficit-LRA,*  
11 *and financing, compared with the budget in one period.*

12           9. The Budget Realization Report should clearly identify, and  
13 *repeat on each page of the report, if deemed necessary, the following*  
14 *information:*

- 15           (a). *the name of the reporting entity or other means of identification;*
- 16           (b). *the scope of the reporting entity;*
- 17           (c). *the period covered;*
- 18           (d). *the reporting currency, and;*
- 19           (e). *units of the figures used.*

## 20 **REPORTING PERIOD**

21           10. The Budget Realization Report is presented at least once a  
22 *year. If in certain circumstances an entity's reporting date changes and*  
23 *the annual Budget Realization Report is presented with a period longer*  
24 *or shorter than one year, the entity must disclose the following*  
25 *information:*

- 26           (a). *reasons for not reporting for a period of one year;*
- 27           (b). *the fact that comparative amounts in the Budget Realization*  
28 *Report and related notes are not comparable.*

## 29 **TIMELINESS**

30           11. The benefits of the Budget Realization Report are reduced if the  
31 *report is not available on time. Factors such as the complexity of government*  
32 *operations cannot justify the inability of the reporting entity to present its*  
33 *financial statements on time. A reporting entity must present the Budget*  
34 *Realization Report no later than 6 (six) months after the end of financial year.*

## BUDGET REALIZATION REPORT CONTENTS

12. The Budget Realization Report is presented in such a way as to highlight the various elements of revenues, expenditures, transfers, surplus / deficit, and financing necessary for a fair presentation. The Budget Realization Report reconciles the realization of revenue-LRA, expenditures, transfers, surplus / deficit-LRA, and financing with the Budget. The Budget Realization Report is further explained in the Notes to the Financial Statements which contain matters that affect the implementation of the budget, such as fiscal and monetary policy, the causes of the material differences between the budget and realization, as well as lists further detailing figures considered necessary to explain.

13. *Budget Realization Report shall include at least the following items:*

- (a). Revenue-LRA;*
- (b). Expenditure;*
- (c). Transfers;*
- (d). Surplus/deficit-LRA;*
- (e). Financing receipts;*
- (f). Financing expenditures;*
- (g). Net financing; and*
- (h). Excess / shortfall budget financing balance (SiLPA / SiKPA).*

14. *Items, titles, and other sub-amounts shown in the Budget Realization Report are required by the Government Accounting Standards, or if the presentation is necessary to present the Budget Realization Report fairly.*

15. Examples the Budget Realization Report formats are shown in the illustration PSAP 02.A, 02.B, and 02.C of this Standard. These illustrations are examples and do not form part of the Standard. The purpose of these illustrations is to provide a description of the implementation of the standards to assist in clarifying their meaning.

## INFORMATION PRESENTED IN THE BUDGET REALIZATION REPORT OR IN THE NOTES TO THE FINANCIAL STATEMENTS

16. *The reporting entity presents the classification of revenue according to the type revenue-LRA in the Budget Realization Report, and further details of the type of revenue are presented in the Notes to the Financial Statements.*

17. *The reporting entity presents the classification of expenditures according to the type expenditure in the Budget Realization Report. The classification of expenditures according to the*

1 organization is shown in the Budget Realization **Report** or in the Notes to  
2 the Financial Statements. Classification of expenditures by function is  
3 presented in the Notes to the Financial Statements.

## 4 **BUDGET ACCOUNTING**

5 18. Budget accounting is the accountability and management control  
6 technique used to help manage revenue, expenditures, transfers, and  
7 financing.

8 19. Budget accounting is organized according to the structure of the  
9 budget, consisting of budget revenues, expenditures, and financing. Budget  
10 revenue covers estimated revenues translated into revenue estimate  
11 allocations. Budget expenditures consist of appropriations translated into  
12 budget credit authorizations (allotments). Budget financing consists of financing  
13 revenue and financing expenditures.

14 20. Budget accounting is conducted at the time the budget is  
15 enacted and allocated.

## 16 **REVENUE-LRA ACCOUNTING**

17 21. Revenue-LRA is recognized when received in the State /  
18 Local General Treasury Account.

19 22. Revenue-LRA is classified according to the type revenue.

20 23. Admission of transfers is the receipt of money from other  
21 reporting entities, such as balance fund receipts from the central  
22 government and the revenue sharing fund from the provincial  
23 government.

24 24. Accounting for revenue-LRA is conducted based on the  
25 gross principle by recording gross receipts, and not by recording the net  
26 amount (that is, offset against expenditures).

27 25. The gross principle can be exempted in the event the amount  
28 of a deduction against gross revenue-LRA (costs) to the revenue is  
29 variable and cannot be budgeted for in advance because the process is  
30 not yet finalised.

31 26. In the case of public service agencies, revenue is  
32 recognized by reference to the laws and regulations governing the public  
33 service agency.

34 27. Refunds that are systemic (normal) and recurring for  
35 revenue-LRA receipts in the period of receipt or the prior period are  
36 recorded as reductions of revenue-LRA.

37 28. Corrections and refunds that are non-recurring for revenue-  
38 LRA receipts that occur in the period of revenue-LRA receipt are  
39 recorded as reductions of revenue LRA-LRA in the same period.

***29. Corrections and refunds that are non-recurring for revenue-LRA receipts that occur in the previous period are recorded as reductions to the Excess Budget Balance in the period the correction and refund is discovered.***

30. Accounting for revenue-LRA structured to meet accountability requirements in accordance with the provisions and for the purposes of management control for central and local governments.

## EXPENDITURE ACCOUNTING

**31. Expenditures are recognized when there is expenditure from the State / Local General Treasury Account.**

**32. Recognition of special expenditure through the expenditure treasurer occurs when the liability for such expenditures is authorized by the unit which has the treasury function.**

**33. In the case of public service agencies, expenditure is recognized by reference to the laws and regulations governing the public service agency.**

**34. Expenditures are classified according to economic classification (type of expenditure), organization, and function.**

35. Economic classification is an expenditure grouping based on the type of expenditure to implement an activity. The economic classifications for the central government are personnel expenditures, goods expenditures, capital expenditures, interest, subsidies, grants, social assistance, and other expenditures. The economic classification for local governments covers personnel expenditures, goods expenditures, capital expenditures, interest, subsidies, grants, social assistance, and unexpected expenditures.

36. Operating expenditures are budget expenditures for the day-to-day activities of central / local governments which give short-term benefits. Operating expenditures include personnel expenditures, goods expenditures, interest, subsidies, grants, social assistance.

37. Capital expenditures are budget expenditures for the acquisition of fixed assets and other assets that give benefits to more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings, equipment, intangible assets.

38. Other expenditures / unexpected expenditures are budget expenditures for activities that are unusual and not expected to recur, such as a natural disaster response, social disasters, and other unexpected expenditures that are indispensable in implementing the authority of central / local governments.

39. Examples of expenditure by economic classification (type of expenditure) are as follows:

Operating Expenditure:

- Personnel Expenditure

XXX

1	- Goods Expenditure	xxx
2	- Interest	xxx
3	- Subsidies	xxx
4	- Grants	xxx
5	- Social Assistance	xxx
6	Capital Expenditures	
7	- Fixed Assets Expenditures	xxx
8	- Other Assets Expenditures	xxx
9	Other/Unexpected Expenditures	xxx
10	Transfers	xxx

11

12                   **40. Transfers out are expenditures of money from reporting**  
13 **entities reporting to other reporting entities such as balance funds**  
14 **expenditures by the central government and revenue sharing funds by**  
15 **local governments.**

16                   41. Classification according to organization, i.e. classification based  
17 on budget user organizational units. The classification of expenditure by  
18 organization in the central government includes, among others, expenditure per  
19 line ministry / agency and their sub-ordinate organizational units. The  
20 classification of expenditure by organization in the local government includes,  
21 among others, the Secretariat of the Council of Regional Representatives  
22 (Local Parliament), the Regional Secretariat of the province / district / city,  
23 government agencies of the province / district / city and regional technical  
24 institutions of the province / district / city.

25                   42. Classification by function is a classification which is based on the  
26 main functions of the central / local government in providing services to the  
27 community.

28                   43. An example of expenditure classified by function is as follows:

29                   Expenditures :

30	- General Services	xxx
31	- Defense	xxx
32	- Order and Security	xxx
33	- Economy	xxx
34	- Environmental Protection	xxx
35	- Housing and Settlement	xxx
36	- Health	xxx
37	- Tourism and Culture	xxx

- 4

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1                   **53. Accounting for financing receipts is implemented based**  
2 **on the gross principle, with the recording of gross receipts, and not**  
3 **recording net amounts (i.e. after offsetting against expenditures).**

4                   54. Disbursement of Reserve Funds reduces the Reserve Fund in  
5 question.

## 6                   **ACCOUNTING FOR FINANCING EXPENDITURES**

7                   55. Financing expenditures are all State / Local General Treasury  
8 Account expenditures including, among others, loans to third parties,  
9 government equity participation, repayment of loan principal in a particular  
10 budget year period, and the establishment of reserve funds.

11                   **56. Financing expenditures are recognized when issued from**  
12 **the State / Local General Treasury Account.**

13                   57. The formation of Reserve Fund adds to the relevant Reserve  
14 Fund. The proceeds obtained from the management of the Reserve Fund in  
15 local government are additions to the Reserve Fund. The proceeds are  
16 recorded as revenue-LRA in the post other local government own-source  
17 revenue.

## 18                   **ACCOUNTING FOR NET FINANCING**

19                   58. Net Financing is the difference between financing receipts net of  
20 financing expenditures within a certain budget year period.

21                   **59. Any excess / shortfall between receipts and expenditures**  
22 **for one financial reporting period are recorded in Net Financing.**

## 23                   **ACCOUNTING FOR THE SURPLUS / DEFICIT** 24 **AFTER BUDGET FINANCING (SILPA/SIKPA)**

25                   60. The surplus / deficit after budget financing is the surplus / deficit  
26 difference between the realization of receipts and expenditures for one  
27 reporting period.

28                   **61. The surplus/deficit balance between the realization of**  
29 **revenue-LRA and expenditure, as well as financing receipts and**  
30 **expenditures for one reporting period are recorded in the SiLPA/SiKPA**  
31 **account.**

32                   62. The surplus/deficit balance for budget financing at the end of the  
33 reporting period is transferred to the Statement of Changes in the Excess  
34 Budget Balance.

## 35                   **FOREIGN CURRENCY TRANSACTIONS**

36                   **63. Transactions in foreign currencies are recognized in rupiah.**

1                    **64. In terms of available funds in foreign currency equal to that**  
2 **used in the transaction, then the transaction denominated in a foreign**  
3 **currency is accounted for by being converted into rupiah at the central**  
4 **bank middle rate at the date of transaction.**

5                    **65. In the absence of available funds in foreign currency used**  
6 **in a transaction and the foreign currency is purchased rupiah, then the**  
7 **transaction denominated in the foreign currency is recorded in rupiah**  
8 **based on the transaction exchange rate, that is, in the amount of rupiah**  
9 **that is used to obtain the foreign currency.**

10                    **66. In the absence of available funds in foreign currency used**  
11 **for transactions and the foreign currency is purchased with other foreign**  
12 **currencies, then the:**

- 13 **(a). Foreign currency to other foreign currency transactions are**  
14 **converted using the transaction exchange rate;**  
15 **(b). Transactions in other foreign currencies are recorded in rupiah using**  
16 **the central bank middle rate on the transaction date.**

17                    **DATE OF EFFECT**

18                    **67. This Statement of Governmental Accounting Standards is**  
19 **effective for financial statements from Budget Year 2010.**

20                    **68. For reporting entities that are not able to implement this**  
21 **Standard, the reporting entities can apply the Cash Towards Accrual**  
22 **Basis Standards for a maximum of 4 (four) years after Budget Year 2010.**



ATTACHMENT I.04  
REPUBLIC OF INDONESIA GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

### **STATEMENT NO. 03**

## **STATEMENT OF CASH FLOWS**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION.*

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- Attachments :
- Attachment Illustration I.04 PSAP 03.A: Sample Format Central Government Statement of Cash Flows
  - Attachment Illustration I.04 PSAP 03.B: Sample Format Provincial Government Statement of Cash Flows
  - Attachment Illustration I.04 PSAP 03.C: Sample Format District/City Statement of Cash Flows

1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **ACCRUAL BASIS**  
3 **STATEMENT NO. 03**

4 **STATEMENT OF CASH FLOWS**

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

9 **INTRODUCTION**

10 **PURPOSE**

11 1. The purpose of this Standard is to regulate the presentation of the  
12 Statement of Cash Flows which provides historical information about changes  
13 in cash and cash equivalents of a reporting entity by classifying cash flows as  
14 operating, investing, financing, and transitory activities for an accounting period.

15 2. The purpose of cash flow reporting is to provide information about  
16 the source, use, changes in cash and cash equivalents during an accounting  
17 period and the balance of cash and cash equivalents at the reporting date. This  
18 information is presented for accountability and decision-making.

19 **SCOPE**

20 3. *Central and local governments that prepare and present their*  
21 *financial statements on an accrual accounting basis are required to*  
22 *prepare a cash flow statement in accordance with this Standard for every*  
23 *financial reporting period as a component of the principal financial*  
24 *statements.*

25 4. *This Standard applies to the preparation of the Statement of*  
26 *Cash Flows of the central and local governments, organizational units of*  
27 *central and local governments, or other organizations if required to by*  
28 *laws and regulations or the standards. Organizational units shall prepare*  
29 *a Statement of Cash Flows, except for the state / local enterprises.*

30 **BENEFITS OF CASH FLOW INFORMATION**

31 5. Cash flow information is a useful indicator of the amount of cash  
32 flow in the future, as well as being useful in assessing the precision of cash flow  
33 estimates that have been made previously.

34 6. The Statement of Cash Flows is also a tool of accountability for  
35 cash inflows and outflows during the reporting period.

1                   7. When linked with the other financial statements, the Statement of  
2 Cash Flows provides useful information for users of the report to evaluate  
3 changes in net assets / equity of a reporting entity and the financial structure of  
4 the government (including liquidity and solvency).

## 5                   **DEFINITIONS**

6                   8. *The following are terms used in this Standard:*

7                   **Assets** *are economic resources controlled and / or owned by the*  
8 *government as a result of past events and from which future economic*  
9 *and / or social benefits are expected to be obtained, either by the*  
10 *government or the public, and can be measured in terms of money,*  
11 *including non-financial resources required for the provision of public*  
12 *services and resources that are maintained for reasons of history and*  
13 *culture.*

14                   **Cash flows** *are inflows and outflows of cash and cash equivalents in the*  
15 *State / Local General Treasury.*

16                   **Operating activities** *are cash receipt and disbursement activities intended*  
17 *for government operational activities during an accounting period.*

18                   **Investing activities** *are cash receipt and expenditure activities intended*  
19 *for the acquisition and disposal of fixed assets and other investments not*  
20 *included in cash equivalents.*

21                   **Financing activities** *are activities relating to cash receipts that will be*  
22 *repaid and / or disbursements of cash that will be returned that result in*  
23 *changes in the amount and composition of debt and long-term*  
24 *receivables.*

25                   **Non-budget activities** *are activities relating to cash receipts or*  
26 *disbursements that do not affect budget revenues, expenditures,*  
27 *transfers, and government financing.*

28                   **Transitory Activities** *are activities relating to cash receipts or*  
29 *disbursements that are not included in operating, investing, and financing*  
30 *activities.*

31                   **Accrual basis** *is the basis of accounting that recognizes the effects of*  
32 *transactions and other events at the time the transaction and event*  
33 *occurred, regardless of when cash or its equivalent is received or paid.*

34                   **Expenses** *are decreases in economic benefits or service potential in the*  
35 *reporting period which decreases equity, which may include expenditure*  
36 *or consumption of an asset or the incurrence of liabilities.*

37                   **Transfers Expenses** *are expenses forming cash expenditures or liabilities*  
38 *to spend money from a reporting entity to another reporting entity as*  
39 *required by laws and regulations.*

40                   **Reserve Funds** *are funds set aside to accommodate needs requiring*  
41 *relatively large funds that cannot be met within one budget year.*

1     **Equity** is the government's net worth and is the difference between the  
2     government's assets and liabilities.

3     **Reporting Entity** is a unit of government consisting of one or more  
4     accounting entities in accordance with the accounting provisions of  
5     legislation and are required to submit accountability reports in the form of  
6     financial statements.

7     **Cash** is cash and the balance of bank deposits at any time that can be  
8     used to finance government activities.

9     **Local Treasury** is the depository for local government monies that is  
10    determined by the Local Treasurer to accommodate all local government  
11    receipts and expenditures.

12    **State Treasury** is the depository of state monies as determined by the  
13    Minister of Finance as the General Treasurer of the State to accommodate  
14    all the central government receipts and expenditures.

15    **Partnerships** are agreements between two or more parties who are  
16    committed to carry out a jointly controlled activity using owned assets  
17    and/or operating rights.

18    **Exchange rate** is the ratio of exchange of two currencies.

19    **Foreign currency** is a currency other than the reporting currency of the  
20    entity.

21    **Reporting currency** is rupiah used in presenting financial reports.

22    **Cost method** is a method of accounting that records the value of  
23    investments at the price of acquisition.

24    **Equity method** is a method of accounting that records the value of the  
25    initial investment at cost. The investment value is then adjusted for  
26    changes in the investor's share of net wealth / equity of the entity  
27    receiving the investment (investee) that occur after the initial acquisition  
28    of the investment.

29    **Direct method** is a method of presenting cash flows where the main  
30    grouping of gross cash receipts and expenditures must be disclosed.

31    **Indirect method** is a method of presenting the statement of cash flows  
32    where the surplus or deficit is adjusted for non-cash operational  
33    transactions, deferrals or recognition (accrual) of past/future cash  
34    receipts or payments, as well as the elements of receipts and  
35    expenditures in the form of cash related to investing and financing  
36    activities.

37    **Revenue-LO** is the right of the central / local government that is  
38    recognized as additions to equity in the period of the corresponding  
39    budget year and does not need to be repaid.

40    **Transfer revenue** is revenue in the form of cash receipts or the right to  
41    receive money by a reporting entity from another reporting entity as  
42    required by laws and regulations.

43    **Cash receipts** are all cash inflows to the State / Local General Treasury.

1     **Cash expenditures are all cash outflows from the State / Local General**  
2     **Treasury.**

3     **Accounting period is the period of financial accountability for the**  
4     **reporting entity which is a period equal to the budget year period.**

5     **State / Local enterprises are business entities that are wholly or partially**  
6     **owned by the central / local government.**

7     **Cash equivalents are short-term investments that are highly liquid and**  
8     **ready to be converted into cash, and are free from a significant risk of**  
9     **changes in value.**

10    **Reporting date is the date of the last day of the reporting period.**

11    **Extraordinary items are extraordinary revenues or expenses arising from**  
12    **extraordinary events or transactions which do not constitute normal**  
13    **operations, are not expected to occur frequently or regularly, and are**  
14    **beyond the control or influence of the entity concerned.**

## 15     **CASH AND CASH EQUIVALENTS**

16             **9. Cash and cash equivalents must be presented in the**  
17             **statement of cash flows.**

18             10. Cash equivalents of the government are intended to meet short-  
19             term cash requirements or for other purposes. To be eligible to be classified as  
20             cash equivalents, short-term investments must be able to be converted  
21             immediately into cash in the amount that can be known without significant risk  
22             of changes in value. Therefore, an investment is called a cash equivalent if the  
23             maturity period is three (3) months or less from the date of acquisition.

24             11. Information on movements between cash and cash equivalents is  
25             not included in the financial reports because such acts are part of the  
26             management of cash and do not form part of operating, investing, financing,  
27             and transitory activities.

## 28     **CASH FLOW REPORTING ENTITY**

29             12. Reporting entities are government units consisting of one or more  
30             accounting entities which, according to the provisions of laws and regulations,  
31             are required to submit an accountability report in the form of financial  
32             statements. A reporting entity is comprised of:

- 33             (a) The central government;
- 34             (b) Local governments;
- 35             (c) Each state ministry or agency in the central government, and;
- 36             (d) Organizational units within the central / local governments or any other
- 37             organization, if, according to laws and regulations, the organizational unit
- 38             is required to present financial reports.

1                   **13. The reporting entity that must prepare and present the**  
2 **statement of cash flows is an organizational unit that has the general**  
3 **treasury function.**

4                   14. The organizational units that have the general treasury function  
5 are defined as units of the state / local general treasurer and / or have the  
6 authority of the state / local general treasurer.

## 7                   **PRESENTATION OF THE STATEMENT OF CASH** 8 **FLOWS**

9                   **15. The statements of cash flow is a part of the financial reports**  
10 **presenting information on cash receipts and expenditures for a period**  
11 **classified according to operating, investing, financing, and transitory**  
12 **activities.**

13                   16. The classification of cash flows according to operating, investing,  
14 financing, and transitory activities provides information that allows report users  
15 to assess the effect of these activities on the cash and cash equivalent position  
16 of the government. Such information may also be used to evaluate the  
17 relationships among operating, investing, financing, and transitory activities.

18                   17. A particular transaction may affect the cash flows of several  
19 activities, such as debt repayment transactions consisting of the repayment  
20 debt principal and debt interest. Debt principal payments will be classified into  
21 financing activities while interest payments will generally be classified into  
22 operating activities, unless the interest is capitalized where it will be classified  
23 into investing activities.

24                   18. Sample formats of the statement of cash flows prepared on the  
25 basis of the financial accounts are presented in illustrations PSAP 03.A, 03.B,  
26 and 03.C standard. The illustrations are examples only to aid understanding  
27 and do not form part of this standard.

28                   **19. In the case the relevant entity still records receipts and**  
29 **expenditures in the cash book based on budget execution accounts the**  
30 **cash flow statement can be presented with reference to the budget**  
31 **execution accounts.**

32                   20. The definition of budget execution accounts are accounts related  
33 to revenues, expenditures, transfers, financing, and non-budgetary  
34 transactions, which in the Statement of Cash Flows are grouped into operating,  
35 investments in non-financial assets, financing, and non-budgetary activities.

## 36                   **OPERATING ACTIVITIES**

37                   **21. Operating activities are cash receipt and expenditure**  
38 **activities intended for government operational activities during an**  
39 **accounting period.**

22. Net cash flows from operating activities is an indicator that shows the ability of government operations to generate sufficient cash to finance operating activities in the future without relying on external funding sources.

23. Cash inflows from operating activities are derived primarily from:

- (a) Tax receipts;
- (b) State Non-Tax Receipts (PNBP);
- (c) Grant receipts;
- (d) Receipts from shares of profits of state / local owned enterprises and Other Investments;
- (e) Other Receipts / receipt of Extraordinary revenues, and
- (f) Transfer receipts.

24. Cash outflows for operating activities are primarily used for the payment of:

- (a) Personnel;
- (b) Goods;
- (c) Interest;
- (d) Subsidies;
- (e) Grants;
- (f) Social assistance;
- (g) Other / Extraordinary Events; and
- (h) Transfers.

**25. If a reporting entity has securities that in nature are the same as inventories, are purchased for sale, then the acquisition and sale of such securities are classified as operating activities.**

**26. If the reporting entity authorizes funds for activities of another entity, and the allocation is not yet clear whether the funds are for working capital, equity capital or to finance the activities of the current period, then the provision of these funds should be classified as operating activities. These events are described in the Notes to the Financial Statements.**

## INVESTMENT ACTIVITIES

**27. Investing activities are cash receipt and expenditure activities intended for the acquisition and disposal of fixed assets and other investments not included in cash equivalents.**

28. Cash flows from investing activities reflect the gross cash receipts and expenditures in the context of the acquisition and disposal of economic resources that aim to enhance and support government services to the community in the future.

29. Cash inflows from investing activities consist of:

- (a) Sales of Fixed Assets;



- 1 (b) Sales of Other Assets;
- 2 (c) Disbursement of Reserve Funds;
- 3 (d) Proceeds from divestments;
- 4 (e) Sale of Investments in Securities.
- 5 30. Cash outflows from investing activities consist of:
- 6 (a) Acquisition of Fixed Assets;
- 7 (b) Acquisition of other assets;
- 8 (c) Establishment of Reserve Funds;
- 9 (d) Government Equity participation;
- 10 (e) Purchases of Investments in the form of Securities.

11 **FINANCING ACTIVITIES**

12 ***31. Financing activities are cash receipt and expenditure***  
13 ***activities related to the provision of long-term receivables and / or***  
14 ***repayment of long-term debt that result in a change in the amount and***  
15 ***composition of long-term receivables and long-term debt.***

16 32. Cash flows from financing activities reflect cash receipts and  
17 expenditures related to the acquisition or provision of long-term loans.

18 33. Cash inflows from financing activities include, among others:

- 19 (a) Receipts of foreign debt;
- 20 (b) Receipts from debt obligations;
- 21 (c) Recovery of loans to local government;
- 22 (d) Recovery of loans to state-owned enterprises.

23 34. Cash outflows from financing activities include, among others:

- 24 (a) Payment of of foreign debt principal;
- 25 (b) Payment of the principal amount of bonds;
- 26 (c) Cash expenditures for loans to local governments;
- 27 (d) Cash expenditures for loans to state enterprises.

28 **TRANSITORY ACTIVITIES**

29 ***35. Transitory activities are cash receipt and expenditure***  
30 ***activities not included in operating, investing, and financing activities.***

31 **36.** The cash flows from transitory activities reflect gross cash  
32 receipts and expenditures that do not affect revenues, expenses, and  
33 government financing. The cash flows from transitory transactions include Third  
34 Party Calculation (PFK), the distribution / readmission of the inventory money to  
35 / from the expenditure treasurer and remittances. PFK describes the cash  
36 derived from the funds deducted from Payment Orders or receipts in cash for a  
37 third party such as Taspen and Askes deductions. Remittances of cash  
38 describe movements of cash between State / Local General Treasury accounts.

1 37. Cash inflows from transitory activities includes PFK receipts and  
2 transitory receipts such as money transfers in and refunds of inventory money  
3 from the expenditure treasurer.

4 38. Cash outflows from transitory activities includes PFK expenditure  
5 and transitory expenditure such as money transfers out and the provision of  
6 inventory money to the expenditure treasurer.

7 **REPORTING CASH FLOWS FROM OPERATING,**  
8 **INVESTMENTS, FINANCING, AND TRANSITORY**  
9 **ACTIVITIES**

10 39. *Reporting entities report major groups of gross cash receipts*  
11 *and expenditures from operating, investing, financing, and transitory*  
12 *activities separately except those mentioned in paragraph 40.*

13 40. *Reporting entities may present cash flows from operating*  
14 *activities by way of:*

15 (a) *Direct method*

16 *This method disclose the main grouping of gross cash receipts and*  
17 *expenditures.*

18 (b) *Indirect method*

19 *In this method, the surplus or deficit is adjusted for non-cash*  
20 *operating transactions, deferral or recognition (accrual) of past /*  
21 *future cash receipts or payments, as well as elements of receipts*  
22 *and expenditures in the form of cash related to investing and*  
23 *financing activities.*

24 41. Reporting entities of the central / local governments should use  
25 the direct method for reporting cash flows from operating activities. The  
26 advantages of using the direct method are as follows:

27 (a) It provides better information to estimate cash flows in the future;

28 (b) Is more easily understood by users reports, and;

29 (c) Data on the gross cash receipts and expenditures can be directly obtained  
30 from the accounting records.

31 **REPORTING CASH FLOWS ON THE BASIS OF**  
32 **NET CASH FLOWS**

33 42. *Cash flows arising from operating activities may be reported*  
34 *on the basis of net cash flows in terms of:*

35 (a) *Cash receipts and disbursements for the benefit of beneficiaries*  
36 *where the cash flows reflect the activities of the other parties more*  
37 *than the activities of the government. One example is the proceeds*  
38 *from operational cooperation.*

1       ***(b) Cash receipts and expenditures for transactions that turnover***  
2       ***rapidly, are large in volume, and have a quick turnaround.***

## 3       **FOREIGN CURRENCY CASH FLOWS**

4               ***43. Cash flows arising from foreign currency transactions should***  
5       ***be accounted for using rupiah with the conversion of the foreign currency***  
6       ***into rupiah based on the exchange rate prevailing on the transaction date.***

7               ***44. Cash flows arising from the activities the reporting entity***  
8       ***overseas must be converted into rupiah based on the rates of exchange***  
9       ***prevailing on the transaction date.***

10              45. Unrealized gains or losses due to changes in foreign exchange  
11       rates will not affect cash flows.

## 12       **INTEREST AND SHARES OF PROFITS**

13              ***46. Cash flows from transactions relating to receipts of interest***  
14       ***revenue and expense outlays for the payment of interest on loans, as well***  
15       ***as revenue receipts of shares of profits from state / local owned***  
16       ***enterprises, must be disclosed separately. Every account associated with***  
17       ***the transaction should be classified into operating activities consistently***  
18       ***from year to year.***

19              47. Total receipts from interest revenue reported in cash flows from  
20       operating activities are the amounts of cash actually received from interest  
21       revenue in the accounting period in question.

22              48. The amount of debt interest payment expense outlays reported as  
23       cash flows from operating activities is the amount of cash outlays for interest  
24       payments in the accounting period in question.

25              49. The amount of revenue receipts from the profits of state / local  
26       owned enterprises are reported as cash flows from operating activities is the  
27       amount of cash actually received from the profits of the state / local owned  
28       enterprise in the accounting period in question.

## 29       **ACQUISITION AND DISPOSAL OF INVESTMENTS** 30       **IN THE STATE / LOCAL / PARTNERSHIP** 31       **ENTERPRISES AND OTHER OPERATING UNITS**

32              50. Recording of investments in state / local and partnership  
33       enterprises can be done using two methods: the equity method and cost  
34       method.

35              ***51. Government investments in state / local enterprises and***  
36       ***partnerships are recorded at the value of cash spent.***

1                   **52.Entities record long term investment in state / local**  
2 **enterprises and partnership expenditures and in cash flows from**  
3 **investing activities.**

4                   **53.Cash flows arising from the acquisition and disposal state /**  
5 **local eneterprises and other operating units should be presented**  
6 **separately in investing activities.**

7                   **54.An entity discloses the entire acquisition and disposal of**  
8 **state / local enterprises and other operating units during the period. The**  
9 **matters disclosed are:**

10 **(a) Total purchase or disposal price;**

11 **(b) The part of the purchase or disposal price paid with cash and cash**  
12 **equivalents;**

13 **(c) Total cash and cash equivalents in the state / local enterprise and**  
14 **other operating units acquired or disposed of, and**

15 **(d) Total assets and liabilities other than cash and cash equivalents**  
16 **recognized by state / local enterprises and other operating units**  
17 **acquired or disposed.**

18                   55.The separate presentation of cash flows of the state / local  
19 enterprise and other operating units as a separate estimate will help to  
20 distinguish those cash flows from the cash flows arising from operating,  
21 investing, financing, and transitory activities. Cash inflows from disposals are  
22 not deductible from acquisitions of other investments.

23                   **56.Assets and debts other than cash and cash equivalents of**  
24 **state / local enterprises and other operating units acquired or disposed of**  
25 **need to be disclosed only if the transaction has been previously**  
26 **recognized as an asset or a debt by the state / local enterprise and other**  
27 **operating unit.**

## 28 **NON CASH TRANSACTIONS**

29                   **57.Transactions of operating, investing and financing activities**  
30 **that do not result in receipt or expenditure of cash and cash equivalents**  
31 **are not reported in the Statement of Cash Flows. These transaction must**  
32 **be disclosed in the Notes to the Financial Statements.**

33                   58.Non cash transactions are excluded from the statement of cash  
34 flows statement, consistent with the purpose of the statement of cash flows,  
35 because non cash transactions do not affect the cash flows in the relevant  
36 period. An example of a transactions that does not affect the statement of cash  
37 flows is the acquisition of assets through exchange or grant.

1       **COMPONENTS       OF       CASH       AND       CASH**  
2       **EQUIVALENTS**

3                   *59. Reporting entities disclose the components of cash and cash*  
4       *equivalents in the Statement of Cash Flows with amounts equal to the*  
5       *related posts in the Balance Sheet.*

6       **OTHER DISCLOSURES**

7                   *60. Reporting entities disclose significant amounts of cash and*  
8       *cash equivalents that must not be used by the entity. These are described*  
9       *in the Notes to the Financial Statements.*

10                  61. Additional information related to the cash flows is useful for report  
11       users in understanding the financial position and liquidity of a reporting entity.

12                  62. Examples of cash and cash equivalents that must not be used by  
13       the entity is cash placed as a guarantee and cash reserved for certain activities.

14       **DATE OF EFFECT**

15                  1.   *This Statement of Governmental Accounting Standards is*  
16       *effective for financial statements from Budget Year 2010.*

17                  63. *For reporting entities that are not able to implement this*  
18       *Standard, the reporting entities can apply the Cash Towards Accrual*  
19       *Basis Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.05  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS  
STATEMENT NO. 04**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION.*

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 04**

4       **NOTES TO THE FINANCIAL STATEMENTS**

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

9       **INTRODUCTION**

10      **PURPOSE**

11               1. The purpose of the Notes to the Financial Statements Standard is  
12      to prescribe the presentation and disclosures required in the Notes to the  
13      Financial Statements.

14               2. The purpose of the presentation of the Notes to the Financial  
15      Statements is to enhance the transparency of Financial Reports and provide a  
16      better understanding of government financial information.

17      **SCOPE**

18               **3. This Standard must be applied to:**

19      **(a) The general purpose financial reports of reporting entities;**

20      **(b) Financial Reports that are expected to be general-purpose financial**  
21      **reports by an entity that is not a reporting entity.**

22               4. A report is a general purpose financial report that intends to meet  
23      the common needs of users of financial accounting information. What is meant by  
24      the user is the public, legislatures, supervisory agencies, inspectors, parties who  
25      provide or participate in the process of donations, investments and loans, and the  
26      government. Financial reports include the financial statements that are presented  
27      separately or part of the financial reports presented in public documents such as  
28      annual reports.

29               5. This Standard applies to reporting entities in preparing the  
30      financial statements of the central government, local governments, and the  
31      consolidated financial statements, excluding state / local enterprises.

32               6. An entity that is not a reporting entity may present general  
33      purpose financial reports. If it is desired, then the standard should be applied by  
34      the entity even if the entity does not meet the criteria for reporting in accordance  
35      with the regulations and / or the accounting standards of government reporting  
36      entities.

37



1       **DEFINITIONS**

2                       7. The following are terms used in this Standard:

3       **Budget** is an action guide to be implemented by government covering  
4       planned revenues, expenditures, transfers, and financing which is  
5       measured in rupiah, and arranged systematically according to a specific  
6       classification for one period.

7       **Local Expenditure and Revenue Budget (APBD)** is the local government  
8       annual financial plan agreed by local legislatures.

9       **National Expenditure and Revenue Budget (APBN)** is the central  
10       government annual financial plan agreed by the House of Representatives  
11       (DPR).

12       **Assets** are economic resources controlled and / or owned by the  
13       government as a result of past events and from which future economic and  
14       / or social benefits are expected to be obtained, either by the government  
15       or the public, and can be measured in terms of money, including non-  
16       financial resources required for the provision of public services and  
17       resources that are maintained for reasons of history and culture.

18       **Accrual basis** is the basis of accounting that recognizes the effects of  
19       transactions and other events at the time the transaction and event  
20       occurred, regardless of when cash or its equivalent is received or paid.

21       **Cash basis** is the basis of accounting that recognizes the effects of  
22       transactions and other events when cash or cash equivalents are received  
23       or paid.

24       **Expenditures** are all disbursements from the State/Local General Treasury  
25       that reduce the Excess Budget Balance in the corresponding period of the  
26       budget year and that will not be paid back to the government.

27       **Expenses** are decreases in economic benefits or service potential in the  
28       reporting period which decreases equity, which may include expenditure or  
29       consumption of an asset or the incurrence of liabilities.

30       **Equity** is the government's net worth and is the difference between the  
31       government's assets and liabilities.

32       **Reporting Entity** is a unit of government consisting of one or more  
33       accounting entities in accordance with the accounting provisions of  
34       legislation and are required to submit accountability reports in the form of  
35       financial statements.

36       **Accounting Policies** are the principles, foundations, conventions, rules,  
37       and specific practices chosen by a reporting entity in the preparation and  
38       presentation of financial statements.

39       **Liabilities** are debts arising from past events whose settlement results in  
40       outflows of government economic resources.

41       **Materiality** is a condition that arises if unrepresented or misstated  
42       information influences the decisions or assessments of users made on the  
43       basis of financial reports. Materiality depends on the nature or magnitude

1 *of the item or the error under consideration given the specific*  
2 *circumstances in which the deficiency or misstatement occurred.*

3 ***Financing** is any receipt that needs to be repaid and / or expenditures that*  
4 *will be readmitted, both in the budget year concerned and in subsequent*  
5 *budget years, which in government budgeting is primarily intended to*  
6 *cover a budget deficit or utilize a surplus.*

7 ***Revenue-LRA** is all receipts into the State / Local General Treasury*  
8 *Account that adds to the Excess Budget Balance in the period of the*  
9 *corresponding budget year that becomes the right of the government, and*  
10 *does not need to be repaid by the government.*

11 ***Revenue-LO** is the right of the central / local government that is recognized*  
12 *as additions to equity in the period of the corresponding budget year and*  
13 *does not need to be repaid.*

14 ***Post** is a collection of similar accounts that appear on the face of the*  
15 *financial statements.*

16 ***Excess Budget Balance** is the total amount derived from accumulated*  
17 *SiLPA / SiKPA balances from previous budget years and the current year*  
18 *as well as other permitted adjustments.*

19 **GENERAL PROVISIONS**

20 ***8. Each reporting entity is required to present Notes to***  
21 ***Financial Statements as an integral part of general purpose financial***  
22 ***reports.***

23 9. Notes to the Financial Statements are intended to be understood  
24 by the reader at large, not confined to a particular reader or management  
25 reporting entity. Financial Reports may contain information that may have  
26 potential misunderstandings among readers. Therefore, to avoid  
27 misunderstandings, the presentation of financial report must be made with the  
28 Notes to the Financial Statements that contain information to enable users to  
29 understand the Financial Reports.

30 10. Misunderstandings may be caused by a reader's perception of  
31 the financial reports. Readers who are familiar with the orientation of the budget  
32 have the potential misunderstand the concept of accrual accounting. Readers  
33 who are familiar with the financial reports of the commercial sector tend to view  
34 the government's financial reports as company financial reports. General  
35 discussion and references to financial statement items become important for the  
36 readers of financial reports.

37 11. In addition, disclosure of the accounting basis and the accounting  
38 policies to be applied can help readers avoid misunderstanding the financial  
39 reports.

1 **STRUCTURE AND CONTENTS**

2 ***12. The Notes the Financial Statements must be presented***  
3 ***systematically. Each item in the Budget Realization Report, Balance Sheet,***  
4 ***Statement of Operations and Statement of Cash Flows can have cross-***  
5 ***references to related information in the Notes to the Financial Statements.***

6 13. The Notes the Financial Statements include an explanation or a  
7 detailed list or an analysis of the value of the items presented in the Budget  
8 Realization Report, Statement of Changes in the Excess Budget Balance, the  
9 Balance Sheet, Statement of Operations, Statement of Cash Flows, and  
10 Statement of Changes in Equity. Also included in the Notes the Financial  
11 Statements is the the presentation of information required and recommended by  
12 the Government Accounting Standards and other disclosures necessary for a fair  
13 presentation of the financial statements, such as contingent liabilities and other  
14 commitments.

15 ***14. In order to provide adequate disclosure, the Notes to the***  
16 ***Financial Statements disclose the following:***

- 17 ***(a) General information about Reporting Entities and Accounting Entities;***  
18 ***(b) Information on fiscal / financial and macroeconomic policy;***  
19 ***(c) A summary of the achievement of financial targets for the reporting year***  
20 ***together with constraints and obstacles encountered in achieving the***  
21 ***target;***  
22 ***(d) Information on the basic presentation of the financial statements and***  
23 ***the selected accounting policies applied to transactions and other***  
24 ***significant events;***  
25 ***(e) Details and explanations of each item presented on the face of the***  
26 ***financial statements;***  
27 ***(f) Information required by the Government Accounting Standards that has***  
28 ***not been presented on the face of the financial statements, and;***  
29 ***(g) Other information necessary for a fair presentation, that is not***  
30 ***presented on the face of the financial statements.***

31 15. Disclosures for each item in the financial statements follow the  
32 applicable statement of accounting standard governing the disclosure of the  
33 relevant posts. For example, the Statement of Government Accounting  
34 Standards on Inventories requires disclosures about the accounting policies  
35 adopted in measuring inventories.

36 16. To facilitate the reader's understanding of financial reports,  
37 disclosure in the Notes to the Financial Statements can presented as narrative,  
38 charts, graphs, lists, and schedules or other typical forms that summarize, in a  
39 concise and compact manner, the financial condition and position of the reporting  
40 entity and the results for a period.

1       **PRESENTATION OF GENERAL INFORMATION REGARDING**  
2       **REPORTING ENTITIES AND ACOUTNING ENTITIES**

3               ***17. The Notes to the Financial Statements must disclose***  
4       ***information that constitutes a general description of an entity.***

5               18. To help the readers' understanding of financial reports, there  
6       needs to be an initial explanation about both the reporting entity and the  
7       accounting entity that includes:

- 8       (a) the domicile and legal form of the entity and the jurisdiction where the entity  
9       is located;  
10       (b) an explanation of the nature of the entity's operations and principal activities,  
11       and;  
12       (c) the statutory provisions that underlie its operations..

13       **PRESENTATION OF INFORMATION ON FISCAL / FINANCIAL**  
14       **POLICIES AND THE MACROECONOMY**

15               ***19. The Notes to the Financial Statements must able to help the***  
16       ***reader understand the realization and the reporting entity's financial***  
17       ***position as a whole, including fiscal / financial and macroeconomic***  
18       ***conditions.***

19               20. To help readers of Financial Reports, the Notes to the Financial  
20       Statements must provide information that can answer questions such as how the  
21       the realization and financial / fiscal position of the reporting entity developed and  
22       how this was achieved.

23               21. To be able to answer the questions above, the reporting entity  
24       should present information about important differences regarding the realization  
25       and the financial / fiscal position in the current period when compared to the  
26       previous period, compared with the budget, and with other plans in connection  
27       with the realization and the budget. Included in the explanation of the differences  
28       are the differences in macroeconomic assumptions used in the preparation of the  
29       budget compared with the realization.

30               22. Fiscal policies that need to be disclosed in the Notes to the  
31       Financial Statements are government policies to increase revenue, the efficiency  
32       of spending and the determination of the source or the use of financing. For  
33       example, the elaboration of strategic plans into the preparation of State / Local  
34       budget policies, goals, programs and budget priorities, policies to intensify /  
35       extend taxation and government securities market development.

36               23. Macroeconomic information that needs to be disclosed in the  
37       Notes to the Financial Statements are the assumptions of macroeconomic  
38       indicators used in the preparation of the State / Local budget together with the  
39       level of achievement. The macroeconomic indicators include, among others,  
40       Gross Domestic Product / Gross Regional Domestic Product, economic growth,  
41       inflation, exchange rates, oil prices, interest rates and the balance of payments.

1 **PRESENTATION OF THE SUMMARY OF FINANCIAL TARGET**  
2 **ACHIEVEMENT DURING THE CURRENT REPORTING YEAR AND**  
3 **CONSTRAINTS AND OBSTACLES ENCOUNTERED IN TARGET**  
4 **ACHIEVEMENT**

5 *24. The Notes to the Financial Statements must be able to*  
6 *explain significant changes to the budget during the current period*  
7 *compared with the budget first approved by DPR / DPRD, obstacles and*  
8 *constraints in achieving the set targets and other issues deemed necessary*  
9 *by the management of reporting entity to be known to the readers of*  
10 *financial reports.*

11 25. In a reporting period, due to certain reasons and conditions, the  
12 reporting entity may make changes to the budget approved by the DPR / DPRD.  
13 So that readers of the financial reports can follow the condition and development  
14 of the budget, an explanation of any changes approved by the DPR / DPRD,  
15 compared with the budget first enacted, will assist the reader in understanding  
16 the reporting entity's budget and financial condition.

17 26. A summary of the achievement of financial targets forms a broad  
18 comparison between the targets as set out in the State / local budget with the  
19 realization.

20 27. This summary is presented to obtain a general picture of the  
21 financial performance of the government in realizing revenue-LRA potential and  
22 the expenditure allocations provided for in the State / local budget.

23 28. This overview is presented for revenue-LRA, expenditure, and  
24 financing with the following structure:

- 25 (a) total target value;  
26 (b) total realization value;  
27 (c) percentage ratio between the target and realization, and  
28 (d) The main reason for the difference between the target and the realization.

29 29. To assist readers of financial reports, the management of the  
30 reporting entity may feel the need to provide other financial information that is  
31 considered necessary for the readers to know, such as liabilities that require the  
32 availability of funds in the coming budget period.

33 **BASIC PRESENTATION OF THE FINANCIAL STATEMENTS AND**  
34 **DISCLOSURE OF FINANCIAL ACCOUNTING POLICIES**

35 *30. Reporting entities disclose the primary financial statements*  
36 *and the accounting policies in the Notes to the Financial Statements.*

37 **BASIC ACCOUNTING ASSUMPTIONS**

38 *31. The basic assumption or the particular basic accounting*  
39 *concepts that underlie the preparation of the financial reports, usually do*  
40 *not need to be specifically disclosed. Disclosure is required if the reporting*

***entity does not follow the assumptions or the concepts, accompanied with the reasons and explanations.***

32. In accordance with the Government Accounting Conceptual Framework, the assumptions underlying government financial reporting that are accepted as true without the need to prove in order that the accounting standards can be applied, consists of:

- (a) The assumption entity independence;
- (b) The assumption of continuity of the entity; and
- (c) The assumption of monetary measurement.

33. The assumption of entity independence means that each organizational unit is considered as an independent unit and has the obligation to present financial statements to avoid chaos among government units in financial reporting. One indication of the fulfillment of this assumption is that the entity is authorized to formulate and execute budgets with full responsibility. The entity is responsible for the management of assets and off-balance sheet resources for the purpose of their main duty jurisdiction, including any loss or damage to assets and resources in question, debts arising from the entity's decisions, as well as whether a predetermined program has been implemented.

34. Financial reports are prepared assuming that the reporting entity will continue its existence. Thus, it is assumed the government does not intend to liquidate the entity reporting in the short-term.

35. The reporting entity's financial reports must present each activity assuming it can be valued in terms of money. This is necessary in order enable analysis and measurement in the accounting.

**FINANCIAL REPORT USERS**

***36. The users of government financial reports include:***

- (a) The public;***
- (b) The people's representatives, supervisory agencies and inspection agencies;***
- (c) Parties who provide or who play a role in the process of donations, investments, and loans, and***
- (d) The government.***

37. The users of financial reports require selected accounting policy statements as part of the information needed, to make assessments, financial decisions, and other purposes. They can not make a reliable assessment if the financial statements do not reveal clearly the selected accounting policies that are important in the preparation of financial reports.

38. Disclosure of accounting policies in financial reports are intended so that the financial reports can be understood. Disclosure policy is an integral part of the financial reports that helps users of financial reports, because sometimes the improper or incorrect treatment is used for a component of the budget realization report, statement of changes of the excess budget balance,

balance sheet, statement of operations, statement of cash flows, statement of changes in equity that are biased by the disclosure policy selected.

## ACCOUNTING POLICIES

***39. Consideration and / or selection of accounting policies need to be adapted to the conditions of the reporting entity. The target for the selection of the most appropriate policy is one that will describe the reality of the reporting entity economic accurately in the form of the financial condition and activities.***

40. There are four selection considerations for the implementation of the most appropriate accounting policies and the preparation of financial statements by management:

- (a) Sound Judgement
- (b) Uncertainty surrounds many transactions. It should be recognized in the financial statements. Caution would not justify the creation of secret or hidden reserves
- (c) Substance Surpasses Form  
Transactions and other events should be accounted for and presented in accordance with the nature of the transaction and the reality of events, not merely refer to the legal form of the transaction or occurrence.
- (d) Materiality  
Financial reports should disclose all sufficiently material components that influence evaluations or decisions.

***41. Disclosure of accounting policies must identify and describe the accounting principles used by the reporting entity and the methods of application that could materially affect the presentation of the Budget Realization Report, Statement of Changes in the Excess Budget Balance, Balance Sheet, Statement of Operations, Statement of Cash Flows, and Statement of Changes in Equity. Disclosure should also include important considerations taken in choosing the appropriate principles.***

***42. In general, the accounting policies in the Notes to Financial Statements explains the following:***

- (a) The reporting entity;***
- (b) The accounting basis underlying the preparation of the financial reports;***
- (c) The measurement basis used in the preparation of the financial reports;***
- (d) the extent to which accounting policies related to this Statement of Government Accounting Standards are applied by a reporting entity during the transition period. Otherwise early application is recommended based on preparedness the entity.***
- (e) each specific accounting policy that is necessary to understand the financial reports.***

1               43. In disclosures on accounting policy, the reporting entity is to  
2 declare that the entity is entitled to make the accounting policies of the reporting  
3 entity. The accounting accounting only follows the accounting policies set out by  
4 the reporting entity. The lack of information about the reporting entity and its  
5 components has potential misunderstandings for the reader in identifying  
6 problems.

7               44. Although the Government Accounting Conceptual Framework  
8 has suggested the use of a certain accounting basis for the government's  
9 preparation of financial reports, a statement of the accounting basis underlying  
10 the use of the government's financial statements should be disclosed in the  
11 Notes to the Financial Statements. The statement also includes a statement of  
12 compliance with the Government Accounting Conceptual Framework. This  
13 makes it easy readers of the report who do not have to revisit the basis of  
14 accounting shown in the Government Accounting Conceptual Framework.

15              45. Users of financial reports need to know the measurement bases  
16 used for preparing the financial reports. If more than one measurement basis is  
17 used in the preparation of the financial reports, the information presented must  
18 be sufficiently adequate to indicate the measurement basis used for assets and  
19 liabilities.

20              46. In determining whether or not an accounting policy is to be  
21 disclosed, management should consider the benefits of such disclosure in  
22 helping users to understand every transaction reflected in the financial  
23 statements. Considerations in paragraph 40 may be used as guidance in  
24 considering accounting policies that need to be disclosed. Accounting policies to  
25 be considered for presentation include, among others:

- 26 (a) Recognition of revenue-LRA;
- 27 (b) Recognition of revenue-LO;
- 28 (c) Recognition of expenditure;
- 29 (d) Recognition of expenses;
- 30 (e) Principles of consolidated report preparation;
- 31 (f) Investments;
- 32 (g) Recognition and termination / removal of tangible and intangible assets;
- 33 (h) Construction contracts;
- 34 (i) Expenditure capitalization policy;
- 35 (j) Partnerships with third parties;
- 36 (k) Research and development costs;
- 37 (l) Inventories, whether for sale or for their own use;
- 38 (m) The establishment of a reserve fund;
- 39 (n) The creation of the welfare of employees;
- 40 (o) Foreign currency translation and hedging.

41              47. Each entity needs to consider the type of activities and policies  
42 that need to be disclosed in the Notes to the Financial Statements. For example,



disclosure of information on the recognition of income taxes, levies and other forms of mandatory fees, foreign currency translation and the accounting treatment of foreign exchange.

**48. Accounting policies may be significant even though the value of items presented in the current or previous periods are not material. Furthermore, it is necessary to also disclose accounting policies selected and applied that are not regulated in this Standard**

49. Financial statements should show the relationship of figures with the previous period. If the effect of changes in accounting policies is material, then the changes in policy and the impact of the changes must be disclosed quantitatively.

**50. Changes in accounting policy that do not have a material effect in the year of the change must also be disclosed if the effect is material to the years to come.**

## **PRESENTATION OF DETAILS AND EXPLANATIONS OF EACH ITEM PRESENTED ON THE FACE OF THE FINANCIAL STATEMENTS**

**51. The Notes to the Financial Statements should present details and explanations for each item in the Budget Realisation Report, the Statement of Changes in Excess Budget Balance, the Balance Sheet, the Statement of Operations, the Statement of Cash Flows, and the Statement of Changes in Equity.**

52. Explanation of Budget Realization Report presented for post revenue-LRA, expenditure, and financing with the following structure:

- (a) Budget;
- (b) Realization;
- (c) Percentage of achievement;
- (d) The explanation of the difference between budget and realization;
- (e) Comparison with the previous period;
- (f) The explanation of the difference between the current period and the previous period;
- (g) Further details of revenue-LRA by source of revenue;
- (h) Further details of expenditure by economic classification, organization, and function;
- (i) Further details of financing, and
- (j) Explanation of required important matters.

53. Explanation for the Statement of Changes in the Excess Budget Balance is presented for the Excess Budget Balance in the initial period, changes in the Excess Budget Balance, Budget Financing Surplus / Deficit Balance (SiLPA/SiKPA) in the current year, corrections to prior year accounting errors, and the Excess Budget Balance in the final period with the following structure:

- 1 (a) Comparison with the previous period;
- 2 (b) The explanation of the difference between the current period and the
- 3 previous period;
- 4 (c) Necessary details; and
- 5 (d) Explanation of important matters required.

6 54. Explanations for the Statement of Operations are presented for  
7 revenue-LO and expense items with the following structure:

- 8 (a) Comparison with the previous period;
- 9 (b) Explanation of the difference between the current period and the previous
- 10 period;
- 11 (c) Further details of revenue-LO according to source of revenue;
- 12 (d) Further details of expenses by economic classification, organization, and
- 13 functions, and
- 14 (e) Explanation of important matters required.

15 55. Explanations of the Balance Sheet are presented for asset,  
16 liability, and equity items with the following structure:

- 17 (a) Comparison with the previous period;
- 18 (b) Explanation of the difference between the current period and the previous
- 19 period;
- 20 (c) Further details on each account in current assets, long-term investments,
- 21 fixed assets, other assets, short-term liabilities, long-term liabilities, and
- 22 equity, and;
- 23 (d) Explanation of important matters required.

24 56. Explanations of the Statement of Cash Flows are presented for  
25 cash flow items from operating activities, investing activities in non-financial  
26 assets, financing activities, and non-budget activities with the following structure:

- 27 (a) Comparison with the previous period;
- 28 (b) Explanation of the difference between the current period and the previous
- 29 period;
- 30 (c) Further details of each account in each activity; and
- 31 (d) Explanation of important matters required.

32 57. Explanation of the Statement of Changes in Equity are presented  
33 for equity in the initial period, surplus / deficit-LO, the cumulative impact policy  
34 changes / fundamental errors, and equity at end of period with the following  
35 structure:

- 36 (a) Comparison with the previous period;
- 37 (b) Explanation of the difference between the current period and the previous
- 38 period;
- 39 (c) Necessary details; and
- 40 (d) Explanation of important matters required.

1 **DISCLOSURE OF INFORMATION REQUIRED BY THE**  
2 **GOVERNMENT ACCOUNTING STANDARDS NOT PRESENTED**  
3 **ON THE FACE OF THE FINANCIAL STATEMENTS**

4 *58. The Notes to the Financial Statements should present*  
5 *information that is required and recommended by other Government*  
6 *Accounting Standards and other disclosures that are required for fair*  
7 *presentation of the financial statements, such as contingent liabilities and*  
8 *other commitments. The disclosure of information in the Notes to the*  
9 *Financial Statements must be able to provide other information that has not*  
10 *been presented in other parts of the financial report.*

11 59. Due to the limitations of the assumptions and methods of  
12 measurement used, some transactions or events that are believed will have  
13 important implications for the reporting entity cannot be presented on the face of  
14 the financial statements, such as contingent liabilities. In order to provide a more  
15 complete picture, the report reader needs to be reminded of the possibility of an  
16 event that may affect the financial condition of the reporting entity in future  
17 periods.

18 60. Disclosure of information in the notes to the financial statements  
19 should present information that does not repeat the details (such as details of  
20 inventory, details of fixed assets, or details of expenditure) as shown on the face  
21 of the financial statements. In some cases, the disclosure of accounting policies,  
22 in order to improve the understanding of the reader, should refer to the details  
23 presented elsewhere in the financial statements. The accounting policy stated for  
24 fixed asset items is the acquisition cost basis of measurement. Research on the  
25 accounts that support the asset item shows there is one asset account with a  
26 price other than the acquisition price, because the asset is acquired from  
27 donations.

28 **OTHER DISCLOSURES**

29 *61. The Notes to the Financial Statements must also disclose*  
30 *information that, if not disclosed, would mislead the report reader.*

31 62. The Notes to the Financial Statements must disclose important  
32 events during the reporting year, such as:

- 33 (a) Replacement of government management during the current year;
- 34 (b) Errors of the previous management corrected by the new management;
- 35 (c) Commitments or contingencies that can not be presented in the the Balance  
36 Sheet;
- 37 (d) Merger or division of the entity during the current year; and
- 38 (e) An event that has a social impact, such as a strike that must be addressed  
39 by the government.

40 63. Disclosures required by each applicable standard complement  
41 this standard .

1 **COMPOSITION**

2           64. To be used by the user in understanding and comparing with  
3 other entity's financial statements, the Notes to the Financial Statements are  
4 usually presented with the following composition:

- 5       (a) General information about the reporting entity and accounting entities;  
6       (b) Fiscal / financial and macroeconomic policies;  
7       (c) Summary of financial target achievement together with obstacles and  
8       constraints;  
9       (d) Significant accounting policies:  
10           i. The reporting entity;  
11           ii. The accounting basis underlying the preparation of financial  
12           statements;  
13           iii. The measurement bases used in the preparation of financial  
14           statements;  
15           iv. Compliance of the accounting policies applied with the provisions of  
16           the Statements of Government Accounting Standards by a reporting  
17           entity;  
18           v. Each specific accounting policy necessary to understand the financial  
19           statements.  
20       (e) Explanation of the items in the Financial Report:  
21           i. Details and an explanation of each item in the Financial Report;  
22           ii. Disclosure of information required by the Governmental Accounting  
23           Standards that is not presented on the face of Financial Report.  
24       (f) any additional information required.

25 **DATE OF EFFECT**

26           **65. This Statement of Governmental Accounting Standards is**  
27 **effective for financial statements from Budget Year 2010.**

28           **66. For reporting entities that are not able to implement this**  
29 **Standard, the reporting entities can apply the Cash Towards Accrual Basis**  
30 **Standards for a maximum of 4 (four) years after Budget Year 2010.**

ATTACHMENT I.06  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS**

**STATEMENT NO. 05**

**ACCOUNTING FOR INVENTORIES**

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1 **GOVERNMENT ACCOUNTING STANDARD**

2 **ACCRUAL BASIS**

3 **STATEMENT NO. 05**

4 **ACCOUNTING FOR INVENTORIES**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

11 1. The objective of this Standard is to prescribe the accounting  
12 treatment of inventories considered necessary to be presented in the financial  
13 statements.

14 **SCOPE**

15 2. *This Standard applies to the presentation of all inventories in*  
16 *the general purpose financial statements. This standard is applied to all*  
17 *central and local government entities not including state local enterprises.*

18 3. This Standard does not regulate:

- 19 a. Inventories of raw materials and supplies owned by self-managed projects  
20 and charged to the account construction in progress, and;  
21 b. Financial instruments.

22 **DEFINITIONS**

23 4. *The following are terms used in this Standard:*

24 ***Assets** are economic resources controlled and / or owned by the government*  
25 *as a result of past events and from which future economic and / or social*  
26 *benefits are expected to be obtained, either by the government or the public,*  
27 *and can be measured in terms of money, including non-financial resources*  
28 *required for the provision of public services and resources that are*  
29 *maintained for reasons of history and culture.*

30 ***Fair value** is the exchange value of assets or settlement of liabilities between*  
31 *parties who understand and are willing to make a fair deal.*

32 ***Inventories** are current assets in the form of goods or supplies which are*  
33 *intended to support government operations, and items intended to be sold*  
34 *and / or delivered in the context of services to the community.*

1 **State / Local enterprises are business entities that are wholly or partially**  
2 **owned by the central / local government.**

## 3 **GENERAL**

4                   5. ***Inventories are assets in the form of:***

5 ***a. Goods or supplies that used for the purpose of government operations;***

6 ***b. Materials or supplies to be used in the production process;***

7 ***c. Goods in the production process that are intended to be sold or delivered***  
8 ***to the public;***

9 ***d. Goods stored to be sold or delivered to the public in the ordinary course***  
10 ***of government activities.***

11                   6. Inventories include goods or supplies purchased and stored for  
12 later use, for example, consumables such as office stationery, durable items such  
13 as equipment and piping components, and second-hand items used as second-  
14 hand components.

15                   7. In terms of government self production, inventories also include  
16 materials used in the production process as raw materials for the manufacture of  
17 agricultural equipment.

18                   8. Incomplete goods resulting from the production process are  
19 recorded as inventory, for example agricultural equipment in progress.

20                   9. Inventories can consist of:

21 a. Consumables;

22 b. Ammunition;

23 c. Materials for maintenance;

24 d. Spare parts;

25 e. Inventories for strategic / precautionary objectives;

26 f. Excise stamps and certification fee;

27 g. Raw materials;

28 h. Goods in process / progress;

29 i. Land / buildings to be sold or delivered to the public;

30 j. Animals and plants, to be sold or delivered to the public.

31                   10. In the case of the government storing goods for the purpose of  
32 strategic reserves such as energy reserves (e.g. oil) or for precautionary purposes  
33 such as food reserves (eg rice), the goods are recognized as inventory.

34                   11. Inventories of animals and plants to be sold or delivered to the  
35 public as referred to in paragraph 9 point j, for example cows, horses, fish, rice  
36 seeds and plant seedlings.

37                   12. Inventory in poor condition or obsolete are not reported in the  
38 balance sheet, but are disclosed in Notes to the Financial Statements.



1     **RECOGNITION**

2                     13. *Inventories are recognized (a) at the time the potential future*  
3 *economic benefits are obtained by the government and where they have a*  
4 *value or cost that can be measured reliably, (b) upon receipt or the right of*  
5 *ownership and / or control is transferred.*

6                     14. At the end of the accounting period inventory records are  
7 adjusted with the results of the physical inventory.

8     **MEASUREMENT**

9                     15. *Inventories are stated at their:*

10     *a. Acquisition cost, if acquired through purchase;*

11     *b. Cost of production, if obtained through own-production;*

12     *c. Fair value, if obtained by other means such as donations / booty.*

13                     16. The acquisition cost of inventories includes the purchase price,  
14 freight, handling costs and other costs that are directly charged to the acquisition of  
15 supplies. Discounts, rebates, and the like reduce the acquisition cost.

16                     17. *Inventories can be valued using:*

17     *a. A systematic method such as FIFO or weighted average*

18     *b. The final purchase price per unit of inventory if the value is not material*  
19     *and of various types.*

20                     18. Inventory items which have a face value and are intended for sale  
21 such as excise stamps, are valued at the final acquisition cost.

22                     19. The base price of produced inventories includes the direct costs  
23 of production associated with the inventory produced and the indirect costs are  
24 allocated systematically.

25                     20. Inventories of animals and plants bred / propagated are valued  
26 using fair value.

27                     21. Price / fair value of inventories includes the exchange of assets or  
28 settlement of liabilities between knowledgeable, willing parties who conduct fair  
29 transactions (*arm's length transactions*).

30     **INVENTORIES EXPENSES**

31                     22. *Inventories expense is recorded in the amount of inventory*  
32 *usage (use of goods).*

33                     23. The calculation of inventories expense is performed in the context  
34 of Operating Statement presentation.

35                     24. In terms of inventory recorded perpetually, the measurement of  
36 inventory usage is calculated based on the record of the number of units used  
37 multiplied by the value per unit, according to the method of valuation used.

38                     25. In terms of inventory recorded periodically, the measurement of  
39 inventory usage is calculated based on physical inventory, i.e. the beginning

1 inventory balance plus purchases or acquisitions of inventory minus the ending  
2 inventory balance multiplied by the value per unit in accordance with the method of  
3 assessment used.

## 4 **DISCLOSURE**

5 *26. The financial statements disclose:*

- 6 *a. The accounting policies adopted in measuring inventories;*  
7 *b. Further explanation of inventories, such as goods or supplies used in*  
8 *public services, goods or supplies used in the production process,*  
9 *goods kept for sale or delivered to the public, and goods still in the*  
10 *production process that are intended to be sold or delivered to the*  
11 *public, and*  
12 *c. The type, number, and value of inventory in damaged or worn condition.*

## 13 **DATE OF EFFECT**

14 *27. This Statement of Governmental Accounting Standards is*  
15 *effective for financial statements from Budget Year 2010.*

16 *28. For reporting entities that are not able to implement this*  
17 *Standard, the reporting entities can apply the Cash Towards Accrual Basis*  
18 *Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.07  
REPUBLIC OF INDONESIA GOVERNMENT REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS**

**STATEMENT NO. 06**

**ACCOUNTING FOR INVESTMENTS**

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 06**

4       **ACCOUNTING FOR INVESTMENTS**

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

9       **INTRODUCTION**

10      **OBJECTIVE**

11               1. The objective of this Standard is to prescribe the accounting  
12      treatment for investment and disclosure of other important information that  
13      should be presented in the financial statements.

14      **SCOPE**

15               2. *This Standard should be applied in the presentation of all*  
16      *government investments in general purpose financial statements*  
17      *prepared and presented in accordance with the Government Accounting*  
18      *Standards.*

19               3. This Statement applies to reporting entities in preparing the  
20      financial reports of the central government, local governments, and the  
21      consolidated financial statements, excluding state / local owned enterprises.

22               4. *This Standard prescribes the accounting treatment of central*  
23      *and local government investments in both short and long term*  
24      *investments, including time recognition, classification, measurement and*  
25      *valuation methods of investments, as well as disclosures in the financial*  
26      *statements.*

27               5. This Standard does not regulate:

- 28               (a) The placement of money included in the scope of cash equivalents;  
29               (b) Investments in associated companies;  
30               (c) Operating partnerships; dan  
31               (d) Investments in property.

32      **DEFINITIONS**

33               6. *The following are terms used in this Standard:*

34      *Investment cost* *are all costs incurred by the investor entity in the*  
35      *acquisition of an investment such as broker commissions, banking*  
36      *services, legal fees and other charges from the capital market.*

1 **Investments** are assets that are intended to obtain economic benefits  
2 such as dividends, interest and royalties, or social benefits, thus  
3 increasing the ability of the government to provide services to the  
4 community.

5 **Short-term investments** are investments that can be quickly liquidated  
6 and are intended to be held for 12 (twelve) months or less.

7 **Long-term investments** are investments intended to be held for more than  
8 12 (twelve) months.

9 **Non-permanent investments** are long-term investments that are not  
10 included in permanent investments, i.e. are not intended to be held  
11 continuously.

12 **Permanent investments** are long-term investments which are intended to  
13 be held on an ongoing basis.

14 **Social benefits** are defined in this standard as a benefit that can not be  
15 measured directly in units of money but by effect on the improvement in  
16 government services to the public or a particular community group.

17 **Cost method** is a method of accounting that records the value of  
18 investments at the price of acquisition.

19 **Equity method** is a method of accounting that records the value of the  
20 initial investment at cost. The investment value is then adjusted for  
21 changes in the investor's share of net wealth / equity of the entity  
22 receiving the investment (investee) that occur after the initial acquisition  
23 of the investment.

24 **Historical value** are amounts of cash or cash equivalents paid / issued or  
25 the fair value based on certain considerations to acquire an investment  
26 asset at the time of acquisition.

27 **Face value** is the value specified in a security such as the value stated in  
28 share and bond certificates.

29 **Market value** is the amount obtainable from the sale of an investment in  
30 an active market between independent parties.

31 **Fair value** is the exchange value of assets or settlement of liabilities  
32 between parties who understand and are willing to make a fair deal.

33 **Associate company** is a company in which the investor has significant  
34 influence and is not a subsidiary or joint venture of the investor.

35 **State / Local enterprises** are business entities that are wholly or partially  
36 owned by the central / local government.

## 37 **FORMS OF INVESTMENTS**

38 7. Government undertakes investments with the intention, among  
39 others, to earn income in the long term or to utilize unused funds for short-term  
40 investments in the context of cash management.

1                   8. There are several types of investments that can be verified by a  
2 certificate or other similar document. The nature of an investments bond  
3 purchases may include both short and long term, and equity instruments.

## 4                   **INVESTMENT CLASSIFICATION**

5                   **9. Government investment is classified into two groups, namely**  
6 **short-term investments and long-term investments. Short-term**  
7 **investments are a group of current assets whereas long-term investments**  
8 **are a group of non-current assets.**

9                   10. Short-term investments must meet the following characteristics:

- 10                   (a) Can be immediately sold / liquidated;  
11                   (b) The investment is intended in the context of cash management, which  
12                   means that the government can sell such investments when cash needs  
13                   arises;  
14                   (c) Low risk.

15                   11. Having regard to the criteria in paragraph 10, the purchase of  
16 securities is high risk for the government, because it is influenced by  
17 fluctuations in the market price of the securities, excluding short-term  
18 investments. The types of investments that not included in the group short-term  
19 investments include:

- 20                   (a) Securities purchased by the government in order to control a business  
21                   entity, for example the purchase of securities to increase the equity  
22                   ownership stake in a business entity;  
23                   (b) Securities purchased by the government for the purpose of maintaining  
24                   good institutional relations with other parties, such as the purchase of  
25                   securities issued by an agency both domestically and abroad to  
26                   demonstrate the participation of the government; or  
27                   (c) Securities that are not intended to be liquidated in meeting short-term  
28                   cash needs.

29                   12. Investments that can be classified as short-term investments,  
30 consist of, among others:

- 31                   (a) Deposits with terms of three to twelve months and / or which can be  
32                   automatically extended (revolving deposits);  
33                   (b) Purchases of short-term Government Securities both by central and local  
34                   governments and purchases of Bank Indonesia Certificates .

35                   **13. Long-term investments are divided according to investment**  
36 **properties of investment, i.e. permanent and non-permanent. Permanent**  
37 **investments are long-term investments which are held on an continuous**  
38 **basis, whereas non-permanent investments are long-term investments**  
39 **which are not intended to held on a continuous basis.**

40                   14. The definition of continuous refers to investments intended to be  
41 held continuously and without any intention to trade or redeem. Whereas the  
42 definition of non-continous refers to the ownership of investments with a

1 maturity of more than 12 (twelve) months, but are not intended to be owned  
2 continuously or there is an intention to trade or redeem.

3 15. A permanent investment conducted by the government are  
4 investments that are not intended for sale, but to obtain dividends and / or have  
5 a significant influence in the long term and / or maintain institutional relations.  
6 Permanent investments can be:

- 7 (a) Government Equity Participation in state / local enterprises, international  
8 agencies and other entities that are not owned by the state;  
9 (b) other permanent investments owned by the government to generate  
10 revenue or improve public services.

11 16. Non-permanent investments conducted by the government,  
12 among others, can be:

- 13 (a) The purchase of bonds or long-term debt securities intended to be held  
14 until the maturity date by the government;  
15 (b) Equity investments in development projects that can be transferred to a  
16 third party;  
17 (c) Funds set aside by the government in the context of community services  
18 as revolving working capital assistance to community groups;  
19 (d) Other non-permanent investments, that are not intended for continuous  
20 government-ownership, such as equity investments aimed at  
21 restructuring / rescuing the economy.

22 17. Government equity participation can include securities (shares)  
23 in a limited liability company and non-marketable securities, that is equity  
24 ownership not in the form of shares in an unlimited liability company.

25 18. Other permanent investments are investments that cannot be  
26 included equity participation, long-term bonds purchased by the government,  
27 and capital investments in development projects that can be transferred to a  
28 third party, for example investments in properties that are not covered by this  
29 statement.

30 19. Accounting for government investments in property and joint  
31 operations will be regulated in individual accounting standards.

## 32 **RECOGNITION OF INVESTMENT**

33 ***20. Disbursements of cash and / or assets, grant receipts in the***  
34 ***form of investments and changes to accounts receivable can recognized***  
35 ***as investments if they meet the following criteria:***

- 36 (a) ***There is the possibility of economic benefits and social benefits or***  
37 ***service potential in the future that can be obtained from***  
38 ***investments by the government;***  
39 (b) ***The acquisition value or fair value of the investments can be***  
40 ***measured appropriately (reliable).***

41 21. In determining whether an expenditure of cash and / or assets,  
42 grant receipts in the form of investments and changes to accounts receivable



1 meet the criteria for recognizing investments for the first time, the entity needs  
2 to assess the degree of certainty of the flow of economic benefits, social  
3 benefits or service potential in the future based on evidence available at the  
4 time the investment is first recognized. The existence of sufficient certainty that  
5 the future economic benefits or service potential will be obtained requires an  
6 assurance that the entity will benefit from these assets and will bear the risks  
7 that may arise.

8         22. The criteria for the recognition of investments as stated in  
9 paragraph 20 item b, can usually be met because the exchange or purchase  
10 transaction is supported by evidence that states / identifies the acquisition cost.  
11 In certain circumstances, an investment may be obtained not based on the  
12 acquisition cost, or the fair value at the date of acquisition. In such cases, the  
13 use of appropriate value estimates may be used.

## 14         **MEASUREMENT OF INVESTMENTS**

15         23. *For some types of investments, there is an active market*  
16 *that can shape the market value. In terms of such investments, the market*  
17 *value is used as the basis for the application of fair value. As for the*  
18 *investments that do not have an active market, the nominal value, the*  
19 *carrying amount or other fair value may be used.*

20         24. *Short-term investments in marketable securities, such as*  
21 *stocks and short-term bonds, are recorded at acquisition cost. The*  
22 *acquisition cost of an investment includes the investment transaction*  
23 *price itself plus brokerage, banking services, and other costs incurred in*  
24 *the context of the acquisition.*

25         25. *If the investment in the form of securities was obtained*  
26 *without cost, then the investment is measured at fair value at the date of*  
27 *the acquisition at the market price. If there is no fair value, then the*  
28 *investment is valued based on the fair value of other assets that were*  
29 *surrendered for the investment.*

30         26. *Non-share short-term investments, for example, short-term*  
31 *deposits, are recorded at the nominal value of these deposits.*

32         27. *Permanent long-term investments, for example, government*  
33 *equity participation, are recorded at acquisition cost including the price of*  
34 *the investment transaction itself plus other costs incurred in the context*  
35 *of the investment acquisition.*

36         28. *Non-permanent investments in the form of long-term bond*  
37 *purchases and investments that are not intended to be owned*  
38 *continuously, are valued at the acquisition value.*

39         29. *Non-permanent investments aimed at restructuring /*  
40 *rescuing the economy, are valued at the net realizable value.*

41         30. An example of a non-permanent investment for restructuring /  
42 rescuing the economy is a bailout in the context of restructuring the banking  
43 sector.

1                   31. Non-permanent investments in the form of investments in  
2 government development projects (such as PIR) are valued at the cost of  
3 construction, including costs incurred for planning and other costs  
4 incurred in the context of the completion of the project until the project is  
5 transferred to a third party.

6                   32. If long-term investments are acquired through the exchange  
7 of government assets, the value of the investment obtained by the  
8 government is the acquisition cost, or the fair value of the investment if  
9 the acquisition price does not exist.

10                  33. The acquisition price of a foreign currency investment paid  
11 with the same foreign currency must be stated in rupiah using the  
12 exchange rate (middle rate of the central bank) in effect at the transaction  
13 date.

14                  34. A discount or premium on the purchase of an investment is  
15 amortized over the period from purchase to maturity so that a constant  
16 return is derived from the investment.

17                  35. The discount or premium that is amortized is credited or debited  
18 to interest revenue, so it is an addition or reduction of the carrying value of the  
19 investment.

## 20                   **INVESTMENT VALUATION METHODS**

21                   36. Government investment valuation is performed using three  
22 methods, namely:

23                   (a) **Cost method;**

24                   By using the cost method, the investment is carried at the  
25 acquisition cost. Earnings on investments are recognized at the  
26 proceeds received and do not affect the size of the investment in  
27 the related business / legal entity.

28                   (b) **Equity method;**

29                   By using the government equity method the initial investment is  
30 recorded at the acquisition cost and increased or decreased by the  
31 government's share of profits or losses after the date of  
32 acquisition. Shares of profit except for dividends in the form of  
33 shares received by the government will reduce the value of the  
34 government's investment. Adjustments to the value of the  
35 investment are also required to change the ownership share of  
36 government's investment, for example changes brought about by  
37 the influence of foreign exchange and revaluation.

38                   (c) **Net realizable value method;**

39                   The net realizable value method is used primarily for ownership  
40 that will be disposed of / sold in the near term.

41                   37. The use of the method in paragraph 36 is based on the  
42 following criteria:

43                   (a) **Ownership of less than 20% of the cost method;**

- 1       ***(b) Ownership of 20% to 50%, or less than 20% ownership but has a***  
2       ***significant influence using the equity method;***  
3       ***(c) Ownership of more than 50% of the equity method;***  
4       ***(d) Non-permanent ownership using the net realizable value method.***

5               38. Under certain conditions, the criteria for the percentage of  
6 ownership of shares is not a determining factor in the selection of investment  
7 valuation methods, but more a decisive factor is the degree of influence or  
8 control over the investee. The characteristics of the influence or control over  
9 investee companies, includes, among others:

- 10       (a) The ability to influence the composition of the board of commissioners;  
11       (b) The ability to appoint or replace directors;  
12       (c) The ability to determine and change the board of directors of the investee  
13       company;  
14       (d) The ability to control the majority of votes in a meeting / board meeting.

## 15       **REGONTION OF INVESTMENT PROCEEDS**

16               39. *Investment returns earned from short-term investments,*  
17 *which include interest on deposits, bonds, and cash dividends, are*  
18 *recognized when earned and recorded as revenue.*

19               40. *Investment returns in the form of cash dividends earned*  
20 *from government equity participation are accounted for using the cost*  
21 *method, recorded as investment revenue. Whereas when using the equity*  
22 *method, the share of profit in the form of cash dividends earned by*  
23 *government is recorded as investment revenue and reduces the value of*  
24 *government's investment. Dividends received in the form of shares will*  
25 *not increase the value of government's investment.*

## 26       **DISPOSAL AND TRANSFER OF INVESTMENTS**

27               41. *The disposal of government investment can occur due to*  
28 *sale, waiver because of government regulations, and so forth.*

29               42. *The difference between the investment disposal proceeds*  
30 *with the carrying amount investments must be charged or credited to*  
31 *gains / losses on disposal of investments. Gains / losses on disposal of*  
32 *investments are presented in the statement of operations.*

## 33       **DISCLOSURE**

34               43. *Other things that should be disclosed in the financial*  
35 *statements related to government investments, include, among others:*

- 36       (a) *The accounting policies for the determination of investment values;*  
37       (b) *The types of investments, permanent and non-permanent;*  
38       (c) *Changes in the market price of investments both for short term and*  
39       *long term investments;*

- 1        (d) *A significant decline in the value of investments and the cause of*
- 2        *the decline;*
- 3        (e) *Investments carried at fair value and the reason for its application;*
- 4        (f) *Changes in investment posts.*

5        **DATE OF EFFECT**

6                *44. This Statement of Governmental Accounting Standards is*

7        *effective for financial statements from Budget Year 2010.*

8                *45. For reporting entities that are not able to implement this*

9        *Standard, the reporting entities can apply the Cash Towards Accrual*

10       *Basis Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.08  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS  
STATEMENT NO. 07**

**ACCOUNTING FOR FIXED ASSETS**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION.*

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 07**

4       **ACCOUNTING FOR FIXED ASSETS**

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

9       **INTRODUCTION**

10      **PURPOSE**

11               1. The objective of this Standard is to prescribe the accounting  
12      treatment of fixed assets including the recognition, the determination of the  
13      carrying value, as well as the determination and the accounting treatment of  
14      revaluations and impairments in the value recorded (carrying amount) for fixed  
15      assets.

16      **SCOPE**

17               2. *This Standard is applied to all units of government that*  
18      *present general purpose financial statements and regulates the*  
19      *accounting treatment, including the recognition, valuation, presentation,*  
20      *and the disclosures required.*

21               3. This Standard does not apply to:

- 22      (a) Forests and natural resources that can be renewed (regenerative natural  
23          resources), and  
24      (b) Authorization of mining, exploration and extraction of minerals, oil, natural  
25          gas, and natural resources and the like which are non-renewable (non-  
26          regenerative natural resources).

27      However, this Standard applies to fixed assets that are used to develop or  
28      maintain activities or assets covered in (a) and (b) above, and can be separated  
29      from the activity or asset.

30      **DEFINITIONS**

31               4. *The following are terms used in this Standard:*

32      **Assets** *are economic resources controlled and / or owned by the*  
33      *government as a result of past events and from which future economic*  
34      *and / or social benefits are expected to be obtained, either by the*  
35      *government or the public, and can be measured in terms of money,*  
36      *including non-financial resources required for the provision of public*

1 *services and resources that are maintained for reasons of history and*  
2 *culture.*

3 *Fixed assets are tangible assets with a useful life of more than 12 (twelve)*  
4 *months for use, or are intended for use, in government activities by the*  
5 *general public.*

6 *Acquisition cost is the amount of cash or cash equivalents that have been*  
7 *and are still required to be paid or the fair value of other benefits that*  
8 *have been and are still required to be given to acquire an asset at the time*  
9 *of acquisition or construction until the asset is in a condition and place*  
10 *ready to be used.*

11 *Useful life is:*

12 *(a) the period the asset is expected to be used for the activities of the*  
13 *government and / or public service; or*

14 *(b) the amount of production or similar units expected to be obtained*  
15 *from the assets of government activities and / or public service.*

16 *Residual value is the net amount expected to be obtained by the end of*  
17 *the useful life of the asset after deducting the estimated costs of disposal.*

18 *Carrying amount of assets is the book value of assets, which is calculated*  
19 *from the cost of acquisition of an asset less accumulated depreciation.*

20 *Fair value is the exchange value of assets or settlement of liabilities*  
21 *between parties who understand and are willing to make a fair deal.*

22 *Depreciation is the systematic allocation of the value of a fixed asset that*  
23 *can be depreciated (depreciable assets) over the useful life of the asset.*

## 24 **GENERAL**

25 5. Fixed assets are often a major part of government assets, and  
26 therefore significant in the presentation of the balance sheet. Included in the  
27 fixed assets of the government are:

- 28 (a) fixed assets owned by the reporting entity, but used by other entities, such  
29 as other government agencies, universities, and contractors;
- 30 (b) Land rights.

31 6. Not included in the definition of fixed assets are assets held for  
32 consumption in government operations, such materials and supplies.

## 33 **FIXED ASSET CLASSIFICATION**

34 7. *Fixed assets are classified based on similarities in the nature*  
35 *or function in an entity operating activities. Classification of fixed assets*  
36 *is as follows:*

- 37 (a) *Land;*
- 38 (b) *Equipment and Machinery;*
- 39 (c) *Buildings and Structures;*



1       **(d) Roads, Irrigation, and Networks;**

2       **(e) Other Fixed Assets, and;**

3       **(f) Construction in Progress.**

4               8. Land classified as fixed assets is land obtained with the intent to  
5 be used in the operations of government and in a condition ready for use.

6               9. Buildings and structures covers all buildings and sstructures  
7 obtained that are intended to be used in the operations of government and in a  
8 condition ready for use.

9               10. Equipment and machinery includes machinery and motor  
10 vehicles, electronic equipment, office equipment, and other equipment of  
11 significant value and useful life of more than 12 (twelve) months and is ready to  
12 use.

13              11. Roads, irrigation, and networks include roads, irrigation, and  
14 networks built by the government and are owned and / or controlled by the  
15 government and in a condition ready for use.

16              12. Fixed assets include assets that can not be classified into the  
17 groups of fixed assets above, obtained and used for government operations  
18 and in a condition ready to be used.

19              13. Construction in progress includes assets that are in the process  
20 construction, but at the date of the financial statements have not been fully  
21 complete.

22              14. Fixed assets that are not used for operational purposes of the  
23 government do not meet the definition of fixed assets and must be presented in  
24 the post other assets in accordance with their carrying values.

## 25       **FIXED ASSETS RECOGNITION**

26              15. *Fixed assets are recognized when the future economic*  
27 *benefits can be obtained and their values can be measured reliably. To be*  
28 *recognized as fixed assets an asset must meet the following criteria:*

29       **(a) Tangible;**

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

31       **(c) The acquisition cost an asset can be measured reliably;**

32       **(d) Not intended for sale in the normal operation of the entity; and**

33       **(e) Obtained or constructed with the intention to use.**

34              16. In determining whether an asset continues to have the benefit of  
35 more than 12 (twelve) months, an entity must assess the future economic  
36 benefits that can be provided by the asset, either directly or indirectly, for  
37 government operations. The benefits can be either a stream of income or  
38 expenditure savings for the government. The future economic benefits will flow  
39 to the entity can be ensured if the entity will accept the benefits and associated  
40 risks. Certainty is usually only available if the benefits and risks have been  
41 accepted. Before this happens, the asset cannot be recognized.

- 1                   17. The main purpose of the acquisition of fixed assets is that they  
2 are used by the government in support of its operations and are not intended  
3 for sale.
- 4                   18. Recognition of fixed assets will be reliable when fixed assets have  
5 been received or delivered and ownership rights or when control is transferred.
- 6                   19. The recognition of an asset will be reliable if there is evidence that  
7 there has been a transfer of ownership and / or control legally, such as land  
8 certificates and proof of vehicle ownership. If the acquisition of a fixed asset is  
9 not supported by legal evidence because the required administrative process is  
10 still underway, such as an unsettled land purchase where the buying and selling  
11 process (deed) and a certificate of ownership is still with the authorities, then  
12 the asset must be recognized when there is evidence that control of the asset  
13 has been transferred, for example where payments and control over land titles  
14 in the name of the previous owner have occurred.

## 15                   **MEASUREMENT OF FIXED ASSETS**

- 16                   20. ***Fixed assets are valued at acquisition cost. If the valuation of***  
17 ***fixed assets using the cost of acquisition is not possible then the value of***  
18 ***fixed assets is based on the fair value at the time of acquisition.-***
- 19                   21. Measurement can be considered reliable if there is an exchange  
20 transaction with proof of purchase for the fixed assets which identifies cost. In  
21 the case where an asset that is constructed by way of self-management, a  
22 reliable measurement of the cost can be obtained from external transactions  
23 with such entities for the acquisition of raw materials, labor and other costs that  
24 are used in the construction process.konstruksi.
- 25                   22. The cost of fixed assets constructed by way of self-management  
26 includes the direct costs for labor, raw materials, and indirect costs, including  
27 the cost of planning and supervision, equipment, electricity, equipment rental,  
28 and all other costs incurred with respect to the construction of fixed assets.

## 29                   **INITIAL VALUATION OF FIXED ASSETS**

- 30                   23. ***Tangible goods that meet the qualifications to be recognized***  
31 ***as an asset and classified as a fixed asset should be measured initially at***  
32 ***cost.***
- 33                   24. ***If the fixed assets are acquired without value, the cost of the***  
34 ***asset is measured at fair value at the time the asset is acquired.***
- 35                   25. A fixed asset may be received by the government as a gift or  
36 donation. For example, land may be awarded to a local government by a  
37 developer without value that enables the local government to build a parking lot,  
38 street, or a place for pedestrians. An asset may also be obtained free of value  
39 through the implementation of government authority. For example, due to  
40 authority and regulations, local governments confiscate land and buildings that  
41 will then be used as a place of government operation. For both of the above,

1 the fixed assets acquired must be measured at fair value at the time the asset  
2 is acquired.

3 26. For the purposes of this statement, the use of fair value at the  
4 time of acquisition for the conditions in paragraph 24 does not constitute a  
5 process of revaluation and remains consistent with the cost as in paragraph 23.  
6 Revaluation referred to in paragraph 59 and other related paragraphs only  
7 applies to valuations for the next reporting period, not at the time of the initial  
8 acquisition.

9 ***27. For the purposes of the initial balance sheet of an entity, the***  
10 ***acquisition cost of fixed assets used is the fair value at the time the initial***  
11 ***balance sheet is prepared. For the next period after the initial balance***  
12 ***sheet date, for the acquisition of new fixed assets, the entity uses the***  
13 ***acquisition cost or fair price if there is no acquisition cost.***

## 14 **COMPONENT COSTS**

15 28. ***The cost of a fixed asset comprises the purchase price or***  
16 ***construction, including import duties and any costs directly attributable***  
17 ***to bringing the asset to the condition that the asset can be made to work***  
18 ***for its intended use.***

19 29. Examples of costs that are directly attributable are:

- 20 (a) the cost of site preparation;  
21 (b) initial shipping charges (initial delivery), cost savings and handling costs;  
22 (c) installation costs;  
23 (d) professional fees such as architects and engineers, and;  
24 (e) construction costs.

25 30. Land is recognized the first time at acquisition cost. Acquisition  
26 cost includes the purchase price or the cost of land clearance, costs incurred in  
27 order to acquire rights, the cost of maturation, measurement, accumulation, and  
28 other costs incurred as well as those yet to be incurred until the land is ready  
29 for use. The value of land also includes the value of old buildings located on the  
30 land purchased if the old building is intended to be destroyed.

31 31. The acquisition cost of equipment and machinery describes the  
32 amount of expenditure that has been and remains to be conducted to acquire  
33 equipment and machinery until it is ready to use. These costs include the  
34 purchase price, freight costs, installation costs, and other direct costs to acquire  
35 and prepare until the equipment and machinery is ready for use.

36 32. The acquisition cost of buildings and structures describes all  
37 expenses incurred and yet to be incurred to acquire the building and structures  
38 until it is ready to use. These costs include the purchase price or construction  
39 cost, including the cost of IMB administration, notaries and tax.

40 33. The acquisition cost of roads, irrigation, and networks describes  
41 all costs incurred and yet to be incurred to acquire the roads, irrigation, and  
42 networks until they are ready to use. These costs include the cost of acquisition

1 or construction costs and other costs incurred until the roads, irrigation and  
2 networks are ready to use.

3 34. The acquisition cost of other fixed assets describes all costs  
4 incurred and yet to be incurred to acquire those assets until they are ready to  
5 use.

6 35. Administrative costs and other general costs do not constitute  
7 components of the cost of a fixed asset as long as these costs are not directly  
8 attributable to the cost of acquisition of the asset or bringing the assets to their  
9 working condition. Similarly, start-up costs and similar pre-production costs do  
10 not constitute part of the cost of an asset unless they are necessary to bring the  
11 asset to its working condition.

12 36. The acquisition cost of an asset to be constructed by a way of  
13 self-management is determined using the same principles as assets that are  
14 purchased.

15 37. Any trade discounts and rebates are deducted from the purchase  
16 price.

## 17 **CONSTRUCTION IN PROGRESS**

18 38. *If the completion of the construction of a fixed asset exceeds*  
19 *and or passes one budget year period, the asset remains unfinished is*  
20 *classified and reported as construction in progress until the asset is*  
21 *completed and ready for use.*

22 39. The Statement of Government Accounting Standards No. 08  
23 regarding Construction In Progress regulates in detail the treatment of assets  
24 under construction, including the details of the construction cost of a fixed asset  
25 that is carried out by self-management or carried out by a contractor. If not  
26 otherwise stated in this PSAP then the principles and details in PSAP 08 apply.

27 40. Construction In Progress where the construction or manufacture  
28 has been completed and is ready to be used should be reclassified into one of  
29 the appropriate accounts in the post fixed assets.

## 30 **JOINT ACQUISITION**

31 41. *The acquisition cost of each fixed asset that is acquired*  
32 *jointly is determined by allocating the combined price based on a*  
33 *comparison of the fair value of each asset.*

## 34 **EXCHANGES OF ASSETS**

35 42. *A fixed asset can be acquired through exchange or partial*  
36 *exchange of dissimilar assets or other assets. The cost of this kind of*  
37 *post is measured at the fair value of the acquired assets, i.e. a value*  
38 *equivalent to the carrying value of the assets disposed of after adjusting*  
39 *the amount for any cash or cash equivalents and other liabilities*  
40 *transferred / delivered.*

1           43. ***A fixed asset can be obtained through the exchange of a***  
2 ***similar asset that has the same benefits and has a similar fair value. A***  
3 ***fixed asset can also be released in exchange for the ownership of a***  
4 ***similar asset. In these circumstances there are no recognized gains and***  
5 ***losses in this transaction. The costs of the newly acquired assets are***  
6 ***recorded at the carrying amount of the assets disposed.***  
7           44. The fair value of assets received can provide evidence there is an  
8 impairment of the value of the assets disposed. In these circumstances, assets  
9 that are disposed of must written-down and the value after the write-down  
10 represents the value of the assets received. Examples of exchanges of similar  
11 assets include the exchange of buildings, machinery, special equipment, and  
12 aircraft. If there are other assets in exchange, for instance cash or other  
13 liabilities, then it is indicated that the posts being exchanged do not have the  
14 same value.

## 15       **ASSET DONATIONS**

16           45. ***Fixed assets acquired from donations must be recorded at***  
17 ***fair value at the time of acquisition.***  
18           46. Donations of property and equipment are defined as the  
19 unconditional transfer of a fixed asset to a single entity, for example a non-  
20 governmental enterprise provides a building to be used by a unit of government  
21 without any condition. The handover of the asset will be very reliable if  
22 supported by evidence of the legal transfer of ownership, such as a grant deed.  
23           47. Excluding asset acquisition via donation, when the transfer of a  
24 fixed asset is connected with another entity's liability to the government, then  
25 the acquisition of the fixed asset should be treated as an acquisition of fixed  
26 assets with exchange. For example, a private company builds a fixed asset for  
27 the government with the requirement that the company's liability to the  
28 government will be deemed to have been settled.  
29           48. If the acquisition of a fixed asset meets the criteria of an asset  
30 acquired by donation, then the acquisition is recognized as operating revenue.

## 31       **SUBSEQUENT EXPENDITURES**

32           49. ***Expenditures after the initial acquisition of a fixed asset that***  
33 ***extends the useful life or likely future economic benefits in the form of***  
34 ***capacity, production quality, or standard of performance, must be added***  
35 ***to the carrying amount of the asset.***  
36           50. Capitalization of costs referred to in paragraph 49 should be set  
37 out in the accounting policies of an entity, such as the criteria in paragraphs 49  
38 and / or the particular capitalization thresholds to be used in the determination  
39 of whether an expenditure should be capitalized or not.  
40           51. Because government organizations vary greatly in the amount  
41 and use of fixed assets, the capitalization thresholds cannot be uniform for all  
42 existing entities. Each entity should set limits on the amount of capitalization by

1 considering their financial condition and operations. When it is established, the  
2 capitalization thresholds must be applied consistently and disclosed in the  
3 Notes to the Financial Statements.

## 4 **SUBSEQUENT MEASUREMENT TO INITIAL** 5 **RECOGNITION**

6 **52. Fixed assets are presented at the acquisition cost of the fixed**  
7 **assets less accumulated depreciation. In the event of conditions that**  
8 **allow for revaluation, the asset will still be presented with an adjustment**  
9 **to the accounts fixed assets and equity respectively.**

## 10 **DEPRECIATION**

11 **53. Depreciation is the systematic allocation of the value of a**  
12 **fixed asset that can be depreciated (depreciable assets) over the useful**  
13 **life of the asset.**

14 **54. Depreciation for each period is recognized as a reduction of**  
15 **the carrying value of fixed assets in the balance sheet and depreciation**  
16 **expense in the statement of operations.**

17 55. The adjustment to fixed assets is performed by various systematic  
18 methods in accordance with the useful life. Depreciation methods used must be  
19 able to describe the economic benefits service potential that will flow to the  
20 government.

21 56. The useful life of tdepreciable fixed assets must be reviewed  
22 periodically and if there is a major difference from previous estimates, the  
23 depreciation period now and in the future must be adjusted.

24 57. The depreciation methods that can be be used include, among  
25 others:

- 26 (a) The straight line method; or
- 27 (b) The double declining balance method; or
- 28 (c) The unit of production method

29 **58. Besides land and construction in progress, all fixed assets**  
30 **are depreciated according to the nature and characteristics of the assets.**

## 31 **REVALUATION OF FIXED ASSETS**

32 **59. Reappraisal or revaluation of fixed assets is generally not**  
33 **allowed because the Government Accounting Standards adopt asset**  
34 **valuation at cost or the price of exchange. Deviations from this provision**  
35 **may be performed under government provisions that apply nationally.**

36 60. In this case, the financial statements should explain the deviation  
37 from the historical cost basis in the presentation of fixed assets and the effect of  
38 such deviations on an entity's financial picture. The difference between the  
39 revaluation with the carrying value of fixed assets is recorded in equity.

## ACCOUNTING FOR LAND

61. ***Land owned and / or controlled by the government is not treated specially, and in principle follows the provisions as set out in the statement on fixed asset accounting.***

62. Unlike non-governmental institutions, the government is not limited to a specific period for ownership and / or control of land that can be in the form of use rights, management rights, and other land rights made possible by applicable laws and regulations. Therefore, after the initial acquisition of land, the government does not require to pay a fee to maintain the rights to the land. Land meets the definition of a fixed asset and should be treated in accordance with the principles that exist in this Statement.

63. ***Recognition of overseas land as a fixed asset is possible only if the acquisition agreement and the applicable laws and regulations in the country where the Mission of the Republic of Indonesia is located indicates permanent control.***

64. Land owned or controlled by government agencies abroad, for example land used for Missions of the Republic of Indonesia abroad, should pay attention to the content of the acquisition agreement and the applicable laws and regulations in force in the country the Mission of the Republic of Indonesia is located. This is necessary to determine whether the acquisition of the land is permanent or temporary. Land tenure rights are considered permanent if the land right constitutes a strong right among the land rights of the country with no time limit.

## HERITAGE ASSETS

65. ***This statement does not require the government to present heritage assets on the balance sheet, but the assets must be disclosed in the Notes to the Financial Statements.***

66. Some assets are described as heritage assets because cultural, environmental, and historical significance. Examples of heritage assets are historic buildings, monuments, archaeological sites such as temples, and works of art. Some of the following characteristics are often regarded as hallmarks of heritage assets:

- (a) The cultural, environmental, educational, and historical value may not be fully represented by the financial value based on the market price;
- (b) applicable laws and regulations prohibit or strictly limit the release for sale;
- (c) It is not easy to be replaced and its value will continue to rise over time even though the physical condition has declined;
- (d) It is difficult to estimate the useful life. In some cases it can reach hundreds of years.

67. Heritage assets are normally expected to be maintained for an unlimited time. Heritage assets are usually evidenced by laws and regulations.

- 1           68. The government may have a many historic assets acquired over  
2 the years and by various methods including purchase, donation, inheritance,  
3 booty, or confiscation. These assets are rarely controlled due to the reason of  
4 the ability to generate cash inflows, and will have social and legal problems  
5 when used for such purposes.
- 6           69. Heritage assets should be presented in the form of units, such as  
7 the number of units owned in a collection or the number of units of monuments,  
8 in the Notes to the Financial Statements with no value.
- 9           70. Costs for the acquisition, construction, improvement and  
10 reconstruction must be charged as expenses in the statement of operations in  
11 the year the expenditures are incurred. Expenses include all expenses that  
12 occur to render the heritage asset to its existing condition and location in the  
13 current period.
- 14           71. ***Some heritage assets also provide other potential benefits to***  
15 ***the government other than historical value, for example historical***  
16 ***buildings used for office space. For such cases, the assets will apply the***  
17 ***same principles as other fixed assets.***
- 18           72. For other historical assets, the potential benefits are limited to the  
19 historical characteristics, for example, monuments and ruins.

20           **INFRASTRUCTURE ASSETS**

- 21           73. Some assets are usually considered as infrastructure assets.  
22 Although there is no universal definition used, these assets usually have the  
23 following characteristics:
- 24           (a) Represents a portion of a system or network;  
25           (b) Its special and there is no other alternative uses;  
26           (c) Not able to be moved; and  
27           (d) There are limits to its disposal.
- 28           74. ***Although ownership of infrastructure assets is not only by***  
29 ***the government, significant infrastructure assets are often found to be an***  
30 ***asset of government. Infrastructure assets meet the definition of a fixed***  
31 ***asset and should be treated in accordance with the principles that exist in***  
32 ***this Statement.***
- 33           75. Examples of infrastructure assets are networks, roads and  
34 bridges, drainage systems, and communication networks.

35           **MILITARY ASSETS**

- 36           76. ***Military equipment, whether general or particular, meets the***  
37 ***definition of a fixed asset and should be treated in accordance with the***  
38 ***principles that exist in this Statement.***



## RETIREMENT AND DISPOSAL

77. *A fixed asset is eliminated from the balance sheet when it is disposed of or when the asset's use is permanently retired and there no future economic benefits.*

78. *Fixed assets that are permanently retired or disposed of should be eliminated from the balance sheet and disclosed in the Notes to the Financial Statements.*

79. *Fixed assets that are retired from active use by government do not meet the definition of fixed assets and must be transferred to the post other assets in accordance with the carrying amount.*

## DISCLOSURE

80. *The financial statements must disclose, for each type of fixed asset, the following:*

- (a) The basis of valuation used to determine the carrying amount;*
- (b) Reconciliation of carrying amounts at the beginning and end of the period showing:*
  - (1) Additions;*
  - (2) Disposal;*
  - (3) Accumulated depreciation and changes in value, if any;*
  - (4) Movements to other fixed assets.*
- (c) Depreciation information includes:*
  - (1) The depreciation value;*
  - (2) The depreciation method used;*
  - (3) The useful life or the depreciation rates used;*
  - (4) the gross carrying amount and accumulated depreciation at the beginning and end of the period;*

81. *The financial statements should also disclose:*

- (a) The existence and ownership limits of fixed assets;*
- (b) The accounting policies related to the capitalization of fixed assets;*
- (c) Total expenditure in the post fixed assets under construction; and*
- (d) The number of commitments for the acquisition of fixed assets.*

82. *If the fixed assets are recorded at revalued amounts, the following matters should be disclosed:*

- (a) Basic rules for revaluing fixed assets;*
- (b) The effective date of the revaluation;*
- (c) The name of an independent appraiser, if any;*
- (d) The nature of any instructions used to determine replacement cost;*

- 1 (e) The carrying amount of each type of fixed asset.  
2 83. *Heritage assets are disclosed in detail, including the name,*  
3 *type, condition and location of the asset.*

4 **DATE OF EFFECT**

5 84. *This Statement of Governmental Accounting Standards is*  
6 *effective for financial statements from Budget Year 2010.*

7 85. *For reporting entities that are not able to implement this*  
8 *Standard, the reporting entities can apply the Cash Towards Accrual*  
9 *Basis Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.09  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

### **STATEMENT NO. 08**

# **ACCOUNTING FOR CONSTRUCTION IN PROGRESS**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION*

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 08**

4       **ACCOUNTING FOR CONSTRUCTION IN PROGRESS**

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

9       **INTRODUCTION**

10      **OBJECTIVE**

- 11               1. The objective of the Construction in Progress Standard is to  
12               prescribe the accounting treatment for construction in progress.
- 13               2. This Standard provides guidelines for:
- 14               (a) identification of the work that can be classified as the Construction In  
15               Progress;
- 16               (b) determining the amount costs that are capitalized and presented in the  
17               balance sheet;
- 18               (c) determining the basis for recognition and disclosure of the cost of  
19               construction.

20      **SCOPE**

- 21               3. ***An accounting entity that undertakes the construction of fixed***  
22       ***assets to be used in the implementation of the activities of government***  
23       ***and / or community in a certain time period, both the implementation of***  
24       ***self-managed construction as well as construction performed by third***  
25       ***parties, are required to implement this standard.***
- 26               4. The nature of construction activities is generally long-term, so that  
27       the start date of activity implementation and the date of activity completion  
28       usually fall into different accounting periods.
- 29               5. The main problem with accounting for Construction In Progress is  
30       the cost amounts to be recognized as fixed assets that must be recorded until  
31       the construction is completed.

32      **DEFINITIONS**

- 33               6. ***The following are terms used in this Standard:***

34       ***Budget is an action guide to be implemented by government covering***  
35       ***planned revenues, expenditures, transfers, and financing which is***

1       *measured in rupiah, and arranged systematically according to a specific*  
2       *classification for one period.*

3       **Fixed assets** *are tangible assets with a useful life of more than 12 (twelve)*  
4       *months for use, or are intended for use, in government activities by the*  
5       *general public.*

6       **Construction in progress** *are fixed assets under construction.*

7       **Construction contract** *is a commitment made specifically for the*  
8       *construction of an asset or a combination of assets closely related to*  
9       *each other or interdependent in terms of design, technology and function*  
10      *or purpose or primary use.*

11      **Contractor** *is an entity that holds a contract to build assets or provide*  
12      *construction services for the benefit of other entities in accordance with*  
13      *the specifications set forth in the construction contract.*

14      **Advances** *are amounts received by the contractor before the work is done*  
15      *in the context of a construction contract.*

16      **Claims** *are amounts requested by the contractor from the employer as*  
17      *reimbursement of costs that were not included in the contract value.*

18      **Employer** *is the entity that enters into a construction contract with a third*  
19      *party to build or provide construction services.*

20      **Retention** *is the number of terms (progress billing) that have not been*  
21      *paid to the fulfillment of the conditions specified in the contract for the*  
22      *payment of the amount.*

23      **Installment (progress billing)** *is the amount charged for work done under*  
24      *a contract, whether already paid or has not been paid by the employer.*

## 25       **CONSTRUCTION IN PROGRESS**

26               7. Construction In Progress includes the construction of land,  
27               equipment and machinery, buildings, roads, irrigation and networks, as well as  
28               other fixed assets that the acquisition and / or construction of requires a certain  
29               period of time and has not been completed. Acquisition through construction  
30               contracts generally requires a certain period of time. The time period of  
31               acquisition could be more or less than one accounting period.

32               8. Acquisition of assets can performed by construction through self-  
33               management or through a third party with a construction contract.

## 34       **CONSTRUCTION CONTRACTS**

35               9. Construction contracts can be associated with the acquisition of a  
36               number of assets that are closely related or mutually dependent on each other  
37               in terms of design, technology, function or purpose, and main use. Contracts  
38               such as this are, for example, the construction of irrigation networks.

39               10. Construction contracts may include:

- 1 (a) contracts for the acquisition of services directly related to the planning and
- 2 construction of an asset, such as architectural services;
- 3 (b) contracts for the acquisition or construction of assets;
- 4 (c) contracts for the acquisition of services directly related to the supervision
- 5 of the construction of assets which includes construction management
- 6 and value engineering;
- 7 (d) contracts to dismantle or restore assets and environmental restoration.

## 8 UNIFICATION AND SEGMENTATION OF

## 9 CONSTRUCTION CONTRACTS

10 11. The provisions of this standard apply separately to each

11 construction contract. However, in certain circumstances, it is necessary to

12 apply this statement to a single construction contract component which can be

13 separately identified, or to a group of construction contracts together in order to

14 reflect the nature of a construction contract or group of construction contracts.

15 ***12. If a construction contract covers a number of assets, the***

16 ***construction of each asset is treated as a separate construction contract***

17 ***when all the following conditions are met:***

- 18 (a) ***Separate proposals have been submitted for each asset;***
- 19 (b) ***Each asset has been the subject of separate negotiation and the***
- 20 ***contractor and the employer can accept or reject that part of***
- 21 ***contract relating to each asset;***
- 22 (c) ***The cost of each asset can be identified.***

23 ***13. A contract may provide for the construction of an additional***

24 ***asset at the request of the employer or can be modified so that***

25 ***construction of additional assets can be incorporated into the contract.***

26 ***Additional construction is treated as a separate construction contract***

27 ***when:***

- 28 (a) ***The additional asset differs significantly in design, technology or***
- 29 ***function with the assets covered by the original contract, or***
- 30 (b) ***The additional asset price is determined without regard to the***
- 31 ***original contract price.***

## 32 CONSTRUCTION IN PROGRESS RECOGNITION

33 ***14. A tangible object must be recognized as Construction In***

34 ***Progress if:***

- 35 (a) ***it is probable that the future economic benefits related the assets***
- 36 ***will be obtained;***
- 37 (b) ***the acquisition cost can be measured reliably, and;***
- 38 (c) ***the asset is still under construction.***

1                    **15. Construction In Progress usually forms an asset which is**  
2 **intended for use in the operations of government or used by the public in**  
3 **the long term and is therefore classified as a fixed asset.**

4                    **16. Construction In Progress is transferred to the relevant fixed**  
5 **assets post if the following criteria are met:**

- 6                    **(a) Construction is substantially completed, and;**  
7 **(b) Can provide benefits / services in accordance with purpose of the**  
8 **acquisition.**

9                    17. Construction In Progress is transferred to fixed assets (land;  
10 equipment and machinery; building and construction; roads, irrigation, and  
11 networking; other fixed assets) after the construction work is declared complete  
12 and ready for use in accordance with the purpose of acquisition.

## 13 **MEASUREMENT**

14                    **18. Construction In Progress is recorded at the cost of**  
15 **acquisition.**

## 16 **CONSTRUCTION COST**

17                    **19. The value of construction which is self-managed:**

- 18                    **(a) costs directly related to construction activity;**  
19 **(b) costs that are attributable to the activity generally and can be**  
20 **allocated to construction, and;**  
21 **(c) any other fees specifically charged in connection with the**  
22 **construction concerned.**

23                    20. Costs directly related to the construction activity include, among  
24 others, the:

- 25                    (a) cost of field workers including supervisors;  
26                    (b) cost of materials used in construction;  
27                    (c) cost of removal of facilities, equipment, and materials to and from the  
28 construction site;  
29                    (d) cost of hiring plant and equipment;  
30                    (e) cost of design and technical assistance that is directly related to the  
31 construction.

32                    21. The costs that can be attributed to the construction activity  
33 generally and can be allocated to a particular construction include:

- 34                    (a) Insurance;  
35                    (b) The cost of design and technical assistance that are not directly related to  
36 the particular construction;  
37                    (c) Other costs that can be identified for the relevant construction activity  
38 such as inspection fees.



Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs that have similar characteristics. The cost allocation method that is recommended is the weighted average based on the proportion of direct costs method.

**22. The value of construction carried out by a contractor through construction contracts include:**

- (a) Installments that has been paid to the contractor in connection with the level of completion of work;**
- (b) Liabilities which are still to be paid to the contractor in connection with the work that has been received but not yet paid at the reporting date;**
- (c) Claim payments to the contractor or a third party in connection with the execution of the construction contract.**

23. Contractor includes the prime contractor and other contractors.

24. Payment for the construction contract is generally done in stages (installments) based on the level of completion specified in the construction contract. Any payments made are recorded as an addition to the value of Construction In Progress.

25. Claims can arise, for instance, from delays caused by the employer, errors in specifications or design and disputes over irregularities in the contract.

**26. If the construction is financed from a loan then the borrowing costs incurred during construction are capitalized and increase the cost of the construction, as long as the costs can be reliably identified and assigned.**

27. Borrowing costs include interest charges and other costs incurred in connection with the loans used to finance the construction.

**28. The amount of borrowing costs capitalized must not exceed the total cost of interest paid and accrued in the period in question.**

**29. If a loan is used to finance several of the assets acquired in a given period, the cost of borrowing for the period is allocated to each construction with the weighted average method to the total construction cost expenditure.**

**30. If the construction activities are temporarily suspended due to force majeure events then the borrowing costs paid during the period of construction suspension are capitalized.**

31. Suspension construction contract work can occur for several reasons, such as force majeure conditions or any interference from the employer or the authorities for various reasons. If the termination is due to the interference of the employer or the authorities, borrowing costs are capitalized during the suspension. Conversely, if a suspension is due to force majeure conditions, the borrowing costs are not capitalized but are recorded as interest expense in the period in question.

1           **32. A construction contract that includes several types of jobs**  
2 **which are completed at different times, then the type of job that has been**  
3 **completed does not take into account the cost of borrowing. Borrowing**  
4 **costs are capitalized only for the type of work that is still in progress.**

5           33. A construction contract can include several types of assets that  
6 can be identified respectively as referred to in paragraph 12. If the various  
7 types of jobs are completed at different points in time, then the borrowing costs  
8 that are capitalized are only those borrowing costs for the part of the  
9 construction contract or the type of job that is not yet completed. The cost of  
10 borrowing for the part of the job that has been completed is no longer  
11 calculated.

## 12       **DISCLOSURE**

13           **34. An entity must disclose information about Construction In**  
14 **Progress at the end of the accounting period:**

- 15       **(a) Details of construction contracts in progress follow the completion**  
16 **rate and period of completion;**  
17       **(b) The value of construction contracts and funding sources.**  
18       **(c) Total costs incurred and accrued;**  
19       **(d) Advances provided;**  
20       **(e) Retention.**

21           35. Construction contracts generally contain provisions concerning  
22 retention, for example, final installment payments still held by the employer  
23 during the maintenance period. Retention amounts are disclosed in the Notes  
24 to the Financial Statements.

25           36. Assets can be financed from a particular source of funding.  
26 Inclusion of the source of funds is intended to give an overview of funds and  
27 absorption until a specific date.

## 28       **DATE OF EFFECT**

29           **37. This Statement of Governmental Accounting Standards is**  
30 **effective for financial statements from Budget Year 2010.**

31           **38. For reporting entities that are not able to implement this**  
32 **Standard, the reporting entities can apply the Cash Towards Accrual**  
33 **Basis Standards for a maximum of 4 (four) years after Budget Year 2010.**

ATTACHMENT I.10  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

## **GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS**

### **STATEMENT NO. 09**

## **ACCOUNTING FOR LIABILITIES**

**NOTE:** *THIS VERSION OF THE ACCRUAL BASED GOVERNMENT ACCOUNTING STANDARD IS AN ENGLISH TRANSLATION OF THE ORIGINAL BAHASA INDONESIA VERSION. SHOULD THERE BE A DIFFERENCE IN MEANING BETWEEN THE TRANSLATED VERSION (ENGLISH) AND THE ORIGINAL VERSION (BAHASA INDONESIA), THEN THE ORIGINAL VERSION IS FAVORED OVER THE TRANSLATED VERSION.*

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 09**

4       **LIABILITIES**

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

9       **INTRODUCTION**

10      **OBJECTIVE**

- 11           1. The objective of this Standard is to regulate the accounting treatment of  
12           liabilities including current recognition, the determination of the carrying  
13           amount, amortization, and borrowing costs charged against the liability.

14      **SCOPE**

- 15           2. *This Standard applies to all government units that present general*  
16           *purpose financial statements and regulates accounting treatments,*  
17           *including recognition, measurement, presentation and required*  
18           *disclosures.*

- 19           3. *This Standard regulates:*

- 20           (a) *Accounting for Government Liabilities, including short-term*  
21           *liabilities and long-term liabilities arising from Domestic Debt and*  
22           *Foreign Debt.*  
23           (b) *The accounting treatment for transactions in foreign currency loans.*  
24           (c) *The accounting treatment for transactions arising from debt*  
25           *restructuring.*  
26           (d) *The accounting treatment for the costs arising from government*  
27           *debt. Subparagraphs (b), (c) and (d) above prevail to the extent there*  
28           *are no special regulations in a separate statement concerning such*  
29           *matters.*

- 30           4. This Standard does not regulate:

- 31           (a) Accounting for Estimated Liabilities and Contingent Liabilities.  
32           (b) Accounting for Derivative Instruments and Hedging Activities.  
33           (c) Transactions in foreign currencies arising from transactions other than  
34           lending transactions denominated in a foreign currency as in paragraph 3  
35           (b).

36           Subparagraphs (a) and (b) are regulated in this standard statement individually.

## DEFINITIONS

5. The following are terms used in this Standard:

**Amortization of debt** is the systematic allocation of the premium or discount over the life of the government debt.

**Qualifying Assets** are assets that require considerable time to be prepared for use or sale in accordance with its purpose.

**Borrowing costs** are interest and other costs that must be borne by the government in connection with the borrowing of funds.

**Debtor** is a party that receives loans from creditors.

**Discount rate** is the amount of the difference between the present value of a liability with the maturity value of liability due to the nominal interest rate being lower than the effective interest rate.

**Reporting entity** is a government unit consisting of one or more accounting entities or reporting entities which in accordance with the provisions of laws and regulations are required to submit an accountability report in the form of financial statements.

**Liabilities** are debts arising from past events the settlement of which results in outflows of economic resources of the government.

**Creditor** is the party that provides the debt to the debtor..

**Estimated liability** is a liability where the amount and time is uncertain.

**Contingent liabilities** are:

(a) potential liabilities arising from past events and the existence of which becomes certain with the occurrence or non-occurrence of one or more events in the future that are not entirely within the control of an entity, or

(b) present liabilities arising as a result of the past, but are not recognized because:

(1) it is not probable that an entity will expend resources containing economic benefits to settle the liability, or

(2) the amount of liability cannot be measured reliably.

**Exchange rate** is the ratio of the exchange of two currencies.

**Straight-line method** is the method of allocation of a premium or discount with the same amount for government debt securities throughout the period.

**Nominal value** is the value of government liabilities the first time the transaction took place as marked on the government debt security.

**Carrying amount** of a liability is the book value of a liability which is calculated from the nominal value after deduction or addition of a discount or unamortized premium.

**Bonds** are Government Securities with a maturity of more than 12 (twelve) months with a coupon and / or with a discounted interest payment.

- 1 **Third Party Calculation**, hereinafter referred to PFK, is government debt to  
2 another party caused by the position of the government cutting taxes or  
3 other charges, such as the Income Tax, Value Added Tax, Askes fees,  
4 Taspen, and Taperum.
- 5 **Premium** is the amount of the excess of the present value of the liability  
6 with the maturity value of liability because the nominal interest rate is  
7 higher than the effective interest rate.
- 8 **Debt restructuring** is an agreement between the creditor and the debtor to  
9 modify the terms of a debt agreement with or without a reduction in the  
10 amount of debt.
- 11 **Government debt securities** are securities in the form of government debt  
12 instruments that can be traded and have a maturity value or redemption  
13 value at the time of issue, such as Government Bonds (GB).
- 14 **Treasury Bills** are Government Securities with a maturity of up to 12  
15 (twelve) months with discounted interest payment.
- 16 **Government Bonds** are securities in the form of debt instruments  
17 denominated in rupiah or foreign currency where the debt principal and  
18 interest payments are guaranteed by the Republic of Indonesia, according  
19 to the period of validity.
- 20 **Arrears** are liability amounts owed due to the inability of the entity to pay  
21 debt principal and / or interest according to schedule.

22 **GENERAL**

- 23 6. The main characteristic of a liability is that the government has a present  
24 obligation the settlement of which results in the sacrifice of economic  
25 resources in the future.
- 26 7. Liabilities generally arise due to the consequences of the implementation  
27 of duties or responsibilities to act in the past. In the context of the  
28 government, liabilities arise partly because of the use of loan funding  
29 sources from the public, financial institutions, government entities, or  
30 international agencies. Government liabilities may also occur due to the  
31 engagement of employees who work for the government, liabilities to the  
32 wider community, i.e. benefit liabilities, compensation, damages, excess  
33 deposits of tax from taxpayers, the allocation / reallocation of revenue to  
34 other entities, or liabilities with other service providers.
- 35 8. Every liability can be imposed by law as a consequence of a binding  
36 contract or laws and regulations.

37 **CLASSIFICATION OF LIABILITIES**

- 38 9. Every reporting entity disclose any item of liability including  
39 amounts expected to be finalized after the reporting date.
- 40 10. Information on the due date of a financial liability is useful for assessing  
41 the liquidity and solvency of a reporting entity. Information about the date

- 1 of settlement of a liability such as debt to third parties and debt interest is  
2 also useful to determine the whether the liability is classified as a short-  
3 term or long-term liability.
- 4 **11. A liability is classified as a short-term liability if it is expected to be**  
5 **paid within 12 (twelve) months after the reporting date. All other**  
6 **liabilities are classified as long-term liabilities.**
- 7 12. Short-term liabilities can be categorized in the same way as current  
8 assets. Short-term liabilities, such as government debt transfers or debts  
9 to employees, are the liabilities that will absorb current assets in the  
10 following reporting year.
- 11 13. Other short-term liabilities are liabilities due within 12 (twelve) months  
12 after the date of reporting, such as interest on loans, short-term debt to a  
13 third party, Third Party Calculation (PFK), and the current portion of long-  
14 term debt.
- 15 **14. A reporting entity continues to classify a liability as long-term, even**  
16 **though the liability is due and will be finalized within 12 (twelve)**  
17 **months after the reporting date if:**
- 18 (a) **the original term was for a period of more than 12 (twelve) months,**  
19 **and;**
- 20 (b) **the entity intends to refinance the obligation on a long-term basis;**  
21 **and**
- 22 (c) **this intention is supported by the existence of a refinancing**  
23 **agreement, or the rescheduling of the payment, which was finalized**  
24 **before the financial statements were approved.**
- 25 15. The amount of any liability incurred from short-term liabilities in  
26 accordance with the preceding paragraph, together with information  
27 supporting this presentation, is disclosed in the Notes to the Financial  
28 Statements.
- 29 16. Some liabilities which are due to be repaid in the next year may be  
30 expected to be refinanced or rolled over based on the policy of the  
31 reporting entity and is expected this will not immediately absorb the  
32 entity's funding. Such liabilities are considered to be a part of long-term  
33 funding and classified as long-term liabilities. But in situations where  
34 refinancing is not in the entity (as in the case of an absence of funding  
35 approval), refinancing can not be considered automatic and the liabilities  
36 are classified as short-term unless settlement of the refinancing  
37 agreement before the approval of financial statements proves that the  
38 substance of the liability at the reporting date is long-term.
- 39 17. Some loan agreements include certain requirements (covenants) that  
40 cause long-term liabilities to become current liabilities (payable on  
41 demand) if certain requirements relating to the financial position of the  
42 borrower are violated. In such circumstances, the liabilities can be  
43 classified as long-term liabilities only if:



- 1 (a) the lender has agreed not to seek repayment as a consequence of the
- 2 breach, and,
- 3 (b) there is a guarantee that there will be no subsequent violations within 12
- 4 (twelve) months after the reporting date.

## 5 **RECOGNITION OF LIABILITIES**

6 ***18.Liabilities are recognized when it is probable that expenditure of***  
7 ***economic resources will be made to settle existing liabilities until***  
8 ***the time of reporting, and changes to the liability has a settlement***  
9 ***value that can be measured reliably.***

10 19.The existence of past events (in this case including transactions) is very  
11 important in the recognition of liabilities. An event is an occurrence with a  
12 financial consequence to an entity. An event may include an internal  
13 event within an entity, such as the transformation of raw materials into a  
14 product, or may be an external event that involves interaction between  
15 an entity with its environment, such as transactions with other entities,  
16 natural disasters, theft, vandalism, and damage due to an accident.

17 20.A transaction involves the transfer of something that has value. The  
18 transaction may be a transaction with an exchange or without an  
19 exchange. The distinction between transactions with exchange or  
20 without exchange is very important for determining the time of liability  
21 recognition.

22 ***21.Liabilities are recognized when loan funds are received by the***  
23 ***government or released by creditors in accordance with the***  
24 ***agreement, and / or at the time the liabilities arise.***

25 22.Liabilities can arise from:

- 26 (a) exchange transactions;
- 27 (b) non-exchange transactions, according to applicable laws and policies that
- 28 apply, and which have not been paid in full up to the date of reporting;
- 29 (c) government-related events;
- 30 (d) government-acknowledged events.

31 ***23.An exchange transaction arises when each party to the transaction***  
32 ***sacrifices and receives something of value in return. There are two***  
33 ***reciprocal flows of resources or promises to provide the resources.***  
34 ***In a transaction with exchange, liabilities are recognized when one***  
35 ***party receives goods or services in exchange for a promise to give***  
36 ***money or other resources in the future.***

37 24.One example of an exchange transaction is when government  
38 employees provide services in exchange for obtaining compensation  
39 consisting of salaries and other employee benefits. An exchange  
40 transaction arises because both parties (employer and the recipient of  
41 work) receive and sacrifice value. Compensation liabilities include unpaid

- 1 wages, services that have been delivered and other employee benefits  
2 costs associated with the service period.
- 3 **25. A transactions without exchange arises when one party in a**  
4 **transaction receives value without directly giving or promising**  
5 **value in return. In this case, there is only one direction of the flow**  
6 **of resources or promises. For transactions without exchange, a**  
7 **liability should be recognized for the outstanding amount unpaid at**  
8 **the reporting date.**
- 9 26. Some types of grants and public assistance programs and others  
10 specific to the reporting entity form transactions without exchange. When  
11 the central government transfers ownership of a program or provides  
12 grants or allocate funds to local governments, the payment terms are  
13 determined by the existing laws and regulations and not by the exchange  
14 transaction.
- 15 **27. A government-related event is an event that is not based on the**  
16 **transaction but by the interaction between the government and the**  
17 **environment. These events may be beyond the control of the**  
18 **government. In general, a liability is recognized in relation to events**  
19 **associated with the Government, on an equal basis with events that**  
20 **arise from exchange transactions.**
- 21 28. When the government inadvertently causes damage to private property,  
22 the event creates a liability, as long as applicable laws and policies  
23 allow the government to pay for the damage, and as long as the  
24 payment amount can be estimated reliably. An example of this event is  
25 accidental damage to private property caused by the implementation of  
26 government activities.
- 27 **29. Government-recognized events are events not based on a**  
28 **transaction, but have financial consequences for the government**  
29 **because the government has decided to respond to the event. The**  
30 **government has broad responsibility for providing public welfare.**  
31 **To that end, the Government is often assumed to be responsible for**  
32 **events that are not regulated in formal regulations. Consequently,**  
33 **the costs of the various events, which are caused by non-**  
34 **governmental entities and natural disasters, are ultimately the**  
35 **responsibility of the government. However, these costs can not**  
36 **meet the definition of a liability until the government formally**  
37 **recognizes it as the government's financial responsibility, and a**  
38 **transaction for the costs incurred in connection with the event has**  
39 **occurred with exchange for without exchange.**
- 40 30. In other words, the government should recognize a liability and expense  
41 for the conditions in paragraph 29 when they meet the following two  
42 criteria: (1) the Legislature has approved or authorized the resources  
43 that will be used, (2) exchange transactions arise (eg, when a contractor  
44 perform repairs) or there are unpaid amounts from non-exchange

1 transactions still owed at the reporting date (eg direct payments to  
2 victims of the disaster).

3 31.The following example illustrates the recognition of liability of a  
4 government recognized event. A natural disaster damages cities in  
5 Indonesia and the House of Representatives authorizes expenditures to  
6 cope with the disaster. This incident has consequences for the  
7 government's finances since it has decided to provide disaster relief to  
8 those cities. Transactions related with it, including the contribution of the  
9 government to individuals and the work of contractors who are paid by  
10 the government, are recognized as transactions with exchange or  
11 without exchange. In the case of exchange transactions, the amounts  
12 owed for goods and services provided to the government are recognized  
13 when the goods are delivered or the work is completed. In the case of  
14 non-exchange transactions, a liability should be recognized for unpaid  
15 amounts still owed at the reporting date. Such liabilities include the  
16 amounts charged to the government to pay benefits and goods or  
17 services that have been provided according to the requirements of the  
18 existing program at the government reporting date.

## 19 MEASUREMENT OF LIABILITIES

20 ***32.Liabilities are recorded at nominal value. Liabilities denominated in***  
21 ***foreign currencies are translated and expressed in rupiah. Foreign***  
22 ***currency translation is performed using the central bank middle***  
23 ***rate at the balance sheet date.***

24 33.The nominal value of a liability reflects the value of the government  
25 liability at the first time the transaction took place, such as the value  
26 marked on the government debt security. Subsequent economic flows,  
27 such as payment transactions, valuation changes due to changes in  
28 foreign exchange rates, and other changes other than changes in market  
29 value, are calculated by adjusting the carrying amount of the liability.

30 34.The use of the nominal value in assessing liabilities follows the  
31 characteristics of each post. The following paragraphs outline the  
32 application of the nominal value for each liability post in the financial  
33 statements.

## 34 DEBTS TO THIRD PARTIES (ACCOUNTS PAYABLE)

35 ***35.At the moment government received the rights to the goods,***  
36 ***including goods in transit that have become due, the government***  
37 ***must recognize the liability for unpaid amounts for goods.***

38 36.If the contractor building the facility or equipment in accordance with the  
39 existing specifications in the contract agreement with the government,  
40 the amount recorded should be based on the physical realization of the  
41 progress of the work in accordance with the work in progress official  
42 report.

**37. The amounts for liabilities due to transactions between government units must be separated from liabilities to non-governmental units.**

## DEBT TRANSFERS

38. Debt transfers are liabilities of a reporting entity to make payments to other entities as a result of statutory provisions.

39. Debt transfers are recognized and valued in accordance with applicable regulations.

**DEBT INTEREST (ACCRUED INTEREST)**

**40. Debt interest on government debt must be recorded at cost of the interest that has occurred and has not been paid. Interest can arise from government debt both from within and outside the country. Unpaid debt interest on government debt must be recognized at the end of each reporting period as part of the related liability.**

41. Measurement and presentation of debt interest as above also applies to securities issued by the central government in the form of Government Bonds (GB) and instruments similar in form and substance to GB issued by local governments (provinces, cities, and counties).

### THIRD PARTY DEBT CALCULATION (PFK)

**42. At the end of the reporting period, the balance of charges / deductions in the form of PFK that have not been paid to the other parties should be recorded in the financial statements at the amount still to be deposited.**

43. Total PFK charges / deductions of the government must be assigned to other parties at an amount equal to the amount charged / deducted. At the end of the reporting period there is usually a balance for charges / deductions that have not been paid to the other parties. Total outstanding charges / deductions are to be recorded in the financial statements at the amount still to be deposited.

## CURRENT PORTION OF LONG-TERM DEBT

**44. Values that are included in the financial statements for the current portion of long-term debt is the amount that will be due within 12 (twelve) months after the reporting date.**

45. Included in the category of Current Portion of Long-Term Debt is the sum of long-term debt that is due and must be paid within 12 (twelve) months after the reporting date.

1       **OTHER CURRENT LIABILITIES**

2           46. Other current liabilities are liabilities that are not included in the existing  
3           category. Included in other non-current liabilities are costs accrued at the  
4           time the financial statements are prepared. Measurements for each item  
5           tailored to the characteristics of each item, such as debt payment of  
6           salaries to employees judged by the amount of accrued salaries paid for  
7           services that have been delivered by the employee. Another example is  
8           the receipt of payments in advance for supply of goods or services by  
9           the government to other parties.

10       **TRADED AND NON-TRADED GOVERNMENT DEBT**

11           47. The valuation of government debt is adjusted to the characteristics of  
12           debt that can have the form:

- 13       (a)   Non-traded Government Debt.  
14       (b)   Traded Government Debt.

15       **Non-Traded Government Debt**

16           ***48. The nominal value of non-traded government debt is a liability of***  
17           ***the entity to creditors for debt principal and interest as set out in***  
18           ***the contract agreement and not yet settled on the reporting date.***

19           49. Examples of non-traded government debt are bilateral and multilateral  
20           loans, and loans from international financial institutions like the IMF,  
21           World Bank, ADB and others. The legal form of the loan is usually in the  
22           form of a loan agreement.

23           50. For government debt with a fixed interest rate, the valuation can refer to  
24           the payment schedule using a fixed interest rate. For government debt  
25           with variable interest rates, such as interest rates associated with the  
26           financial instrument or with other indices, the valuation of government  
27           debt uses the same principles as with a fixed interest rate, but the  
28           interest rate estimated fairly based on previous data and observations of  
29           existing financial instruments.

30       **Traded Government Debt**

31           51. Accounting for government debt in a form that can be traded should be  
32           able to identify the amount of residual liabilities of the government at any  
33           given time and the interest for each accounting period. This requires an  
34           initial valuation of securities on the selling price or the sale proceeds, an  
35           assessment on the due date of the amount to be paid to the holder, and  
36           evaluation of the period so as to fairly describe the government's  
37           liabilities.

38           52. Government debt can be traded normally in the form of government debt  
39           securities which may contain provisions regarding the value of debt at  
40           maturity.

- 1       **53.Types of government debt securities must be rated at par value**  
2       **(original face value) taking into account discounts or unamortized**  
3       **premiums. Government debt securities sold at par value with no**  
4       **discount or premium should be valued at par value. Securities sold**  
5       **at a discount price will increase in value over a period of sales and**  
6       **maturities, while the securities sold at a premium price will reduce**  
7       **in value.**
- 8       54. Government debt securities having a value at maturity or redemption,  
9       such as Government Securities (GS) in the form of Treasury Bills and  
10       Bonds, should be rated based on the value to be paid at maturity if sold  
11       at par value. If at the time of the initial transaction, the traded  
12       government debt instruments are sold above or below par, then further  
13       valuation takes into account the amortization of the discount or premium  
14       that exist.
- 15       55. Amortization of the discount or premium is to use the straight-line  
16       method.

## 17       **CHANGES IN FOREIGN EXCHANGE**

- 18       **56. Government debt in foreign currencies is recorded at the central**  
19       **bank middle exchange rate at the time of the transaction.**
- 20       57. The exchange rate on the date of the transaction is often called the spot  
21       rate. For practical reasons, a rate that approximates the actual rate at  
22       the date of the transaction is often used, for example, the average  
23       middle rate of the central bank for a week or a month is used for all  
24       transactions in the period. However, if exchange rates fluctuate  
25       significantly, the use of the average rate for a period is unreliable.
- 26       **58. At each balance sheet date the posting of government debt in a**  
27       **foreign currency is reported in rupiah using the central bank middle**  
28       **exchange rate at the balance sheet date.**
- 29       **59. Differences arising from translation of government debt into a**  
30       **foreign currency between the transaction date and the balance**  
31       **sheet date are recorded as an increase or decrease in equity.**
- 32       60. Consequences of the recording and reporting liabilities in foreign  
33       currencies will affect posts on the Balance Sheet for liabilities and  
34       associated equity of the reporting entity.
- 35       61. If a transaction in a foreign currency arises and is settled in the same  
36       period, all the foreign exchange differences are recognized in that  
37       period. However, if the transaction arises and is settled in different  
38       accounting periods, then the foreign exchange differences are  
39       recognized for each accounting period to take into account changes in  
40       exchange rates for each period.

## SETTLEMENT OF LIABILITIES BEFORE MATURITY

**62. For government debt securities that are settled prior to maturity because of call features by the issuer of those securities or as to meet the requirements for settlement by holders' demand, the difference between the reacquisition price and the net carrying amount should be presented in the Statement of Operations and disclosed in the Notes to the Financial Statements as part of the posts related to the liabilities.**

63. If the reacquisition price is equal to the carrying value then the settlement of liabilities before maturity is regarded as normal, i.e. by adjusting the amount of liabilities and related assets.

64. If the reacquisition price does not equal recovery of the carrying value then, other than the adjustment to the related assets and liabilities, the amount of difference is also presented in the Statement of Operations in posts to Surplus / Deficit from Non Operating Activities and is disclosed in the Notes to the Financial Statements.

## ARREARS

**65. Outstanding amounts of government loans should be presented in the form of a Creditor Aging Schedule in the Notes to the Financial Statements as part of the disclosure of liabilities.**

66. Arrears are defined as amounts that have expired, but the government can not afford to pay the amount of principal and / or interest on schedule. Some types of government debt may have a maturity schedule at a date or serial date when the debtor is required to make payments to creditors.

67. Accounting practices generally do not separate the amount of arrears of debt on the face of the financial statements. But information on the government's arrears is information of interest to readers of the financial statements as material for analysis of the policy and solvency of an entity.

68. For this purpose, the information on arrears must be disclosed in the Notes to the Financial Statements in the form of a Debts Age List.

## DEBT RESTRUCTURING

**69. In restructuring debt through a modification of the terms of debt, the debtor must record the effects of the restructuring prospectively from the time of restructuring and should not change the carrying value of the debt at the time of the restructuring unless the carrying amount exceeds the amount of future cash payments specified by the new terms. Information should be disclosed**

1                    ***regarding the restructuring in the Notes to Financial Statements as***  
2                    ***part of the disclosure of liability-related posts.***

3                    70. Restructuring may include:

- 4                    (a) Refinancing, i.e. replacing old debt with new debt, including arrears, or  
5                    (b) Rescheduling or modification of debt terms that change the terms and  
6                    conditions of an existing contract. This may take the form of debt  
7                    rescheduling:  
8                    (1) Changes in payment schedule,  
9                    (2) Addition to the grace period, or,  
10                    (3) Scheduling a back up plan of principal payments and interest due and  
11                    / or in arrears.

12                    71. The amount of interest should be calculated using the effective interest  
13                    rate constant multiplied by the carrying value of the debt at the beginning  
14                    of each period between the time of the restructuring until maturity. The  
15                    new effective interest rate is equal to the discount rate to equate the  
16                    present value of future cash payments as specified by the new terms  
17                    (not including the contingent debt) to the carrying value. Based on the  
18                    new effective interest rate, a new payment schedule can be produced  
19                    starting from the time of restructuring to maturity.

20                    72. Information regarding the old and new effective interest rate must be  
21                    presented in the Notes to the Financial Statements.

22                    ***73. If the amount of future cash payments as specified by the new***  
23                    ***terms for the debt including payment of interest and principal on***  
24                    ***the debt is lower than the carrying value, then the debtor must***  
25                    ***reduce the carrying value of the debt to an amount equal to the***  
26                    ***amount of future cash payments as specified by the new terms. It***  
27                    ***must be disclosed in the Notes to the Financial Statements as part***  
28                    ***of the disclosure of liability-related posts.***

29                    ***74. An entity may not change the carrying value of debt as a result of***  
30                    ***debt restructuring involving future cash payments that can not be***  
31                    ***determined, as long as future cash payments do not exceed the***  
32                    ***maximum carrying value of debt.***

33                    75.                Amounts of interest or debt principal under the new terms can be  
34                    contingent, depending on events or circumstances. For example, the  
35                    debtor may be required to pay a certain amount if their financial condition  
36                    improves to a certain level in a certain period. To determine this amount  
37                    the entity should follow the principles set out in accounting for  
38                    contingencies not provided for in this statement. The same principle  
39                    applies to future cash payments which frequently must be estimated.

## 40                    **DEBT ELIMINATION**

41                    76. Debt cancellation is the cancellation of charges by the creditor to the  
42                    debtor, in part or the entire amount of the debtor's debt in the form of a  
43                    formal agreement between the two.



- 1 77. The elimination of the debt may be settled by the debtor to the creditor  
2 through the delivery of cash or non-cash assets with a value below the  
3 carrying value of debt.
- 4 **78. If the settlement of the debt with a settlement value below the**  
5 **carrying value is made with cash assets, then the provisions of**  
6 **paragraph 73 apply.**
- 7 **79. If the settlement of a debt with a settlement value below its**  
8 **carrying value is performed with non-cash assets then the entity as**  
9 **a debtor must revalue non-cash assets to fair value and then apply**  
10 **paragraph 73, as well as disclosing in the Notes to the Financial**  
11 **Statements as part of the liability and non-cash asset related posts.**
- 12 80. Information in the Notes to the Financial Statements must disclose the  
13 amount of the difference arising from the restructuring of such liabilities  
14 which is the excess of the:
  - 15 (a) Carrying value of the settled debt (reduced or nominal amount plus  
16 unpaid interest and premium, discount, finance charges or unamortized  
17 issuance costs), with,
  - 18 (b) The fair value of the assets transferred to the creditor.
- 19 81. The revaluation of assets in paragraph 80 will produce a difference  
20 between the fair value and the value of the assets transferred to the  
21 creditor for a debt settlement. Such differences should be disclosed in  
22 the Notes to the Financial Statements.

## 23 COSTS ASSOCIATED WITH GOVERNMENT 24 DEBT

- 25 82. Costs associated with government debt are interest expense and other  
26 costs incurred in connection with the borrowing of funds. These costs  
27 may include:
  - 28 (a) Interest and fees on the use of loan funds, both short-term and long-term  
29 borrowings;
  - 30 (b) *Commitment fee* on undrawn loans;
  - 31 (c) Amortisasi diskonto atau premium yang terkait dengan pinjaman,
  - 32 (d) Amortization of capitalized costs associated with the loan acquisition  
33 costs such as consultants, lawyers, and so forth.
  - 34 (e) The difference in exchange rates in foreign currency loans to the extent it  
35 is treated as an adjustment to interest expense.
- 36 **83. Borrowing costs which are directly attributable to the acquisition or**  
37 **production of a particular asset (qualifying asset) must be**  
38 **capitalized as part of the cost of the particular asset.**
- 39 84. If interest rates are directly attributable to a particular asset, the  
40 borrowing costs must be capitalized against that particular asset. If the  
41 cost of borrowing are not directly attributable to a particular asset, the

- 1 capitalization of borrowing costs is determined based on the explanation  
2 in paragraph 86.
- 3 85. In certain circumstances, it is difficult to identify a direct link between a  
4 particular loan with the acquisition of a specific asset and to determine  
5 that a particular loan need not exist if the acquisition of certain assets did  
6 not occur. For example, in the case of centralized funding of more than  
7 one government activity / project. Difficulties can also occur when an  
8 entity uses several types of financing with an interest rate that is  
9 different. In this case, it is difficult to determine the amount of borrowing  
10 costs that are directly attributable, thus requiring professional judgment  
11 to determine the attribution.
- 12 **86. If funds from loans are not directly attributable to the acquisition of**  
13 **an asset then the borrowing costs that must be capitalized to a**  
14 **particular asset should be calculated based on the weighted**  
15 **average of the accumulated cost of all assets relating to the**  
16 **reporting period.**

## 17 PRESENTATION AND DISCLOSURE

- 18 **87. Government debt should be disclosed in detail in the form of a debt**  
19 **schedule list to provide better information to the users.**
- 20 **88. To increase the usefulness of analysis, the information that must**  
21 **be presented in the Notes to the Financial Statements is:**
- 22 (a) **The amount outstanding on short-term and long-term liabilities**  
23 **classified by lender;**
- 24 (b) **Total outstanding liabilities in the form of government debt**  
25 **securities by government debt type and maturity;**
- 26 (c) **Interest on loans payable in the current period and the prevailing**  
27 **interest rate;**
- 28 (d) **The consequences of undertaking the settlement of liabilities prior**  
29 **to maturity;**
- 30 (e) **a debt restructuring agreement covering:**
- 31 (1) **The loan reduction;**
- 32 (2) **Modification of debt terms;**
- 33 (3) **The interest rate reduction;**
- 34 (4) **Postponement of the debt maturity;**
- 35 (5) **The reduction the loan maturity value; and**
- 36 (6) **The reduction in the amount of interest payable up to the**  
37 **reporting period.**
- 38 (f) **The amount of loan arrears is presented as debt aging schedule by**  
39 **creditor.**
- 40 (g) **Borrowing costs:**
- 41 (1) **Treatment of borrowing costs;**

- 1           (2)    *The amount of borrowing costs capitalized during the period*  
2                   *in question, and;*  
3           (3)    *The capitalization rate used.*

4           **DATE OF EFFECT**

- 5           89. *This Statement of Governmental Accounting Standards is effective*  
6               *for financial statements from Budget Year 2010.*  
7           90. *For reporting entities that are not able to implement this Standard,*  
8               *the reporting entities can apply the Cash Towards Accrual Basis*  
9               *Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.11  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS**

**STATEMENT NO. 10**

**ERROR CORRECTION,  
CHANGES IN ACCOUNTING POLICIES,  
CHANGES IN ACCOUNTING ESTIMATES AND  
NON CONTINUING OPERATIONS**

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **ACCRUAL BASIS**  
3       **STATEMENT NO. 10**

4       **ERROR CORRECTION, CHANGES IN ACCOUNTING**  
5       **POLICIES, CHANGES IN ACCOUNTING ESTIMATES**  
6       **AND NON CONTINUING OPERATIONS**

7       *The standards, which have been set in bold italic type, should be read in*  
8       *the context of the explanatory paragraphs, which are in plain type, and in*  
9       *the context of the Conceptual Framework of the Government Accounting*  
10      *Standards.*

11      **INTRODUCTION**

12      **OBJECTIVE**

13               1. The objective of this Standard is to prescribe the accounting  
14      treatment for the correction of accounting errors and reporting financial  
15      statements, changes in accounting policies, changes in accounting estimates  
16      and discontinued operations.

17      **SCOPE**

18               2. *In preparing and presenting financial statements an entity*  
19      *shall apply this Statement to report the effect of errors, changes in*  
20      *accounting policies, changes in accounting estimates and discontinued*  
21      *operations in the Budget Realization Report, Statement of Changes in the*  
22      *Excess Budget Balance, the Balance Sheet, the Statement of Operations,*  
23      *the Statement of Changes in Equity , the Statement of Cash Flows, and*  
24      *the Notes to the Financial Statements.*

25               3. *This Statement applies to reporting entities in preparing*  
26      *financial statements including the financial statements of all accounting*  
27      *entities, including Public Service Agencies, which are under central / local*  
28      *governments.*

29      **DEFINITIONS**

30               4. *The following are terms used in this Standard:*

1        **Accounting policies are the principles, fundamentals, conventions, rules,**  
2        **and specific practices employed by a reporting entity in the preparation**  
3        **and presentation of financial statements.**

4        **Errors are the presentation of accounts / posts that are significantly**  
5        **inappropriate which affect the financial statements of the current period**  
6        **or prior periods.**

7        **Corrections are the accounting for corrective actions in order to ensure**  
8        **the account / post presented in the entity's financial statements is in**  
9        **accordance with how it should be.**

10       **Discontinued Operation is the termination of a mission or main**  
11       **duty/function that results in the discharge or termination of a function,**  
12       **program, or activity, so that the assets, liabilities, and operations can be**  
13       **terminated without interfering with other functions, programs, or**  
14       **activities.**

15       **Changes in estimates are revised estimates due to changes in the**  
16       **conditions underlying these estimates, or because there is new**  
17       **information, increased experience in estimating, or other developments.**

18       **Post is a collection of similar accounts that appear on the face of the**  
19       **financial statements.**

## 20       **CORRECTION OF ERRORS**

21                    5. Errors in the preparation of the financial statements of one or  
22                    more prior periods may be discovered in the current period. Errors may arise  
23                    due to the late submission of evidence of transactions by budget users,  
24                    arithmetic errors, misapplication of accounting standards and policies,  
25                    misinterpretation of facts, fraud or negligence.

26                    6. In certain situations, an error has a significant influence on one or  
27                    more prior period financial statements so that the financial statements are no  
28                    longer reliable.

29                    **7. In correcting an accounting error, the number of corrections**  
30                    **related to prior periods should be reported by adjusting both the Excess**  
31                    **Budget Balance as well as the equity balance. The material effect of the**  
32                    **correction in subsequent periods should be disclosed in the Notes to the**  
33                    **Financial Statements.**

34                    8. Errors in terms of the nature of the events are grouped into 2  
35                    (two) types:

36                    (a) Non-recurring errors;

37                    (b) Non-recurring and systematic errors.

1                   9. Non-recurring errors are errors that do not occur again, grouped  
2 into 2 (two) types:

- 3           (a) Non-recurring errors that occur in the current period;  
4           (b) Non-recurring errors that occur in the previous period.

5                   10. Recurring and systemic errors are errors caused by the nature of  
6 certain types of transactions which are expected to occur repeatedly. An  
7 example is tax revenue from taxpayers which requires correction due to  
8 taxpayers who require refunds or need to make additional tax payments.

9                   **11. Each error must be corrected immediately upon discovery.**

10                   **12. Correction of recurring errors in the current period, whether**  
11 **affecting the cash position or not, is made with a correction to the**  
12 **account in question in the current period, both to the revenue-LRA**  
13 **account or expenditure account, as well as revenue-LO account or**  
14 **expense account.**

15                   **13. Corrections to non-recurring errors that occur in prior**  
16 **periods and affect the cash position, if the financial statements have not**  
17 **been published, are performed with a correction to the account in**  
18 **question, both to the revenue-LRA account or expenditure account, as**  
19 **well as to the revenue-LO account or expense accounts.**

20                   **14. Correction of errors to expenditure (expenditure resulting in**  
21 **readmission): If the error is non-recurring, occurs in previous periods,**  
22 **increases the cash position, and if the financial statements have been**  
23 **issued, is performed with a correction to the account other revenue-LRA.**  
24 **In the event resulting in a reduction of cash, it is conducted with a**  
25 **correction to account Excess Budget Balance.**

26                   15. Examples of a correction of an expenditure error:

- 27           (a) A correction that increases the cash balance i.e. the readmission of  
28 expenditure from the previous year due to the incorrect calculation of  
29 salary, is corrected by increasing the cash balance and other revenue-  
30 LRA.
- 31           (b) A correction that increases the cash balance related to capital  
32 expenditures that generate assets: i.e. capital expenditure which is  
33 marked-up and after an inspection is conducted, the excess expenditure  
34 must be returned. The correction is undertaken by increasing the cash  
35 balance and adding to the other revenue-LRA account.
- 36           (c) A correction that reduces the cash balance: i.e. personnel expenditure  
37 transactions from the previous year that have not been reported, is  
38 corrected by reducing the account Excess Budget Balance and reducing  
39 the cash balance.



- (d) A correction that reduces the cash balance related to capital expenditures that generate assets, i.e. capital expenditures from the previous year that were not recorded, is corrected by reducing the account Excess Budget Balance and reducing the cash balance.

**16. Correction of errors relating to the acquisition of assets other than cash that are non-recurring and occur in previous periods that either raise or lower the cash position: if the financial statements have been issued, the correction is made with a correction to the cash account and the relevant asset account.**

17. Examples of correction of errors for the acquisition of assets other than cash:

- (a) A correction that increases the cash balance related to the acquisition of assets other than cash: i.e. an acquisition that has been marked-up and after inspection the excess value of the asset must be returned, is corrected by increasing the cash balance and reducing the related fixed asset account.
- (b) A correction that reduces the cash balance related to the acquisition of assets other than cash i.e. an acquisition from the previous year that has not been reported, is corrected by adding to the relevant fixed asset account and reducing the cash balance.

**18. Error correction to non-recurring expenses, resulting in a reduction in expenses, that occurred in prior periods and affect the cash position but do not materially affect the position of assets other than cash, if the financial statements have been issued, is performed by correcting the other revenue-LO account. If the event results in the addition of expenses, the correction is made to the equity account.**

19. Examples of correction of errors to expenses:

- (a) A correction that increases the cash balance, i.e. a return of employee expenses from the previous year due to a miscalculation of salary, is corrected by increasing the cash balance and adding to the other revenue-LO account.
- (b) A correction that reduces the cash balance i.e. employee expense transactions from the previous year that has not been reported, is corrected by reducing other expenses-LO account and reducing the cash balance.

**20. Correction of an error relating to receipts of revenue-LRA that is non-recurring, occurred in prior periods and either raises or lowers the cash position, if the financial statements have been issued, is performed with a correction to the cash account and the Excess Budget Balance account.**

- 1                   21. Examples of revenue-LRA error correction:
- 2       (a)   A correction that increases the cash balance, i.e. depositing part of the
- 3           profits of state enterprises that have not been entered into the state
- 4           treasury, is corrected by adding to the cash account and adding to the
- 5           Excess Budget Balance account.
- 6       (b)   A correction that reduces the cash balance due to a refund of the General
- 7           Allocation Fund due to excess transfers from the central government, is
- 8           corrected by:
- 9           (1)   The government receiving the transfer reducing the Excess Budget
- 10          balance account and reducing the cash balance.
- 11          (2)   The central government increasing the cash balance account and
- 12          increasing the Excess Budget Balance account.

13                   **22. Corrections of errors to revenue-LO which is non-recurring,**

14                   **occurs in prior periods and either raise or lower the cash position, if the**

15                   **financial statements are issued, is performed with a correction to the**

16                   **cash account and equity account.**

- 17                   23. Examples of revenue-LO error correction:
- 18       (a)   A correction that increases the cash balance, i.e. depositing part of the
- 19           profits of state enterprises which have been entered into the state
- 20           treasury is corrected by increasing the cash account and increasing the
- 21           equity account.
- 22       (b)   A correction that reduces the cash balance due to refunds of the General
- 23           Allocation Fund revenue due to excess transfers from the central
- 24           government is corrected by:
- 25           (1)   The government receiving the transfer reducing the equity account
- 26           and reducing the cash balance.
- 27           (2)   the central government increasing the cash balance account and
- 28           increasing the equity account.

29                   **24. Correction of errors on financing receipts and expenditures**

30                   **that are non-recurring, occurred in prior periods, and either raise or lower**

31                   **the cash position, if the financial statements have been issued, is**

32                   **performed with a correction to the cash account and the Excess Budget**

33                   **Balance account.**

- 34                   25. Examples of error correction related to financing receipts:
- 35       (a)   A correction that adds to the cash balance, i.e. the Central Government
- 36           receives a deposit which is an underpayment of loan principal of the
- 37           previous year from local government A, is corrected by the central
- 38           government increasing the cash balance and increasing the Excess
- 39           Budget Balance account.

- 1 (b) A correction that reduces the cash balance related to receipt of financing,  
2 i.e. the central government returns excess deposits of loan principal  
3 repayments from the previous year to Government A, is corrected by  
4 reducing the Excess Budget Balance account and reducing the cash  
5 balance.

6 26. Examples of error correction relating to financing expenditures:

- 7 (a) A correction that adds to the cash balance, i.e. an excess installment  
8 payment of long-term debt so that there is a recovery of the installment  
9 expenditure, corrected by increasing the cash balance and increasing the  
10 Excess Budget Balance account.
- 11 (b) A correction that reduces the cash balance, i.e. an installment payment  
12 of debts from the previous year that was not recorded, corrected by  
13 reducing the cash balance and reducing the Excess Budget Balance  
14 account.

15 **27. Correction of an error that is not recurring related to the**  
16 **recording of a liability that occurred in prior periods, and either raises or**  
17 **lowers the cash position, if the financial statements have been issued, is**  
18 **performed with a correction to the cash account and the corresponding**  
19 **liability account.**

20 28. Examples of error correction associated with recording liabilities:

- 21 (a) A correction that increases the cash balance, i.e. there is a receipt of  
22 cash because of a refund of an excess installment payment of a liability,  
23 corrected by increasing the cash balance and increasing the related  
24 liability account.
- 25 (b) A correction that reduces the cash balance, i.e. there is an installment  
26 payment for a liability that should have been due in the previous year,  
27 corrected by increasing the related liability account and reducing the cash  
28 balance.

29 29. Financial statements are considered issued when they are  
30 determined by law or local regulations.

31 30. Error correction referred to in paragraphs 13,14,16, and 20 above  
32 does not affect the budget ceiling or expenditure of the entity in the period the  
33 error is corrected.

34 31. Error correction as referred to in paragraph 13.18, and 22 above  
35 does not affect the expenses of the entity in the period the errors are corrected.

36 **32. Correction of errors that are non-recurring, that occur in**  
37 **prior periods and do not affect the cash position, both before and after**  
38 **the financial statements are issued, the correction is made to the balance**  
39 **sheet accounts related to the period the errors were discovered.**

33. Examples of errors that do not affect the cash position as stated in paragraph 32 are expenditures for the purchase of equipment and machinery (fixed asset group) reported as roads, irrigation, and networks. Corrections are made only to the balance sheet by reducing the roads, irrigation, and network accounts and adding to the equipment and machinery account. It is not necessary to correct the Budget Realization Report.

**34. Recurring and systemic errors such as those referred to in paragraph 10 do not require a correction, but a note in the event of cash expenditures for the return of excess revenue by reducing the relevant revenue-LRA or revenue-LO account.**

**35. Correction of errors associated with prior periods regarding the cash position are reported in the Statement of Cash Flows for the current year of the activity in question.**

**36. Corrections of errors are to be disclosed in the Notes to Financial Statements.**

## CHANGES IN ACCOUNTING POLICIES

37. Users of financial statements need to compare the financial statements of a reporting entity over time to identify the direction of trends in financial position, performance and cash flows. Therefore, the accounting policies used should be applied consistently to all periods.

38. Changes in treatment, recognition or accounting measurement as a result of a change in the basis of accounting, the capitalization criteria, methods, and estimates, are examples of changes in accounting policies.

39. A change in accounting policy should be made only where the application of a different accounting policy is required by the applicable laws, regulations or Government Accounting Standards, or where it is estimated that these changes will yield information on the financial position, financial performance, or cash flows that is more relevant and more reliable in preparing the financial statements of the entity.

**40. Changes in accounting policy did not include the following::**

- (a) the adoption of an accounting policy on the occurrence or event that is substantially different from the previous occurrence or event; and
- (b) the adoption of a new accounting policy for events or transactions that previously did not exist or that are not material.

41. The emergence of a policy to revalue assets is a change in accounting policy. However, such changes must be in accordance with the relevant accounting standards that apply conditions in relation to revaluation.

1                    ***42. Changes in accounting policies should be presented in the***  
2 ***Statement of Changes in Equity and disclosed in the Notes to the***  
3 ***Financial Statements.***

## 4                    **CHANGES IN ACCOUNTING ESTIMATES**

5                    43. In order to obtain reliable financial statements, accounting  
6 estimates need to be adjusted including, among others, usage patterns, the  
7 intended use of assets and changes to the environmental conditions of the  
8 entity.

9                    ***44. The effect or impact of changes in accounting estimates are***  
10 ***presented in the Statements of Operations in the period of change and***  
11 ***subsequent periods based on the nature of change. For example, a***  
12 ***change to the estimated useful life of a fixed asset affects the LO in the***  
13 ***year of change and subsequent years during the useful life of the asset.***

14                    ***45. The effect of changes in the current and future periods is***  
15 ***disclosed in the Notes to the Financial Statements. If this is not possible,***  
16 ***the reasons for the not disclosing the effects of changes must be***  
17 ***revealed.***

## 18                    **DISCONTINUED OPERATIONS**

19                    46. If a mission, main duty or function of an entity's is abolished by  
20 government regulations, then the operation, activity, program, project, or work  
21 related to the main duty is terminated.

22                    ***47. Important information regarding discontinued operations -***  
23 ***for example the nature of the operations, activities, programs, projects***  
24 ***which have been terminated, the effective date of termination, the***  
25 ***termination method, the revenue and expenses of the current year until***  
26 ***the date of termination if possible, the social impact or the impact on***  
27 ***services, expenditure related to assets or liabilities on termination if any -***  
28 ***should be disclosed in the Notes to the Financial Statements.***

29                    ***48. In order to present comparative financial statements, a***  
30 ***segment that has been discontinued should be reported in the Financial***  
31 ***Statements for the current year despite a zero amount. Thus,***  
32 ***discontinued operations appear in the Financial Statements.***

33                    ***49. Revenue and expenses of discontinued operations in the***  
34 ***current year are accounted for and reported as normal, as if the operation***  
35 ***was run until the end of the Financial Statement year. In general, entities***  
36 ***create a termination plan, comprising a phased or simultaneous***  
37 ***termination schedule, the resolution of legal issues, auctions, sales,***  
38 ***grants and other.***

- 1                    50. An operation does not form a discontinued operation if :
- 2        (a)    The evolutionary / natural termination of a program, activity, project, or
- 3                    segment. This can be caused by demand (public demands served) which
- 4                    continues to decline, changing to other needs.
- 5        (b)    The function is still exists.
- 6        (c)    Several types of sub-activities in a principal function are removed, the rest
- 7                    continue as usual. Relocation of a program, project, activity to another
- 8                    region.
- 9        (d)    Closing a facility that has very low utilization, cost savings, selling the
- 10                    means of operation while not interfering with such operations.

11                    **DATE OF EFFECT**

- 12                    ***51. This Statement of Governmental Accounting Standards is***
- 13                    ***effective for financial statements from Budget Year 2010.***
- 14                    ***52. For reporting entities that are not able to implement this***
- 15                    ***Standard, the reporting entities can apply the Cash Towards Accrual***
- 16                    ***Basis Standards for a maximum of 4 (four) years after Budget Year 2010.***

ATTACHMENT I.12  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS**

**STATEMENT NO. 11**

**CONSOLIDATED FINANCIAL REPORTS**

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1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **ACCRUAL BASIS**  
3 **STATEMENT NO. 11**  
4 **CONSOLIDATED FINANCIAL STATEMENTS**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

11 1. The objective of this Standard is to prescribe the preparation of  
12 consolidated financial statements of government units in order to present  
13 general purpose financial statements in the interest of improving the quality and  
14 completeness of the financial statements in question. In this standard, general  
15 purpose financial statements are financial statements that are intended to fulfill  
16 the common needs of most report users including legislatures as stipulated in  
17 the provisions of laws and regulations.

18 **SCOPE**

19 2. *General purpose financial reports of government units*  
20 *designated as reporting entities are presented in a consolidated manner*  
21 *under this Statement so as to reflect one unified entity.*

22 3. *The consolidated financial statements of the central*  
23 *government as the reporting entity include the financial statements of all*  
24 *reporting entities, including the financial statements of public service*  
25 *agencies.*

26 4. *The consolidated financial statements of ministries /*  
27 *agencies / local governments as reporting entities include the financial*  
28 *statements of all the accounting entities including the financial*  
29 *statements of Public Service Agencies / Local Public Service Agencies.*

30 5. This Standard does not regulate:

- 31 (a) The consolidated financial statements of state / local government owned  
32 enterprises;  
33 (b) Accounting for investments in associated companies;  
34 (c) Accounting for investments in joint ventures; and  
35 (d) The combined statistical report of central and local governments.

1       **DEFINITIONS**

2                       6.   *The following are terms used in this Standard:*

3       *Public Service Agency (BLU)/Local Public Service Agency (BLUD)* *is an*  
4       *agency within the government that was formed to provide services to the*  
5       *community in the form of supplying goods and / or services being sold*  
6       *without a priority for profit and in performing activities based on the*  
7       *principles of efficiency and productivity.*

8       *Accounting entity* *is a budget user / user of goods government unit and*  
9       *therefore obligated to conduct accounting and compile financial*  
10      *statements for the combined reporting entity.*

11      *Reporting entity* *is a government unit consisting of one or more*  
12      *accounting or reporting entities which in accordance with the provisions*  
13      *of laws and regulations are required to submit an accountability report in*  
14      *the form of financial statements.*

15      *Consolidation* *is the process of merging between accounts held by a*  
16      *reporting entity by other reporting entities, an accounting entity with*  
17      *other accounting entities, with the elimination of reciprocal accounts in*  
18      *order to be present a single consolidated reporting entity.*

19      *Consolidated financial statement* *is a financial statement that is a*  
20      *combination of the entire reporting entity's financial statements, or*  
21      *accounting entity, presented as a single entity.*

22       **CONSOLIDATED FINANCIAL REPORT**  
23       **PRESENTATION**

24                       7.   *The consolidated financial statements comprise the Budget*  
25       *Realization Report, Statement of Changes in the Excess Budget Balance,*  
26       *Balance Sheet, Statement of Operations, Statement of Changes in Equity,*  
27       *the Statement of Cash Flows and the Notes to the Financial Statements.*

28                       8.   The consolidated financial statements referred to in paragraph 7,  
29       are presented by the reporting entity, unless:

- 30                       a. The consolidated financial statement of cash flows is presented only by  
31                       the entity that has the general treasury function;  
32                       b. The consolidated financial statement of changes in the excess budget  
33                       balance is prepared and presented by the Central Government.

34                       9.   *The consolidated financial statements are presented for the*  
35       *same reporting period as the reporting entity's financial reporting period*  
36       *and contains comparative amounts for the prior period.*

- 1                   10. The Central Government submits the consolidated financial  
2 statements of all state ministries / agencies to the legislature.
- 3                   11. Local governments submit consolidated financial statements of  
4 all subordinate accounting entities to the legislature.
- 5                   12. ***In this standard the process of consolidation is followed by***  
6 ***elimination of reciprocal accounts. However, if elimination is not***  
7 ***possible, then it is disclosed in the Notes to the Financial Statements.***
- 8                   13. Examples of reciprocal accounts include, among others, the  
9 remaining stock of money that has not been accounted for by the expenditure  
10 treasurer until the end of the accounting period.

11                   **REPORTING ENTITY**

- 12                   14. A reporting entity is defined in laws and regulations, and is  
13 generally characterized by:
- 14                   (a) The entity is financed by the state budget or financed by the local budget  
15 or obtain separate wealth from the budget,  
16                   (b) the entity was formed by laws and regulations,  
17                   (c) The head of the entity is a government official or an appointed state  
18 official or elected by the people; and  
19                   (d) The entity is made accountable, either directly or indirectly, to the  
20 legislators as the party that approves the budget.

21                   **ACCOUNTING ENTITY**

- 22                   15. ***An accounting entity conducts accounting and submits***  
23 ***financial statements with respect to the budget / goods it manages which***  
24 ***are directed to the reporting entity.***
- 25                   16. Each unit of government receiving a budget or administering  
26 goods is an accounting entity which is obligated to conduct accounting and  
27 prepare periodic financial statements according to the Government Accounting  
28 Standards. The financial statements are presented internally and tiered to a  
29 higher unit in the context of incorporation with the reporting entity's financial  
30 statements.
- 31                   17. With a determination according to applicable laws and  
32 regulations a certain accounting entity that is deemed to have a significant  
33 influence in achieving the government's program can be defined as a reporting  
34 entity.

1       **PUBLIC SERVICE AGENCIES / LOCAL PUBLIC**  
2       **SERVICE AGENCIES**

3               18. A Public Service Agency (BLU) performs public services,  
4       collects and receives, as well as expend, public funds that are received in  
5       connection with the services provided, but do not form a separate legal entity  
6       from the wealth of the state. Included in BLU are, among others, hospitals,  
7       universities, and authorities.

8               19. *As a recipient of the government's budget (APBN / APBD) a*  
9       *BLU / BLUD is an accounting entity, whose financial statements are*  
10       *consolidated with the reporting entity that organizationally oversees the*  
11       *relevant BLU / BLUD.*

12              20. *As service units in the form of agencies, albeit not a legal*  
13       *entity that manages separate State assets, BLU / BLUD are reporting*  
14       *entities.*

15              21. The consolidation of BLU / BLUD financial statements with the  
16       ministries / agencies / local governments that organizationally supervises the  
17       BLU / BLUD is implemented after the BLU / BLUD financial statements are  
18       prepared using the same accounting standards used by the organization that  
19       oversees the relevant BLU / BLUD.

20       **CONSOLIDATION PROCEDURES**

21              22. *The consolidation referred to by this Standard is*  
22       *implemented by combining and aggregating accounts held by a reporting*  
23       *entity with other reporting entities, or conducted by an accounting entity*  
24       *with other accounting entities, with the elimination of reciprocal*  
25       *accounts.*

26              23. Reporting entities prepare financial statements by incorporating  
27       the financial statements of all accounting entities that are organizationally  
28       subordinate.

29       **DISCLOSURE**

30              24. *In the Notes to the Financial Statements it is necessary to*  
31       *disclose the names of the entities that are consolidated or combined with*  
32       *the status of each, whether they be reporting entities or accounting*  
33       *entities.*

34              25. In the case of consolidated accounts that are not eliminated with  
35       a reciprocal account as stated in paragraph 12, it is necessary to point out the  
36       names and the amount of reciprocal account balances, and also mention the  
37       reason for not conducting the elimination.

1       **DATE OF EFFECT**

2                   26. *This Statement of Governmental Accounting Standards is*  
3       *effective for financial statements from Budget Year 2010.*

4                   27. *For reporting entities that are not able to implement this*  
5       *Standard, the reporting entities can apply the Cash Towards Accrual*  
6       *Basis Standards for a maximum of 4 (four) years after Budget Year 2010.*

ATTACHMENT I.13  
REPUBLIC OF INDONESIA  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
ACCRUAL BASIS**

**STATEMENT NO. 12**

**STATEMENT OF OPERATIONS**

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- Attachments :
- Attachment Illustration I.13 PSAP 12.A : Sample Format Central Government Statement of Operations
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1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **ACCRUAL BASIS**  
3 **STATEMENT NO. 12**

4 **STATEMENT OF OPERATIONS**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

11 1. The objective of this Standard on the Statement of Operations is  
12 to prescribe the basis for the government's presentation of the Statement of  
13 Operations in order to meet the goal of government accountability as established  
14 by laws and regulations.

15 2. The purpose of operational reporting is to provide information  
16 about the financial operational activities reflected in revenues-LO, expenses, and  
17 the operating surplus / deficit of a reporting entity.

18 **SCOPE**

19 3. *This Standard is applied to the presentation of the Statement*  
20 *of Operations.*

21 4. *This Standard applies to all reporting entities and accounting*  
22 *entities, both for central and local government, in preparing an Statement of*  
23 *Operations that describes the revenue-LO, expenses, and operating surplus /*  
24 *deficit in a particular reporting period, excluding state / local owned*  
25 *enterprises.*

26 **BENEFITS OF THE STATEMENT OF OPERATIONS**  
27 **INFORMATION**

28 5. *The Statement of Operations provides information on all*  
29 *financial operational activities of the reporting entity reflected in revenue-LO,*  
30 *expenses, and the operating surplus / deficit of a reporting entity the*  
31 *presentation of which is compared with the previous period.*

32 6. Report users require the Statement of Operations in evaluating  
33 the revenue-LO and expenses for running a unit or entire government entity. Thus  
34 the Statement of Operations provides information:



- 1 (a) about the magnitude of expenses borne by the government to provide  
2 services;
- 3 (b) about the overall financial operations which is useful in evaluating the  
4 government's performance in terms of effectiveness, efficiency, and  
5 frugality of acquisition and use of economic resources;
- 6 (c) that is useful in predicting revenue-LO that will be received to fund the  
7 activities of central and local governments in the coming period by  
8 presenting a comparative report;
- 9 (d) about the decrease in equity (if there is an operating deficit), and an  
10 increase in equity (if there is an operating surplus).

11 7. The Statement of Operations is prepared to complete the  
12 reporting of the accrual-based accounting cycle (full accrual accounting cycle).  
13 Thus the preparation of the Statement of Operations, Statement of Changes in  
14 Equity, and the Balance Sheet have a relationship that can be accounted for.

15 **DEFINITIONS**

16 8. *The following are terms used in this Standard:*

17 **Gross Principle** *is the principle that does not permit the recording of revenue*  
18 *net of expenses for an organizational unit or does not permit the recording of*  
19 *revenue after compensation between revenue and expenditure.*

20 **Financial Assistance** *is the burden of the government in the form of cash*  
21 *grants to other governments which are used for the equalization and / or*  
22 *enhancement of financial capacity.*

23 **Social assistance** *is the transfer of money or goods given to the public in*  
24 *order to protect from the possibility of social risks.*

25 **Accrual Basis** *is the basis of accounting that recognizes the effects of*  
26 *transactions and other events when the rights and / or liabilities arise.*

27 **Expenses** *are decreases in economic benefits or service potential in the*  
28 *reporting period that decreases equity, which can be either expenditure or*  
29 *consumption of an asset or the incurrence of liabilities.*

30 **Grants Expense** *are government expense in the form of cash / goods or*  
31 *services to other governments, state / local owned enterprises, communities*  
32 *and civil society organizations, that have the characteristic of being non*  
33 *mandatory and non binding.*

34 **Depreciation** *is the systematic allocation of the value of a fixed asset that can*  
35 *be depreciated (depreciable assets) over the useful life of the asset.*

36 **Transfer Expense** *is an expense that has the form of an expenditure of*  
37 *money or a liability to spend money from one reporting entity to another*  
38 *reporting entity as required by laws and regulations.*

1 **Accounting Entity** is a unit of government as a budget user / user of goods  
2 and is therefore obligated to conduct accounting and prepare financial  
3 statements to be combined with the reporting entity.

4 **Reporting Entity** is a government unit consisting of one or more accounting  
5 entities or reporting entities which according to the provisions of laws and  
6 regulations are required to submit accountability reports in the form of  
7 financial statements.

8 **Grant Revenue** is government revenue in the form of cash / goods or  
9 services from other governments, state / local owned enterprises,  
10 communities and civil society organizations, that has the characteristics of  
11 being non-mandatory, non-binding and non-ongoing.

12 **Revenue-LO** is the right of the central / local government which is recognized  
13 as an addition to equity in the period of the budget year in question and does  
14 not need to be repaid.

15 **Transfer Revenue** is revenue in the form of cash receipts or the right to  
16 receive money by the reporting entity from other reporting entities which is  
17 required by laws and regulations.

18 **Extraordinary Item** is an extraordinary revenue or extraordinary expense  
19 arising from an event or transaction that does not form part of normal  
20 operations, is not expected to occur frequently or regularly and is outside  
21 the control or influence of the entity concerned.

22 **Subsidy** is a government expense provided to certain enterprises /  
23 organizations that aims to assist the cost of production so that the selling  
24 price of the products / services produced is accessible to the public.

25 **Surplus / Deficit from Operational Activities** is the excess / shortfall between-  
26 operating revenue and expenses during the reporting period.

27 **Surplus / Deficit-LO** is the difference between revenue-LO and expenses  
28 during the reporting period, after deducting the surplus / deficit from non-  
29 operating activities and extraordinary items.

30 **Profit / Loss on Sale of Assets** represents the difference between the book  
31 value of assets to the selling price of the asset.

## 32 **REPORTING PERIOD**

33 9. Operating Statements are presented at least once a year. In  
34 certain circumstances, if an entity's reporting date changes and the annual  
35 Operating Statements are presented with a period shorter than one year, an  
36 entity shall disclose the following information:

- 37 (a) the reasons for not applying a reporting period of one year;  
38 (b) the fact that comparative amounts in the Statement of Operations and  
39 related notes are not comparable.

1                   10. The benefits of Operating Statements are reduced if the report is  
2 not available on time. Factors such as the complexity of government operations  
3 cannot justify the inability of the reporting entity to present its financial statements  
4 on time.

## 5       **STRUCTURE AND CONTENT OF THE STATEMENT OF** 6       **OPERATIONS**

7                   11. *The Statement of Operations presents various elements –*  
8 *revenue-LO, expenses, surplus / deficit from operating activities, surplus /*  
9 *deficit from non-operating activities, surplus / deficit before extraordinary*  
10 *items, extraordinary items, and surplus / deficit-LO, which is necessary for a*  
11 *fair comparative presentation. The Statement of Operations is further*  
12 *explained in the Notes to the Financial Statements which contain matters*  
13 *related to financial activities during the year such as fiscal and monetary*  
14 *policy, as well as lists further detailing figures considered necessary for*  
15 *explanation.*

16                   12. *In the Statement of Operations the following information*  
17 *should be clearly identified and, if necessary, be repeated on each page of*  
18 *the report:*

- 19 (a) *the name of the reporting entity or other means of identification;*
- 20 (b) *the scope of the reporting entity;*
- 21 (c) *the period covered;*
- 22 (d) *the reporting currency; and*
- 23 (e) *satuan angka yang digunakan.*

24                   13. *The Structure of the Statement of Operations includes the*  
25 *following items:*

- 26 (a) *Revenue-LO*
- 27 (b) *Expense*
- 28 (c) *Surplus/Deficit from operations*
- 29 (d) *Non operating activities*
- 30 (e) *Surplus/Deficit before Extraordinary Items*
- 31 (f) *Extraordinary Items*
- 32 (g) *Surplus/Deficit-LO*

33                   14. *Additional information in the Statement of Operations*  
34 *includes posts, titles, and other sub amounts as required by Government*  
35 *Accounting Standards, or when such presentation is necessary to present*  
36 *Operating Statements fairly.*

37                   15. A sample format for the Statement of Operations format is  
38 presented in the illustration PSAP 12.A, 12.b PSAP and PSAP 12.C of this  
39 Standard. The illustration is an example and is not part of the Standard. The

1 purpose of this illustration is to describe the application of the Standard to assist in  
2 clarifying its meaning.

## 3 **INFORMATION PRESENTED IN THE STATEMENT OF** 4 **OPERATIONS OR IN NOTES TO THE FINANCIAL** 5 **STATEMENTS**

6 *16. The reporting entity presents revenue-LO classified*  
7 *according to the source of revenue. Further details of the source of revenue*  
8 *is presented in the Notes to the Financial Statements.*

9 *17. The reporting entity presents expenses classified according*  
10 *to expense type classification. Expenses based on the organization*  
11 *classification and other classifications which are required pursuant to the*  
12 *provisions of laws and regulations, are presented in the Notes to the*  
13 *Financial Statements.*

14 18. Classification of revenue-LO according to source of revenue or  
15 expenses according to economic classification, is in principle, a classification that  
16 uses the same basic classification, that is, based on type.

## 17 **REVENUE-LO ACCOUNTING**

18 19. Revenue-LO is recognized at the time:

- 19 (a) *The emergence of the right to revenue;*  
20 (b) *Revenue is realized, namely the existence of inflows of economic*  
21 *resources.*

22 20. Revenue-LO which is obtained based on laws and regulations is  
23 recognized when the right arises to collect revenue.

24 21. Revenue-LO that is earned in exchange for a service that has  
25 been completed based on laws and regulations, is recognized when there is a right  
26 to collect the remuneration for the services.

27 22. Revenue-LO recognized when it is realized is the right that has  
28 been received by the government without any prior billing.

29 23. **Revenue-LO is classified according to source of revenue.**

30 24. Classification according to source of revenue for the central  
31 government is grouped based on the type of revenue, ie taxation revenue, non-  
32 taxation revenue and grant revenue.

33 25. Classification according to source of revenue for local  
34 governments is grouped according to origin and type of income, ie local source  
35 revenue, revenue transfers, and other legitimate revenue. Each of these revenues  
36 are classified by type of revenue.

1                   26. *Accounting for revenue-LO is conducted based the gross*  
2 *principle, that is recording gross revenue, and not recording net amounts*  
3 *(after offset by expenses).*

4                   27. *In terms of the amount of a deduction against gross revenue-*  
5 *LO (charge) that is variable in nature against the revenue in question, and*  
6 *cannot be estimated in advance because the process has not been*  
7 *completed, then the gross principle may exempted.*

8                   28. *In the case of public service agencies, revenue is*  
9 *recognized with reference to laws and regulations governing the public*  
10 *service agency.*

11                  29. *Refunds that are normal and recurring for revenue-LO in the*  
12 *period of receipt or in previous periods are recorded as a reduction of*  
13 *revenue.*

14                  30. *Corrections to and refunds of revenue-LO that are non-*  
15 *recurring and occur in the revenue acceptance period are recorded as a*  
16 *reduction of revenue in the same period.*

17                  31. *Corrections to and refunds of revenue-LO that are non-*  
18 *recurring and occur in previous periods are recorded as a deduction from*  
19 *equity in the period of the discovery of the correction or refund.*

## 20 **EXPENSES ACCOUTNING**

21                  32. *Expenses are recognized when:*

- 22 *a. A liability emerges;*  
23 *b. Assets are consumed;*  
24 *c. There is a decline in economic benefits or service potential.*

25                  33. *Liabilities arise at the time rights are transferred from other*  
26 *parties to the government without the subsequent release of cash from the state /*  
27 *local general treasury. For example, unpaid telephone bills and electricity bills of*  
28 *the government.*

29                  34. *What is meant by the consumption of an asset is the time cash*  
30 *expenditures are made to other parties that are not preceded by the emergence of*  
31 *liability and / or the consumption of non-cash assets in the operational activities of*  
32 *the government.*

33                  35. *The decrease in economic benefits or service potential occurs*  
34 *when the value of an asset is impaired in connection with the use of the relevant*  
35 *asset / the passage of time. Examples of decreases in economic benefits or*  
36 *service potential are depreciation or amortization.*

37                  36. *In the case of public service agencies, expenses are*  
38 *recognized with reference to the laws and regulations governing the public*  
39 *service agency.*

1                    **37. Expenses are classified according to economic**  
2 **classification.**

3                    38. Economic classification in principle is classified based on the type  
4 expense. The economic classification for the central government is: employee  
5 expenses, goods expenses, interest expenses, subsidies expenses, grants  
6 expenses, social assistance expenses, fixed asset depreciation / amortization  
7 expenses, transfers expenses, and other expenses. The economic classification  
8 for local government consists of: employee expenses, goods expenses, interest  
9 expenses, subsidies expenses, grants expenses, social assistance expenses, fixed  
10 asset depreciation / amortization expenses, transfers expenses, and unforeseen  
11 expenses.

12                    39. Depreciation / amortization can be conducted using various  
13 methods that can be categorized into:

- 14 (a) Straight line method;  
15 (b) Double declining balance method;  
16 (c) Unit of production method.

17                    **40. Transfers Expenses are expenses forming expenditures to**  
18 **liabilities for expenditures from one reporting entity to another reporting**  
19 **entity as required by laws and regulations.**

20                    **41. Corrections to expenses, including the receipt of repaid**  
21 **expenses, which occur during the period, are recorded as a reduction of**  
22 **expenses in the same period. If received in a subsequent period, the**  
23 **correction to expenses is recorded in other revenue. In the event that this**  
24 **results in an addition to expenses then a correction to equity is made.**

## 25 **SURPLUS / DEFICIT FROM OPERATING ACTIVITIES**

26                    **42. Surplus from operating activities is the excess of revenues**  
27 **over expenses during one reporting period.**

28                    **43. The deficit from operations is the shortfall of revenues over**  
29 **expenses during one reporting period.**

30                    **44. Any excess / shortfall between revenues and expenses**  
31 **during one reporting period is recorded in the post 'Surplus / Deficit from**  
32 **Operating Activities'.**

## 33 **SURPLUS / DEFICIT FROM NON-OPERATING ACTIVITIES**

34                    **45. Revenues and expenses that are not routine in nature need**  
35 **to be grouped separately in non-operating activities.**

36                    46. Included in revenue / expenses from non-operating activities are,  
37 among others, the surplus / deficit on the sale of non-current assets, the surplus /  
38 deficit on the settlement of long-term liabilities, and the surplus / deficit on the  
39 non-operational activities.

1                   47. *Any excess / shortfall between the surplus / deficit from*  
2 *operations and the surplus / deficit from non-operating activities is the*  
3 *surplus / deficit before extraordinary items.*

## 4   **EXTRAORDINARY ITEMS**

5                   48. *Extraordinary items are presented separately from other*  
6 *items in the Statement of Operations and presented after the Surplus / Deficit*  
7 *before Extraordinary Items.*

8                   49. Extraordinary items include extraordinary events that have the  
9 following characteristics:

- 10 (a) unpredictable events that occur at the beginning of the budget year;  
11 (b) are not expected to recur; and;  
12 (c) events beyond the control of government entities.

13                   50. *The nature and rupiah amount of an extraordinary item must*  
14 *be disclosed in the Notes to the Financial Statements.*

## 15   **SURPLUS / DEFICIT-LO**

16                   51. *Surplus / Deficit-LO is the sum of the excess / shortfall of the*  
17 *surplus / deficit from operations, non-operating activities and extraordinary*  
18 *items.*

19                   52. The balance of the Surplus / Deficit-LO at the end of the reporting  
20 period is transferred to the Statement of Changes in Equity.

## 21   **FOREIGN CURRENCY TRANSACTIONS**

22                   53. *Transactions in foreign currencies are recognized in rupiah.*

23                   54. *In the case of available funds in a foreign currency equal to*  
24 *that used in a transaction, then the transaction denominated in a foreign*  
25 *currency is accounted for by being translated into rupiah using the middle*  
26 *of the central bank exchange rate prevailing on the date of the transaction.*

27                   55. *In the absence of available funds in foreign currencies used*  
28 *in the transaction and the foreign currency is purchased in rupiah, then the*  
29 *foreign currency transaction is recorded in rupiah based on the transaction*  
30 *exchange rate, i.e. in the amount of rupiah that is used to obtain the foreign*  
31 *currency.*

32                   56. *In the absence of available funds in foreign currency used*  
33 *for transactions and foreign currency purchased with foreign currency, then:*

- 34 (a) *Foreign currency transactions in foreign currencies are translated at the*  
35 *exchange rate of the transaction.*

1 (b) *Transactions in other foreign currencies are recorded in rupiah based*  
2 *on the central bank middle rate at the transaction date.*

3 **REVENUE-LO AND EXPENSE TRANSACTIONS IN THE**  
4 **FORM OF GOODS / SERVICES**

5 *57. Revenue-LO and expense transactions in the form of goods /*  
6 *services should be reported in the Statement of Operations by way of*  
7 *estimating the fair value of the goods / services at the transaction date. In*  
8 *addition, such transactions must also be disclosed in such a way in the*  
9 *Notes to the Financial Statements so as to provide all the relevant*  
10 *information regarding the form of the revenue and expenses.*

11 *58. Revenue and expenses transactions in the form of goods /*  
12 *services include, among others, grants in the form of goods, booty, and consulting*  
13 *services.*

14 **DATE OF EFFECT**

15 *59. This Statement of Governmental Accounting Standards is*  
16 *effective for financial statements from Budget Year 2010.*

17 *60. For reporting entities that are not able to implement this*  
18 *Standard, the reporting entities can apply the Cash Towards Accrual Basis*  
19 *Standards for a maximum of 4 (four) years after Budget Year 2010.*

PRESIDEN REPUBLIK INDONESIA,

ttd.

DR. H. SUSILO BAMBANG YUDHOYONO

**Salinan sesuai dengan aslinya**  
SEKRETARIAT NEGARA REPUBLIK INDONESIA  
Kepala Biro Peraturan Perundang-undangan  
Bidang Perekonomian dan Industri,

SETIO SAPTO NUGROHO





# **ATTACHMENT II**

GOVERNMENT  
ACCOUNTING STANDARDS

CASH TOWARDS ACCRUAL  
BASIS

# **ATTACHMENT II**

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EFFECTIVE FROM THE YEAR  
2015  
IS NOT APPLICABLE

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ATTACHMENT II  
GOVERNMENT ACCOUNTING STANDARDS  
CASH TOWARDS ACCRUAL BASIS

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REPUBLIC OF INDONESIA GOVERNMENT  
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DATE 22 OCTOBER 2010

**GOVERNMENT                      ACCOUNTING**  
**CONCEPTUAL FRAMEWORK**

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1           **GOVERNMENT                      ACCOUNTING                      CONCEPTUAL**  
2           **FRAMEWORK**

3           **INTRODUCTION**

4           **Objective**

5                   1. This Conceptual Framework formulates the concept which  
6                   underlies the preparation and presentation of the central and local  
7                   government financial reports. The objective of the framework is to serve as a  
8                   reference for:

- 9                   (a) government accounting standard setters in performing their duties;  
10                  (b) compilers of financial reports in addressing accounting issues which  
11                  have yet to be regulated in the standards;  
12                  (c) auditors in providing an opinion as to whether the financial reports have  
13                  been prepared in accordance with the governmental accounting  
14                  standards; and  
15                  (d) users of financial reports in interpreting the information presented in the  
16                  financial reports that have been prepared in accordance with the  
17                  Governmental Accounting Standards.

18                  2. This conceptual framework serves as a reference in the event  
19                  of any accounting issues that have not been stated in the Governmental  
20                  Accounting Standards.

21                  3. In the case of an inconsistency between the conceptual  
22                  framework and the accounting standards, the provisions of the accounting  
23                  standards supercede the conceptual framework. In the long term, such  
24                  conflicts are expected to be resolved in line with the development of the  
25                  accounting standards in the future.

26           **Scope**

- 27                  4. This conceptual framework discusses the:
- 28                  (a) tujuan kerangka konseptual;  
29                  (b) government accounting environment;  
30                  (c) users and the information needs of users;  
31                  (d) reporting entities;  
32                  (e) role and objective of financial reporting, as well as the legal basis;  
33                  (f) basic assumptions, the qualitative characteristics that determine the  
34                  usefulness of the information in the financial reports, the principles, as  
35                  well as the constraints of accounting information; and



1 (g) definition, recognition and measurement of the elements that form the  
2 financial reports.

3 5. This conceptual framework applies to the central and local  
4 government financial reports.

## 5 **GOVERNMENT ACCOUNTING ENVIRONMENT**

6 6. The operating environment of government organizations  
7 affects the characteristics of the objectives of accounting and financial  
8 reporting.

9 7. The important traits of the government environment that need  
10 to be considered in determining the purpose of accounting and financial  
11 reporting are as follows:

12 (a) A key feature is the structure of government and the services provided:

13 (1) the general form of government and the separation of powers;

14 (2) the system of government autonomy and revenue transfers  
15 between governments;

16 (3) the influence of the political process;

17 (4) the relationship between tax payments with government services.

18 (b) The characteristics of government finances that are important for  
19 control:

20 (1) the budget as a statement of public policy, fiscal targets, and as a  
21 means of control;

22 (2) investing in assets that do not directly generate revenue; and

23 (3) the possible use of fund accounting for control purposes.

## 24 **General Form of Government and the** 25 **Separation of Powers**

26 8. In the Unitary State of the Republic of Indonesia which is  
27 centered on democracy, power is in the hands of the people. The People  
28 delegate powers to public officials through the electoral process. In line with  
29 the delegation of powers is the separation of powers among the executive,  
30 legislative, and judicial branches. The system is intended to monitor and  
31 maintain the balance against the possibility of abuse of power among  
32 government administrators.

33 9. As applied in the government financial environment, the  
34 executive prepares the budget and presents it to the legislature for approval.  
35 After receiving approval, the executive implements it within the appropriation  
36 limits and statutory provisions relating to the appropriation. The executive

1 branch is responsible to the legislature and the people for the financial  
2 administration.

3 **Sytem of Government Autonomy and Revenue**  
4 **Tranfers between Governments**

5 10. Substantially, there are three spheres of government in the  
6 system of government of the Republic of Indonesia: the central government;  
7 the provincial; and the district / city governments. The government with the  
8 broader coverage provides direction to the government with the narrower  
9 coverage. There is a government which generates greater tax and non-tax  
10 revenues, resulting in the convening of the revenue sharing system, the  
11 allocation of general funds, grants, or subsidies amongst government entities.

12 **Effect of the Political Process**

13 11. One of the government's main objectives is to improve the  
14 welfare of all people. Accordingly, the government seeks to achieve fiscal  
15 balance by maintaining state financial capacity which is derived from tax  
16 revenues and other sources to fulfill the needs of the community. One of the  
17 characteristics that is important in achieving that balance is the ongoing  
18 political process to harmonize the different interests in society.

19 **Relationship between Tax Payments and**  
20 **Government Services**

21 12. Although in certain circumstances the government directly  
22 levies for services provided, basically most of the government's revenue  
23 comes from taxation in order to provide services to the community. The  
24 amount of tax collected is not directly related to the services provided by the  
25 government to the taxpayer. Taxes collected and services provided by the  
26 government contain certain properties that must be considered in developing  
27 the financial statements, which are, among others as follows:

- 28 (a) The payment of tax is not a source of income that is voluntary.  
29 (b) The amount of tax payable is determined by the tax base as determined  
30 by laws and regulations, such as income earned, assets owned, value-  
31 added economic activity, or the value of the enjoyment obtained.  
32 (c) The efficiency of services provided by the government compared with  
33 charges that are used to provide the services is often difficult to  
34 measure with respect to the monopoly services of government. With the  
35 opening of opportunities for others to conduct services normally  
36 performed by the government, such as education and health services,

- 1           the measurement of the efficiency of government services becomes  
2           easier.
- 3       (d) Measurement of the quality and quantity of the various services  
4           provided by the government is relatively difficult.

5           **The Budget as a Statement of Public Policy,**  
6           **Fiscal Targets, and Control Device**

- 7                       13. The government budget is a document of the formal  
8           agreement between the executive and legislative regarding the expenditure  
9           assigned to implement government activities and the revenue expected to  
10          cover those expenditure needs, or the financing required or expected to occur  
11          in the event of a deficit or surplus. As such, the budget coordinates  
12          government expenditure activities and provides the foundation for revenue  
13          and financing efforts by the government for a specific period, usually an  
14          annual period. However, it is also possible that the budget is prepared for a  
15          period of more or less than one year. Thus, the function of the government's  
16          budget has a significant impact on accounting and financial reporting, partly  
17          because:
- 18       (a) The budget is a statement of public policy.
- 19       (b) The budget is a fiscal target depicting the balance between expenditure,  
20           revenue, and desired financing.
- 21       (c) The budget becomes the basis of control that has legal consequences.
- 22       (d) The budget provides the basis of performance evaluation of the  
23           government.
- 24       (e) The results of the implementation of the budget set out in government's  
25           financial reports is an expression of the government's accountability to  
26           the public.

27           **Investments in Assets that Do Not Produce**  
28           **Revenue**

- 29                       14. The government invests substantial funds in assets that do not  
30           directly generate revenue for the government, such as office buildings,  
31           bridges, roads, parks, and regional reservations. Most of the assets in  
32           question have long useful lives, thus a program of adequate maintenance and  
33           rehabilitation is needed to sustain the intended benefits to be achieved. As  
34           such, the function of the asset for the government is different to the function  
35           for commercial organizations. Most of the assets do not produce direct  
36           revenue for the government, and in fact create a government commitment to  
37           maintain them in the future.

1       **Possible Use of Fund Accoutning for the**  
2       **Purposes of Control**

3               15. Fund accounting is an accounting and financial reporting  
4       system commonly applied in the government spheres that divides the funds  
5       according to their objective, so that each is an accounting entity that is able to  
6       demonstrate a balance between expenditure and revenues or transfers  
7       received. Fund accounting can be applied for control purposes. Each group of  
8       funds other than the group of general funds (the general fund) should be  
9       considered in the development of government financial reporting.

10       **USERS AND INFORMATION NEEDS**

11       **Financial Report Users**

12               16. There are several major groups of users of government  
13       financial statements, including, but not limited to:  
14       (a) The public;  
15       (b) representatives of the people, regulatory agencies, and agency  
16       inspectors;  
17       (c) parties that give or play a role in the process of donations, investments,  
18       and loans; and  
19       (d) governments.

20       **Information Needs**

21               17. The information presented in general purpose financial reports  
22       is to satisfy the information needs of all user groups. As such, government  
23       financial reports are not designed to meet the specific needs of each user  
24       group. In addition, because taxes are the main source of government  
25       revenue, the provision of financial statements that meet the information needs  
26       of the taxpayers requires attention.

27               18. While having access to detailed information contained in the  
28       financial statements, the government must pay attention to the information  
29       presented in financial reports for the purposes of planning, controlling, and  
30       decision making. Furthermore, the government can determine the form and  
31       type of additional information for its own needs beyond the types of  
32       information set out in this conceptual framework and further stated in the  
33       accounting standards.

1                   **REPORTING ENTITIES**

2                   19. A reporting entity is a government unit consisting of one or  
3 more accounting entities and in accordance with the provisions of laws and  
4 regulations are required to present accountability reports, in the form of  
5 general purpose financial reports, which consist of:

- 6                   (a) The central government;  
7                   (b) Local governments;  
8                   (c) Organizational units within the central / local government or other  
9 organizations, which according to laws and regulations are required to  
10 present financial reports.

11                   20. In the establishment of a reporting entity, consideration is given  
12 to the terms imposed on management, control, and a reporting entity's  
13 governance of assets, jurisdiction, certain tasks and missions, with a form of  
14 responsibility and authority that is separate from other reporting entities.

15                   **ROLE AND OBJECTIVES OF FINANCIAL**  
16 **REPORTING**

17                   **Role of Financial Reporting**

18                   21. Financial reports are prepared to provide relevant information  
19 regarding the financial position and all transactions carried out by a reporting  
20 entity during the reporting period. Financial reports are primarily used to  
21 compare the realization of revenue, expenditure, transfers, and financing with  
22 the set budget, assess the financial condition, evaluate the effectiveness and  
23 efficiency of a reporting entity, and help determine adherence to laws and  
24 regulations.

25                   22. Each reporting entity has an obligation to report on the efforts  
26 that have been made and the results achieved in the implementation of  
27 activities, in a systematic and structured manner, in a reporting period for the  
28 following purposes of:

- 29                   (a) Accountability  
30                   Accountability for resource management and policy implementation is  
31 entrusted to the reporting entity in achieving the goals set periodically.  
32                   (b) Management  
33                   Assist users evaluate the implementation of activities of a reporting  
34 entity in the reporting period to facilitate functional planning,  
35 management and control over all assets, liabilities, and government  
36 equity funds in the public interest.

- 1 (c) Transparency
- 2 Provide financial information that is open and honest to the public on the
- 3 basis that the public has a right to know, openly and comprehensively,
- 4 the government's accountability for the management of the resources
- 5 entrusted to it, and adherence to laws and regulations.
- 6 (d) Intergenerational Equity
- 7 Assist users in knowing the adequacy of government revenues in the
- 8 reporting period to cover all the expenditures allocated and whether
- 9 future generations will be assumed to share the burden of such
- 10 expenditures.

## 11 **Objective of Financial Reporting**

12 23. Government financial reporting should provide information

13 beneficial to users in assessing accountability and making decisions, not only

14 economic and social decisions, but also political decisions by providing

15 information:

- 16 (a) about the adequacy current period receipts to cover all the
- 17 expenditures.
- 18 (b) on the suitability of methods used to obtain economic resources and
- 19 their allocation with the set budget and laws and regulations.
- 20 (c) on the amount of economic resources that are used in the activities of
- 21 the reporting entity and the results that have been achieved.
- 22 (d) on how the reporting entity funds its activities and meets its cash needs.
- 23 (e) on the financial position and condition of the reporting entity associated
- 24 with the sources of revenues, both short and long term, including those
- 25 derived from tax collections and loans.
- 26 (f) on changes in the financial position of the reporting entity, whether an
- 27 increase or decrease, as a result of activities undertaken during the
- 28 reporting period.

29 24. To fulfill these objectives, financial reports provide information

30 on a reporting entity's revenues, expenditures, transfers, reserve funds,

31 financing, assets, liabilities, equity funds, and cash flows.

## 32 **FINANCIAL REPORT COMPONENTS**

33 25. The principal financial reports consist of the:

- 34 (a) Budget Realization Report;
- 35 (b) Balance Sheet;
- 36 (c) Statement of Cash Flows;

1 (d) Notes to the Financial Statements.

2 26. In addition to the principal financial reports as referred to in  
3 paragraph 25, the reporting entity is permitted present the Statement of  
4 Financial Performance and the Statement of Changes in Equity.

## 5 **LEGAL BASIS OF FINANCIAL REPORTING**

6 27. Government financial reporting is conducted based on laws  
7 and regulations governing government finances which include, among others:

- 8 (a) the Constitution of the Republic of Indonesia 1945, particularly the  
9 section that governs state finances;
- 10 (b) Laws in the field of state finance;
- 11 (c) Laws about the National Revenue and Expenditure Budget (APBN);
- 12 (d) laws and regulations governing local government, particularly local  
13 finances;
- 14 (e) laws and regulations governing the fiscal balance between central and  
15 local governments;
- 16 (f) laws and regulations on the implementation of the APBN / APBD; and
- 17 (g) other laws and regulations governing central and local government  
18 finances.

## 19 **BASIC ASSUMPTIONS**

20 28. The basic assumptions in government financial reporting that  
21 are presumed to be true and do not need to be proven in order to implement  
22 the accounting standards consist of the:

- 23 (a) Assumption of entity independence;
- 24 (b) Assumption of entity continuity; and
- 25 (c) Assumption of monetary measurement.

## 26 **Entity Independence**

27 29. The assumption of entity independence means that each unit  
28 of the organization is considered as an independent unit and has the  
29 obligation to present financial statements so as to avoid chaos among  
30 government units in financial reporting. One indication of the fulfillment of this  
31 assumption is the existence an entity authorized to formulate and execute  
32 budgets with full responsibility. The entity is responsible for the management  
33 of assets and off-balance sheet resources for the benefit of their main duty  
34 jurisdiction, including any loss or damage to assets and resources in

1 question, debts arising from an entity's decision, as well as whether or not a  
2 set program has been implemented.

3 **Entity Continuity**

4 30. Financial reports are prepared assuming that the reporting  
5 entity will continue its existence. Thus, it is assumed the government does not  
6 intend to liquidate the reporting entity in the short term.

7 **Monetary Measurement**

8 31. The reporting entity's financial reports should present every  
9 activity with the assumption that it can be valued in terms of money. This is  
10 necessary in order to allow for analysis and measurement in accounting.

11 **QUALITATIVE CHARACTERISTICS OF**  
12 **FINANCIAL REPORTING**

13 32. Qualitative characteristics of financial statements are  
14 normative measurements that need to be embodied in accounting information  
15 so that it can fulfill its purpose. All four of the following characteristics are  
16 normative preconditions necessary for the government's financial statements  
17 to meet the desired quality:

- 18 (a) Relevant;  
19 (b) Reliable;  
20 (c) Comparable; and  
21 (d) Understandable.

22 **Relevant**

23 33. Financial reports can be said to be relevant if the information  
24 contained in them can affect the user's decisions to help them evaluate past  
25 or present events, and predict the future, and confirm or correct the results of  
26 their evaluations in the past. Accordingly, the relevant information in the  
27 financial reports can be linked to their intended use.

- 28 34. Relevant information:  
29 (a) Has feedback value  
30 Information that allows users to confirm or correct their past  
31 expectations.



- 1 (b) Has predictive value
- 2 Information can help the user to predict the future based on the past
- 3 and present events.
- 4 (c) Is timely
- 5 Information should be presented on time so it can be influential and
- 6 useful in decision-making.
- 7 (d) Complete
- 8 Government financial accounting information is presented as complete
- 9 as possible, including all accounting information that can influence
- 10 decision-making, taking into account any constraints. The information
- 11 behind every major piece of information contained in the financial
- 12 statements should be clearly revealed so errors in the use of such
- 13 information can be prevented.

14 **Reliable**

15 35. The information in financial statements must be are free from

16 misleading understandings and material errors, presenting every fact

17 honestly, and able to be verified. Information may be relevant, but if the

18 nature or presentation is unreliable then the use of such information can be

19 potentially misleading. Reliable information meets the following

20 characteristics:

- 21 (a) Honest Presentation
- 22 Information describing transactions honestly and other events that
- 23 should be presented or that may reasonably be expected to be
- 24 presented.
- 25 (b) Verifiability
- 26 The information presented in the financial statements is testable, and
- 27 where testing is done more than once by different parties, the results
- 28 still show that the conclusions do not differ greatly.
- 29 (c) Neutrality
- 30 Information is directed to the needs of the public and does not favor the
- 31 needs of a particular party.

32 **Comparable**

33 36. The information contained in the financial statements will be

34 more useful if it can be compared with the prior period financial statements or

35 another reporting entity's financial statements in general. Comparison can be

36 done internally and externally. Internal comparisons can be made when an

37 entity applies the same accounting policies from year to year. External

1 comparisons can be made when a comparable entity applies the same  
2 accounting policies. If the government entity applies accounting policies that  
3 are better than the current accounting policies, the changes are disclosed in  
4 the period of change.

## 5 **Understandable**

6 37. The information presented in the financial statements can be  
7 understood by users and expressed in a form and in terms adapted to the  
8 understanding of the users. To that end, the user is assumed to have  
9 sufficient knowledge of the activities and operating environment of the  
10 reporting entity, as well as the willingness to learn the information.

# 11 **PRINCIPLES OF ACCOUNTING AND FINANCIAL** 12 **REPORTING**

13 38. Accounting principles and financial reporting provisions are  
14 intended to be understood and followed by the standard setters in setting the  
15 standard, organizers of accounting and financial reporting in conducting their  
16 activities, as well as users of financial reports in understanding the financial  
17 statements. Below are eight principles used in government accounting and  
18 financial reporting:

- 19 (a) Accounting basis;
- 20 (b) Historical value principle;
- 21 (c) Realization principle;
- 22 (d) Substance over form principle;
- 23 (e) Periodicity principle;
- 24 (f) Consistency principle;
- 25 (g) Full disclosure principle; and
- 26 (h) Fair presentation principle.

## 27 **Accounting Basis**

28 39. The basis of accounting used in the government's financial  
29 statements is the cash basis for the recognition of revenue, expenditure, and  
30 financing in the Budget Realization Report and the accrual basis for the  
31 recognition of assets, liabilities, and equity in the Balance Sheet.

32 40. The cash basis for the Budget Realization Report means that  
33 revenue is recognized when cash is received into the State / Local General

1 Treasury Account or by the reporting entity and expenditures are recognized  
2 when cash is issued from the State / Local General Treasury Account or the  
3 reporting entity. The reporting entity does not use the term profit.  
4 Determination of residual budget financing, either an excess or shortfall, for  
5 each period depends on the difference between actual revenues and  
6 expenditures. Revenue and non-cash expenditure such as external foreign  
7 aid in the form of goods and services is presented in the Budget Realization  
8 Report.

9 41. The accrual basis for the Balance Sheet means that the  
10 assets, liabilities, and equity are recognized and recorded at the time of the  
11 transaction, or at the time of the event or the environmental condition that has  
12 an effect on the government's finances, regardless of when cash or its  
13 equivalent is received or paid.

14 42. Reporting entities that present the Statement of Financial  
15 Performance referred to in paragraph 26 arranges accounting and the  
16 presentation of financial statements using the full accrual basis, both in the  
17 recognition revenue, expenditure, and financing, as well as in the recognition  
18 of assets, liabilities, and equity funds. However, the presentation of the  
19 Budget Realization Report remains on a cash basis.

## 20 **Historical Cost**

21 43. Assets are recorded at amounts of cash and cash equivalents  
22 paid or the fair value of the consideration to acquire the asset at the time of  
23 acquisition. Liabilities are recorded at the amount of cash and cash  
24 equivalents expected to be paid to fulfill the obligations in the future in the  
25 implementation of government activities.

26 44. Historical values are more reliable than others because  
27 assessments are more objective and verifiable. In the absence of historical  
28 value, the fair value of the related assets or liabilities may be used.

## 29 **Realization**

30 45. For the government, revenue on the cash basis that is  
31 available and has been authorized by the government budget in an  
32 accounting period will be used to pay debt and expenditures in that period.

33 46. The principle of cost against revenue matching in government  
34 accounting does not receive the emphasis as practiced in commercial  
35 accounting.

## 36 **Substance Over Form**

37 47. Information is intended to present transactions fairly and other  
38 events that should be presented, as such the transaction or other event need  
39 to be recorded and presented in accordance with the substance and

1 economic reality, and not merely in terms of formal aspects. If the substance  
2 of transactions or other events is inconsistent / different with formal aspects,  
3 then it must be clearly disclosed in the Notes to the Financial Statements.

4 **Periodicity**

5 48. Accounting and financial reporting activities of a reporting  
6 entity should be divided into reporting periods so that the entity's performance  
7 can be measured and the position of its resources can be determined. The  
8 main period used is annual. However, monthly, quarterly, and semi-annual  
9 periods are also recommended.

10 **Consistency**

11 49. The same accounting treatment is to be applied to similar  
12 events from period to period by a reporting entity (the principle of internal  
13 consistency). This does not mean that there should not be a change from one  
14 accounting method to another method of accounting. Accounting methods  
15 used can be changed on the condition that the new method is applied to  
16 provide better information than the old method. The effect of changes in the  
17 application of the accounting method are disclosed in the Notes to the  
18 Financial Statements.

19 **Full Disclosure**

20 50. Financial reports present complete information required by the  
21 user. The information required by financial report users can be placed on the  
22 face of the financial statements or in the Notes to the Financial Statements.

23 **Fair Presentation**

24 51. Financial statements provide a fair presentation of the Budget  
25 Realization Report, the Balance Sheet, the Statement of Cash Flows, and the  
26 Notes to Financial Statements.

27 52. In terms of fair presentation, the factor of sound judgment is  
28 necessary in preparing financial reports when facing uncertainty of events  
29 and circumstances. Such uncertainties are recognized by disclosing the  
30 nature and level by using sound judgment in preparing financial statements.  
31 Sound judgment contains elements of prudence when producing forecasts in  
32 conditions of uncertainty, so that assets or revenues are not overstated and  
33 liabilities not understated. However, the use of sound judgment does not  
34 allow, for example, the formation of hidden reserves, assets or revenues

1 accidentally understated, or accidentally overstating liabilities or expenditure,  
2 so that financial statements become non-neutral and unreliable.

## 3 **CONSTRAINTS TO RELEVANT AND RELIABLE** 4 **INFORMATION**

5 53. Constraints to accounting information and financial reports  
6 refers to any situation that does not allow the realization of the ideal  
7 conditions in realizing accounting and financial reporting information that is  
8 relevant and reliable as a result of limitations or for reasons of practicality.  
9 There are three things that give rise to constraints in accounting information  
10 and government financial reports, namely:

- 11 (a) Materiality;
- 12 (b) Consideration of costs and benefits;
- 13 (c) The balance between qualitative characteristics.

### 14 **Materiality**

15 54. While ideally including all information, government financial  
16 reports are only required to include information that meets the criteria of  
17 materiality. Information is considered material if the omission or error in  
18 recording information could influence the economic decisions taken by users  
19 based on the financial reports.

### 20 **Consideration of Costs and Benefits**

21 55. The resulting benefits of information should exceed the cost of  
22 preparation. Therefore, government financial reports should not present any  
23 information the benefits of which are less than the cost of preparation.  
24 However, the evaluation of costs and benefits is a substantial consideration  
25 process. The costs should not be borne by the users who enjoy the benefits  
26 of the information. Benefits may also be enjoyed by other users beside those  
27 for whom the information was intended, such as the provision of further  
28 information to lenders which may reduce the costs borne by the reporting  
29 entity.

### 30 **Balance between Qualitative Characteristics**

31 56. A balance between qualitative characteristics is necessary to  
32 achieve an appropriate balance between the various normative objectives  
33 that are expected to be met by the government's financial reports. The

1 relative importance among the characteristics is different in different cases,  
2 especially between relevance and reliability. Determination of the importance  
3 of the qualitative characteristics between the two is a matter of professional  
4 judgment.

## 5 **ELEMENTS OF FINANCIAL REPORTS**

### 6 **Budget Realization Report**

7 57. The Budget Realization Report provides an overview of  
8 sources, allocation and use of financial resources managed by the central /  
9 local governments, which illustrates the comparison between budget and  
10 realization in the reporting period.

11 58. Elements that are directly covered by the Report of Budget  
12 Realization consists of revenues, expenditures, transfers, and financing. Each  
13 element is defined as follows :

- 14 (a) Revenue (cash basis) are receipts by the State General Treasury /  
15 Local General Treasury or by other government entities that add equity  
16 funds in the current budget period and that become the right of the  
17 government, and do not need to be paid back by the government.
- 18 (b) Revenue (accrual basis) is the right of the government that is  
19 recognized as an addition to net worth.
- 20 (c) Expenditure is all spending by the the State General Treasurer / Local  
21 General Treasurer which reduces current equity funds in the period  
22 corresponding to the budget year, and will not be paid back to the  
23 government.
- 24 (d) Belanja (basis akrual) adalah kewajiban pemerintah yang diakui  
25 sebagai pengurang nilai kekayaan bersih.
- 26 (e) Transfers are receipts or expenditures of money by a reporting entity  
27 from / to other reporting entities, including the balance funds and the  
28 revenue sharing fund.
- 29 (f) Financing is any receipt / expenditure that needs to be paid back and /  
30 or will be received again, either in the relevant fiscal year as well as  
31 subsequent fiscal years, which in government budgeting is mainly  
32 intended to cover or utilize a budget surplus or deficit.
- 33 (g) Financing receipts can come from, among others, loans and the  
34 proceeds from divestment. Financing expenditure, among others, is  
35 used for the repayment of the loan principal, lending to other entities,  
36 and equity investment by the government.

1       **Balance Sheet**

2               59. The balance sheet describes the financial position of a  
3 reporting entity regarding its assets, liabilities, and equity at a specific date.

4               60. Elements covered by the balance sheet consist of assets,  
5 liabilities, and equity. Each element can be described as follows:

- 6       (a) Assets are economic resources controlled and / or owned by the  
7 government as a result of past events and from which future economic  
8 and / or social benefits are expected to be obtained, either by the  
9 government or the public, and can be measured in terms of money  
10 including non-financial resources required for the provision of services  
11 to the public and resources that are maintained for reasons of history  
12 and culture.
- 13       (b) Liabilities are debts arising from past events the settlement of which  
14 results in outflows of the government's economic resources.
- 15       (c) Equity Funds are the net worth of the government which represents the  
16 difference between government's assets and liabilities.

17       **Assets**

18               61. The future economic benefits embodied in an asset refer's to  
19 the asset's potential to contribute, either directly or indirectly, to the  
20 operations of government, in the form of a stream of income or expenditure  
21 savings for the government.

22               62. Assets are classified into current and non-current assets. An  
23 asset is classified as a current asset if is expected to be realized immediately  
24 or held for use or sale within 12 (twelve) months from the reporting date.  
25 Assets that can not be included in this criteria are classified as non-current  
26 assets.

27               63. Current assets include cash and cash equivalents, short term  
28 investments, accounts receivable, and inventory.

29               64. Non-current assets include long-term assets, and intangible  
30 assets that are used either directly or indirectly for government activities or  
31 public use. Non-current assets are classified into long-term investments, fixed  
32 assets, reserves, and other assets.

33               65. Long-term investments are investments that are held with a  
34 view to gaining economic benefits and social benefits within a period of more  
35 than one accounting period. Long-term investments include permanent and  
36 non-permanent investments. Non-permanent investments include, among  
37 others, investments in Government Securities, equity in development  
38 projects, and other non-permanent investments. Permanent investments  
39 include, among others, government equity investments and other permanent  
40 investments.

1                   66. Fixed assets include land, equipment and machinery,  
2 buildings, roads, irrigation, and networks, other fixed assets and construction  
3 in progress.

4                   67. Other non-current assets are classified as other assets.  
5 Included in other assets are intangible assets and assets of cooperation  
6 (partnerships).

## 7                   **Liabilities**

8                   68. The essential characteristic of a liability is that the government  
9 has a present obligation the settlement of which will result in the sacrifice of  
10 economic resources in the future.

11                  69. Liabilities generally arise due to the consequences of the  
12 implementation of tasks or responsibilities to act in the past. In the context of  
13 the government, liabilities arise partly because of the use of loan financing  
14 sources from the public, financial institutions, government entities, or  
15 international agencies. Government liabilities also occur due to engagement  
16 with employees who work for the government or with other service providers.

17                  70. Any liability can be imposed by law as a consequence of a  
18 binding contract or laws and regulations.

19                  71. Liabilities are classified into short-term liabilities and long term  
20 liabilities. Short-term liabilities forms a group of liabilities that will be settled in  
21 less than twelve months after the reporting date. Long-term liabilities form a  
22 group of liabilities whose settlement is after 12 (twelve) months from the date  
23 of reporting.

## 24                  **Equity Funds**

25                  72. Equity funds can be categorized as follows:

- 26                  (a) Current Equity Funds are the difference between current assets and  
27 short-term liabilities.
- 28                  (b) Equity Investment Funds reflect the wealth of the government  
29 embedded within non-current assets other than reserves, net of long-  
30 term liabilities.
- 31                  (c) Equity Reserve Funds reflect the wealth of government that is reserved  
32 for a pre-determined purpose according to laws and regulations.

## 33                  **Statement of Cash Flows**

34                  73. The Statement of Cash Flows presents information with  
35 respect to cash operating activities, investment in non-financial assets,  
36 financing, and non-budgetary transactions that describe the opening balance,  
37 receipts, expenditures, and closing cash balances of the central / local  
38 government during a certain period.



1                   74. The elements included in the Statement of Cash Flows  
2 comprise cash receipts and expenditures, each of which is explained as  
3 follows:

- 4       (a) Cash receipts are all cash flows into the State / Local General Treasury.  
5       (b) Cash Expenditures are all cash flows from the State / Local General  
6 Treasury.

7                   **Notes to the Financial Statements**

8                   75. Notes to the Financial Statements include narrative  
9 explanations or details of the figures shown in the Budget Realization Report,  
10 the Balance Sheet and the Statement of Cash Flows. The Notes to the  
11 Financial Statements also include information about the accounting policies  
12 used by the reporting entity and other information required and recommended  
13 to be disclosed in the Government Accounting Standards, and expressions  
14 required to produce financial statements that are presented fairly. The Notes  
15 to the Financial Statements disclose / present / provide:

- 16       (a) Information on the fiscal / financial and macro-economic policies, the  
17 achievement of APBN/APBD targets, and the constraints and obstacles  
18 encountered in achieving the targets;  
19       (b) An overview of the achievement of financial performance for the  
20 reporting year;  
21       (c) Information about the basis of preparation of the financial statements  
22 and accounting policies chosen to be applied to the selected  
23 transactions and other significant events;  
24       (d) Information required by the Governmental Accounting Standards that  
25 has not been presented on the face of financial statements;  
26       (e) Information on asset and liability posts arising from the application of the  
27 accrual basis of revenue and expenditure and a reconciliation with the  
28 application of the cash basis; and  
29       (f) Other information necessary for a fair presentation, which is not  
30 presented on the face of the financial statements.

31                   **Statement of Financial Performance and**  
32 **Statement of Changes in Equity**

33                   76. The Statement of Financial Performance is the realization of  
34 revenue and expenditure prepared on the accrual basis. The statement  
35 presents information regarding operating revenue, expenditure by economic  
36 and functional classification, and the surplus or deficit.

1                   77. Other reports permitted is the Statement of Changes in Equity,  
2 which presents the increase or decrease in equity in the reporting year  
3 compared with the previous year.

## 4                   **RECOGNITION OF FINANCIAL STATEMENT** 5                   **ELEMENTS**

6                   78. Recognition in accounting is the process of determining the  
7 fulfillment of criteria for recording an event or occurrence in the accounting  
8 records that will become a complementary part of the elements of assets,  
9 liabilities, equity funds, revenue, expenditure, and financing as contained in  
10 the reporting entity's financial statements. Recognition is realized in recording  
11 amounts of money for the items in the financial statements that are affected  
12 by the related event or occurrence.

13                   79. The minimum criteria that need to be met by an event or  
14 occurrence to be recognized are:

- 15 (a) it is probable that the economic benefits associated with the event or  
16 occurrence will flow out of or into the relevant reporting entity;
- 17 (b) the event or the occurrence has a value or a cost that can be measured  
18 or can be estimated reliably.

19                   80. In determining whether the recognition criteria for the event /  
20 occurrence are met, the aspect of materiality should be considered.

## 21                   **Possibility of Future Economic Benefits**

22                   81. In the revenue recognition criteria, the concept that there is a  
23 possibility of future economic benefits occurring is used in the sense of a high  
24 degree of certainty that future economic benefits associated with the post or  
25 occurrence / event will flow to or from the reporting entity. This concept is  
26 necessary in the face of uncertainty in the government's operating  
27 environment. Assessment of the degree of certainty attached to the flow of  
28 future economic benefits is made on the basis of evidence available at the  
29 time of the preparation of the financial statements.

## 30                   **Reliable Measurement**

31                   82. The recognition criteria are generally based on the value of  
32 money arising from the event or occurrence which can be reliably measured.  
33 But there are times when recognition is based on the result of reasonable  
34 estimation. If the measurement is based on cost and a reliable estimate is not  
35 possible, then it is sufficient to recognize the transaction in the Notes to the  
36 Financial Statements.

1                   83. Delayed recognition of an item or event may occur if the  
2 recognition criteria are met only after the event or other circumstance occurs  
3 or does not occur in the future.

4                   **Asset Recognition**

5                   84. Assets are recognized as potential future economic benefits  
6 obtained by the government and have a value or cost that can be measured  
7 reliably.

8                   85. Assets in the form of cash obtained by the government, are,  
9 among others, derived from taxes, customs duty, excise duty, non-tax  
10 revenues, user charges, and levy proceeds from the utilization of state  
11 assets, transfers, and other deposits, as well as the receipt of financing, such  
12 as loans. The process of collecting every element of receipt is very diverse  
13 and involves many parties or agencies. Thus, the point of recognition of cash  
14 receipts by the government for accounting recognition requires more detailed  
15 arrangements, including setting limits on the time from when money is  
16 received until its deposit into the State / Local General Treasury Account.  
17 Assets are not recognized if the expenditure has occurred and the economic  
18 benefits are considered unlikely to be obtained by the government after the  
19 current accounting period.

20                   **Liability Recognition**

21                   86. Liabilities are recognized when it is probable that the  
22 expenditure of economic resources will be undertaken to settle existing  
23 obligations until the time of reporting, and changes in the liability has a  
24 settlement value that can be measured reliably.

25                   87. In line with the implementation of the accrual basis, liabilities  
26 are recognized when loan funds are received or when the liabilities arise.

27                   **Revenue Recognition**

28                   88. Cash basis revenue is recognized when cash is received in the  
29 State / Local General Treasury Account or by the reporting entity. Accrual  
30 basis revenue is recognized when there is a right to the revenue.

31                   **Expenditure Recognition**

32                   89. Expenditure according to the cash basis is recognized based  
33 on disbursement from the State / Local General Treasury Account or from the  
34 reporting entity. Recognition of special expenditures through the expenditure  
35 treasurer occurs when the responsibility for such expenditures is authorized

1 by the unit which has the treasury function. Expenditures according to the  
2 accrual basis are recognized at the time there is an obligation or benefit  
3 obtained.

4 **MEASUREMENT OF FINANCIAL ELEMENTS**

5 90. Measurement is the process of determining the value of money  
6 to recognize and include each item in the financial statements. Measurement  
7 of items in the financial statements use the historical acquisition value. Assets  
8 are recorded at the expenditure / utilization of economic resources or fair  
9 value of the consideration given to acquire the asset. Liabilities are recorded  
10 at the fair value of economic resources used by the government to satisfy the  
11 liabilities in question.

12 91. Measurement of items in the financial statements use rupiah.  
13 Transactions using foreign currencies are converted first and denominated in  
14 rupiah.

LAMPIRAN II.02  
PERATURAN PEMERINTAH REPUBLIK INDONESIA  
NOMOR 71 TAHUN 2010  
TANGGAL 22 OKTOBER 2010

**STANDAR AKUNTANSI PEMERINTAHAN  
PERNYATAAN NO. 01**

**PENYAJIAN LAPORAN KEUANGAN**

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1       **GOVERNMENT ACCOUNTING STANDARDS**  
2       **STATEMENT NO. 01**  
3       **FINANCIAL REPORT PRESENTATION**

4       *The paragraphs that written in bold and italics are standard paragraphs,*  
5       *which should be read in the context of paragraphs written explanation*  
6       *with regular letters and the Government Accounting Conceptual*  
7       *Framework.*

8       **INTRODUCTION**

9       **Purpose**

10               1. The objective of this Standard is to regulate the presentation of  
11       general purpose financial statements in order to enhance the comparability of  
12       financial statements both against budget, between periods, and between  
13       entities. The financial statements are general purpose financial statements  
14       that are intended to meet common needs of most report users. To achieve  
15       that goal, it sets a standard consideration in the context of the entire  
16       presentation of the financial statements, guidelines for financial reporting  
17       structure and content of the financial statements of the minimum  
18       requirements. The financial statements are prepared by applying a cash basis  
19       for the recognition of items of income, expenditure, and financing, as well as  
20       the accrual basis for the recognition of items of assets, liabilities, and equity  
21       funds. Recognition, measurement and disclosure of specific transactions and  
22       other events are regulated in other government accounting standards.

23       **Scope**

24               2. *General purpose financial reports are prepared and*  
25       *presented on a cash basis for the recognition of items of income,*  
26       *expenditures, transfers, and financing, as well as the accrual basis for*  
27       *the recognition of items of assets, liabilities, and equity funds. "*

28               3. A general purpose financial report is intended to meet the needs  
29       of users. What is meant by users is the public, legislators, agency inspectors /  
30       supervisors, parties who provide or participate in the process of donations,  
31       investments, and loans, and the government. The financial statements  
32       include the financial statements that are presented separately or part of the  
33       financial statements presented in public documents such as annual reports.

34               4. *This Statement applies to the reporting entity in*  
35       *preparing the financial statements of an entity of the central*

1 government, **local governments**, and the consolidated financial  
2 statements, but does not include state / local **owned enterprises**.

### 3 **Accounting Basis**

4 **5. The basis of accounting used in the government's financial**  
5 **report is the cash basis for the recognition of revenues, expenditures,**  
6 **transfers, and financing and the accrual basis for the recognition of**  
7 **assets, liabilities, and equity funds.**

8 **6. A reporting entity is permitted to conduct accounting and**  
9 **presentation of financial statements using the full accrual basis, both in the**  
10 **recognition of revenues, expenditures, transfers, and financing, as well as in**  
11 **the recognition of assets, liabilities, and equity funds.**

12 **7. A reporting entity that organizes its accounting and**  
13 **presents its financial statements on an accrual basis still presents its**  
14 **Budget Realization Report based on cash basis.**

### 15 **DEFINITIONS**

16 **8. The following are terms used in the Standard Statement of**  
17 **the senses:**

18 **Budget is a action guide to be implemented by government covering**  
19 **planned revenues, expenditures, transfers, and financing which is**  
20 **measured in rupiah, and arranged systematically according to a specific**  
21 **classification for one period.**

22 **Local Expenditure and Revenue Budget (APBD) is the local government**  
23 **annual financial plan agreed by local legislatures.**

24 **National Expenditure and Revenue Budget (APBN) is the central**  
25 **government annual financial plan agreed by the House of**  
26 **Representatives (DPR).**

27 **Appropriation is the budget approved by DPR / local parliaments which**  
28 **is the mandate given to president / governor / regent / mayor to**  
29 **undertake expenditures according to the purpose specified.**

30 **Cash flows are inflows and outflows of cash and cash equivalents in**  
31 **State / Local General Treasury.**

32 **Assets are economic resources controlled and / or owned by the**  
33 **government as a result of past events and from which future economic**  
34 **and / or social benefits are expected to be obtained, either by the**  
35 **government or the public, and can be measured in terms of money,**  
36 **including non-financial resources required for the provision of public**  
37 **services and resources that are maintained for reasons of history and**  
38 **culture.**



1 **Intangible assets** are non-financial assets that can be identified, do not  
2 have physical form and are held for use in producing goods or services,  
3 or used for other purposes, including intellectual property rights.

4 **Fixed assets** are tangible assets with a useful life of more than 12  
5 (twelve) months for use in government operations or used by the  
6 general public.

7 **Accrual basis** is the basis of accounting that recognizes the effects of  
8 transactions and other events at the time the transaction and event  
9 occurred, regardless of when cash or its equivalent is received or paid.

10 **Cash basis** is the basis of accounting that recognizes the effects of  
11 transactions and other events when cash or cash equivalents are  
12 received or paid.

13 **Expenditures** are all expenditures from the State/Local Treasury that  
14 reduce equity funds **smoothly** in the corresponding period of the budget  
15 year and that will not be paid back to the government.

16 **Reserve Funds** are funds set aside to accommodate needs requiring  
17 relatively large funds that cannot be met within one budget year.

18 **Equity Funds** is the government's net worth and is the difference  
19 between the government's assets and liabilities.

20 **Accounting Entity** is a unit of government budget users / user of goods  
21 and therefore obligated to conduct accounting and compile financial  
22 statements for the combined reporting entity.

23 **Reporting Entities** are government units consisting of one or more  
24 accounting entities in accordance with the accounting provisions of  
25 legislation and are required to submit accountability reports in the form  
26 of financial statements.

27 **Investments** are assets that are intended to obtain economic benefits  
28 such as interest, dividends, and royalties, or social benefits that can  
29 improve the ability of government to provide public services.

30 **Cash** is cash and the balance of bank deposits at any time that can be  
31 used to finance government activities.

32 **Local Treasury** is the depository for local government monies that is  
33 determined by the Local Treasurer to accommodate all local  
34 government receipts and expenditures.

35 **State Treasury** is the depository of state monies as determined by the  
36 Minister of Finance as the General Treasurer of the State to  
37 accommodate all the central government receipts and expenditures.

38 **Accounting Policies** are the principles, foundations, conventions, rules,  
39 and specific practices chosen by a reporting entity in the preparation  
40 and presentation of financial statements.

41 **Partnerships** are agreements between two or more parties who are  
42 committed to carry out a jointly controlled activity using owned assets  
43 and/or operating rights.

44 **Liabilities** are debts arising from past events whose settlement results in  
45 outflows of government economic resources.

1       **Consolidated financial reports** are financial reports which form a  
2       combination of all the reporting entity's financial reports presented as a  
3       single entity.

4       **Interim financial reports** are financial reports issued between two annual  
5       financial reports.

6       **Foreign currency** is a currency other than the reporting currency of the  
7       entity.

8       **Reporting currency** is rupiah used in presenting financial reports.

9       **Materiality** is a condition that arises if unrepresented or misstated  
10       information influences the decisions or assessments of users made on  
11       the basis of financial reports. Materiality depends on the nature or  
12       magnitude of the item or the error under consideration given the  
13       specific circumstances in which the deficiency or misstatement  
14       occurred.

15       **Fair value** is the exchange value of assets or settlement of liabilities  
16       between parties who understand and are willing to make a fair deal.

17       **Budget Credit Authorization (allotment)** is the budget implementation  
18       document that shows the part of the appropriation provided for agency  
19       units and used to obtain money from the State / Local General Treasury  
20       to finance expenditures during the period of authorization.

21       **Financing** is any receipt that needs to be repaid and / or expenditures  
22       that will be readmitted, both in the budget year concerned and in  
23       subsequent budget years, which in government budgeting is primarily  
24       intended to cover a budget deficit or utilize a surplus.

25       **Revenue** is all receipts of the State / Local General Treasury Account  
26       that add to current equity funds in the relevant budget period that  
27       became right of the government, and do not need to be paid back by the  
28       government.

29       **Depreciation** is the adjustment in value with respect to a reduction in  
30       the capacity and the benefits of an asset.

31       **Inventories** are current assets in the form of goods or supplies which  
32       are intended to support government operations, and items intended to  
33       be sold and / or delivered in the context of services to the community.

34       **Transfers receivable** is the right of a reporting entity to receive payment  
35       from another report entity as a result of laws or regulations.

36       **State General Treasury Account** is a depository account of state funds  
37       prescribed by the Minister of Finance as General Treasurer of the State  
38       to accommodate all State receipts and pay all State expenditures in the  
39       central bank.

40       **Local General Treasury Account** is a local depository account  
41       determined by the governor / regent / mayor to hold all local receipts  
42       and pay all local expenditures in a specified bank.

43       **Exchange rate differences** are differences arising from the translation of  
44       foreign currencies to rupiah at different exchange rates.

- 1 **Cash equivalents are short-term investments that are highly liquid and**  
2 **ready to be converted into cash, and are free from a significant risk of**  
3 **changes in value.**
- 4 **Budget financing surplus / deficit balance (SiLPA / SiKPA) is the excess**  
5 **/ shortfall difference between APBN/APBD realized revenues and**  
6 **expenditures during the reporting period.**
- 7 **Surplus / deficit is the excess / shortfall difference between revenues**  
8 **and expenditures during the reporting period.**
- 9 **Reporting date is the date of the last day of the reporting period.**
- 10 **Transfers are revenues / expenditures of money of a reporting entity**  
11 **from / to other reporting entities, including the balance funds and**  
12 **revenue sharing funds.**
- 13 **Debt transfers are obligations of a reporting entity to make payments**  
14 **to other entities as a result of statutory provisions.**

## 15 **PURPOSE OF FINANCIAL REPORTS**

- 16 9. Financial reports are structured reports on the financial position  
17 and transactions carried out by a reporting entity. The general purpose of  
18 financial reports is to present information regarding the financial position, the  
19 realization of the budget, cash flows and the financial performance of a  
20 reporting entity that is useful to users in making and evaluating decisions  
21 about the allocation of resources. Specifically, the purpose of government  
22 financial reports is to provide useful information for decision-making and to  
23 demonstrate the reporting entity's accountability for the resources entrusted  
24 to it, by providing:
- 25 a) information about the position of the government's economic resources,  
26 liabilities and equity;
- 27 b) information on the changes in the position of the government's economic  
28 resources, liabilities and equity;
- 29 c) information about the source, allocation and use of economic resources;
- 30 d) information on conformity of the realization to the budget;
- 31 e) information about the way the reporting entity funds its activities and meets  
32 its cash requirements;
- 33 f) information on the government's potential to finance the implementation of  
34 government activities;
- 35 g) useful information for evaluating the ability of the reporting entity to finance  
36 its activities.
- 37 10. General purpose financial reports also have a predictive and  
38 prospective role, by providing useful information to predict the amount of  
39 resources needed for ongoing operations, resources generated from  
40 continuing operations, as well as the associated risks and uncertainties.  
41 Financial reporting also provides information to users through indicating as to  
42 whether the resources have:
- 43 a) been obtained and used in accordance with the budget; and

- 1 b) been obtained and used in accordance with the relevant provisions,  
2 including the budget limits set by the DPR / DPRD.
- 3 11. To meet this general objective, financial reports provide  
4 information about the reporting entity in terms of:
- 5 a. assets;  
6 b. liabilities;  
7 c. equity funds;  
8 d. revenue;  
9 e. expenses;  
10 f. transfers;  
11 g. financing; and  
12 h. cash flows.
- 13 12. Information in financial reports is relevant to meet the  
14 objectives set forth in paragraph 9, but is unable to fully meet that goal.  
15 Additional information, including non-financial reports, can be reported  
16 together with the financial reports to provide a more comprehensive picture  
17 about the activities of a reporting entity during the period.

## 18 **RESPONSIBILITY FOR FINANCIAL REPORTING**

- 19 13. Responsibility for the preparation and presentation of financial  
20 statements lies with the leadership of the entity.

## 21 **COMPONENTS OF FINANCIAL REPORTS**

- 22 *14. The components contained in a set of basic financial*  
23 *reports are the:*
- 24 **a) Budget Realization Report;**  
25 **b) Balance Sheet;**  
26 **c) Statement of Cash Flows; and**  
27 **d) Notes to the Financial Reports.**
- 28 *15. The components of the financial reports are presented by*  
29 *each reporting entity, except for the Statement of Cash Flows, which is*  
30 *only presented by the unit with the general treasury function.*
- 31 16. Units having the treasury function are defined as a unit of the  
32 state / local general treasurer and / or as the state / local authorized general  
33 treasurer.
- 34 17. Financial reports provide information about the economic  
35 resources and obligations of the reporting entity at the reporting date and the  
36 flow of economic resources during the period. This information is required by  
37 users to assess the ability of the reporting entity to conduct government  
38 activities in the future.
- 39 18. Financial activities of the government are limited by the budget  
40 in the form of appropriation or budget authorization. Financial reports provide

1 information about whether the economic resources have been obtained and  
2 used in accordance with the specified budget. Budget Realization Reports  
3 include budget and realization.

4 19. Reporting entities provide additional information to help users  
5 in predicting the entity's financial performance and asset management, as  
6 well as in making and evaluating decisions about the allocation of economic  
7 resources. Additional information includes details about the entity outputs and  
8 outcomes in the form of indicators of financial performance, reports of  
9 financial performance, and a review of programs and other statements about  
10 the achievement of the entity's financial performance during the reporting  
11 period.

12 20. Aside from presenting basic financial reports, a reporting entity  
13 is permitted to present accrual based Financial Performance Reports and  
14 Changes in Equity Reports.

15 21. Reporting entities are to disclose information about  
16 compliance with the budget.

## 17 **STRUCTURE AND CONTENT**

### 18 **Introduction**

19 22. This Standard requires certain disclosures on the face of the  
20 financial reports, requires disclosure of the other posts on the face of the  
21 financial statements or in the notes to the financial reports, and recommends  
22 as an attachment a standard format that can be followed by a reporting entity  
23 according to each situation.

24 23. This Standard uses the term disclosure in the broadest sense,  
25 encompassing posts presented in each sheet and on the face of the financial  
26 reports as well as in the Notes to the Financial Statements. Disclosures  
27 required under other Government Accounting Standard Statements are  
28 presented in accordance with the provisions of those standards. Unless there  
29 is a standard that governs to the contrary, such a disclosure is made on the  
30 face of the relevant financial statement or in the Notes to the Financial  
31 Statements.

### 32 **Identification of Financial Statements**

33 ***24. Financial reports are clearly identified and distinguished***  
34 ***from other information in the same published document.***

35 ***25. This Statement of Government Accounting Standards***  
36 ***applies only to financial reports and do not apply to other information***  
37 ***presented in an annual report or other documents. Therefore, it is***  
38 ***important for users to be able to distinguish between information that is***  
39 ***presented in accordance with the Governmental Accounting***  
40 ***Standards from other information, but it is not a subject stipulated in this***  
41 ***Statement.***

42 26. Each component of the financial report should be clearly  
43 identified. In addition, the following information must be clearly stated and

1 repeated on each page of the report where necessary to obtain an adequate  
2 understanding of the information presented:  
3 a) the name of the reporting entity or other means of identification;  
4 b) the scope of the financial report, whether it be for a single entity or the  
5 consolidated report of multiple entities;  
6 c) the reporting date or the period covered by the financial report, in  
7 accordance with the components of the financial report;  
8 d) the reporting currency; and  
9 e) the level of precision used in the presentation of the figures in financial  
10 reports.

11 27. The requirements in paragraph 26 are met with the  
12 presentation of the title and brief column headings on each page of the  
13 financial reports. Various considerations are used for regulating page  
14 numbering, references, and the arrangement of attachments that can help  
15 users understand the financial reports.

16 28. Financial reports are often easier to understand when the  
17 information is presented in thousands or millions of rupiah. This presentation  
18 is acceptable as long as the level of accuracy in the presentation of the  
19 figures disclosed and the relevant information is not lost.

## 20 **Reporting Period**

21 ***29. Financial reports are presented at least once a year. If, in***  
22 ***certain situations, an entity's reporting date changes and the annual***  
23 ***financial reports are presented with a period longer or shorter than one***  
24 ***year, the reporting entity is to disclose the following information:***

- 25 ***a) the reasons for not reporting a period of one year,***  
26 ***b) the fact that comparative amounts for certain reports such as cash***  
27 ***flows and related notes are not comparable.***

28 30. In the particular situation a reporting entity must change its  
29 reporting date, for example in connection with a change in the fiscal year.  
30 Disclosure of changes in reporting dates are important so that users are  
31 aware that the amounts presented for the current period and comparative  
32 amounts are not comparable. Further examples are the transition from cash  
33 to accrual-based accounting, or where a reporting entity changes the  
34 reporting date of accounting entities within the reporting entity to enable the  
35 preparation of a consolidated financial report.

36

## 37 **Timeliness**

38 31. The usefulness of financial reports is reduced if the report is  
39 not available to users within a certain period after the reporting date. Factors,  
40 such as the operational complexity faced by a reporting entity, are not  
41 adequate reasons for the failure of timely reporting. The deadline for the  
42 submission of reports is no later than 6 (six) months after the end of financial  
43 year.

1       **Budget Realization Report**

2               32. *Budget Realization Reports disclose the financial*  
3 *activities of central / local governments and show conformity with the*  
4 *APBN/ APBD.*

5               33. Budget Realization Reports present an overview of the  
6 sources, allocation and use of economic resources managed by central / local  
7 governments in a reporting period.

8               34. *Budget Realization Reports present at least the following*  
9 *elements:*

- 10       **a) revenue;**  
11       **b) expenses;**  
12       **c) transfers;**  
13       **d) surplus/deficit;**  
14       **e) financing;**  
15       **f) budget financing surplus / deficit balance.**

16               35. *The Budget Realization Report describes the comparison*  
17 *between the budget and realization in the reporting period.*

18               36. Budget Realization Reports is explained further in the Notes to  
19 Financial Statements. These explanations contain matters that affect the  
20 implementation of the budget such as fiscal and monetary policy, the causes  
21 of material differences between the budget and realization, as well as lists  
22 further detailing figures for which an explanation is considered necessary.

23               37. PSAP No. 02 sets the requirements for the presentation of  
24 Budget Realization Reports and related information disclosure.

25       **Balance sheet**

26               38. The balance sheet describes the financial position of a  
27 reporting entity regarding the assets, liabilities, and equity funds at a specific  
28 date.

29       **Classification**

30               39. *Each reporting entity classifies its assets into current and*  
31 *non-current assets and classifies liabilities into short-term and*  
32 *long-term liabilities in the balance sheet.*

33               40. *Each reporting entity discloses every asset and liability*  
34 *item including amounts expected to be received or paid within 12*  
35 *(twelve) months after the reporting date and the amounts expected to be*  
36 *received or paid in more than 12 (twelve) months.*

37               41. If a reporting entity provides goods which will be used in  
38 carrying out the activities of government, there needs to be a separate  
39 classification between current and non-current assets in the balance sheet to  
40 provide information about the goods to be used in the next accounting period  
41 and those that will be used for long-term needs.

1                   42. Information about the maturity dates of financial assets and  
2 liabilities are useful for assessing the liquidity and solvency of a reporting  
3 entity. Information on the settlement date of non-financial assets and liabilities  
4 such as inventories and reserves is also useful to know whether the assets  
5 are classified as current or non-current assets and liabilities are classified as  
6 short-term and long-term liabilities.

7                   **43. Balance includes at least the following items:**

- 8                   **a) cash and cash equivalents;**  
9                   **b) short-term investments;**  
10                  **c) tax and non-tax receivables;**  
11                  **d) inventory;**  
12                  **e) long-term investments;**  
13                  **f) fixed assets;**  
14                  **g) short-term liabilities;**  
15                  **h) long-term liabilities;**  
16                  **i) equity funds.**

17                  **44. Posts other than those mentioned in paragraph 43 are**  
18 **presented in the balance sheet if the Government Accounting Standards**  
19 **require, or if such presentation is necessary to present fairly the**  
20 **financial position of the reporting entity.**

21                  45. Examples of the Balance Sheet format are presented in Annex  
22 III.A and III.B of this Standard. The attachments are illustrative only and are  
23 not part of the standard. The purpose of this appendix is to help illustrate the  
24 application of the standard in financial reporting.

25                  46. Consideration for the presentation of additional items  
26 separately is based on the following factors:

- 27                  a) The nature, liquidity, and materiality of the asset;  
28                  b) The function of these items within the reporting entity;  
29                  c) The amount, nature and duration of liabilities.

30                  47. Assets and liabilities that are different in nature and function  
31 are sometimes measured using different measurement bases. For example, a  
32 group of certain fixed assets are recorded on the basis of the acquisition cost  
33 and other groups are recorded based on the estimated fair value.

## 34 **Current Assets**

35                  **48. An asset is classified as a current asset if:**

- 36                  **a) It is expected to be soon realized, used, or held for sale within 12**  
37 **(twelve) months from the date of reporting; or,**  
38                  **b) Is in the form of cash and cash equivalents.**

39                  **All assets other than those included in (a) and (b), are classified as**  
40 **non-current assets.**

41                  49. Current assets include cash and cash equivalents, short term  
42 investments, accounts receivable, and inventory. Short-term investment posts  
43 include term deposits of 3 (three) to 12 (twelve) months and easily traded



1 securities. Accounts receivable posts include, among others, taxes  
2 receivable, levies, fines, installment sales, claims for compensation, and other  
3 receivables that are expected to be received within 12 (twelve) months after  
4 the reporting date. Inventories include goods or equipment purchased and  
5 stored for later use, for example consumable goods such as office stationery  
6 and durable items such as equipment and piping components, and second-  
7 hand goods used as second-hand components.

## 8 **Non-Current Assets**

9 **50. Non-current assets include long-term assets and**  
10 **intangible assets, which are used directly or indirectly for government**  
11 **activities or by the general public.**

12 **51. Non-current assets are classified into long-term**  
13 **investments, fixed assets, reserves, and other assets to facilitate the**  
14 **understanding of non-current asset items presented in the balance**  
15 **sheet.**

16 **52. Long-term investments are investments intended to be**  
17 **held for more than 12 (twelve) months. Long-term investments consist**  
18 **of non-permanent investments and permanent investments.**

19 **53. Non-permanent investments are long-term investments**  
20 **not intended to be held on an ongoing basis.**

21 **54. Permanent investments are long-term investments which**  
22 **are intended to be held on an ongoing basis.**

23 **55. Non-permanent investments consist of:**

- 24 **a) Purchases of Government Securities;**  
25 **b) Capital investment in development projects that can be transferred**  
26 **to third parties, and;**  
27 **c) Other non-permanent investments.**

28 **56. Permanent Investments consist of:**

- 29 **a) Government Equity Participation in state / local enterprises, state**  
30 **financial institutions, state-owned legal entities, international**  
31 **organizations and other legal entities that do not belong to the state.**  
32 **b) Other permanent investments.**

33 **57. Fixed assets are tangible assets with a useful life of more**  
34 **than twelve months for use in government operations or utilized by the**  
35 **general public.**

36 **58. Fixed assets consist of:**

- 37 **a) Land;**  
38 **b) Equipment and machinery;**  
39 **c) Building and construction;**  
40 **d) Roads, irrigation, and networks;**  
41 **e) Other fixed assets;and**  
42 **f) Construction in progress.**

1                   **59. Reserve funds are funds set aside to accommodate needs**  
2 **that require relatively large funds and can not be met in a single budget**  
3 **year. The reserve funds are detailed according to the purposes of the**  
4 **funds' establishment.**

5                   **60. Other non-current assets are classified as other assets.**  
6 **Included in other assets are intangible assets, installment sales charges**  
7 **with a maturity of more than 12 (twelve) months, and assets arising from**  
8 **cooperation with third parties (partnerships).**

## 9                   **Asset Recognition**

10                   **61. Assets are recognized as potential future economic**  
11 **benefits obtained by the government and have a value or cost that can**  
12 **be measured reliably.**

13                   **62. Assets are recognized when received or ownership and /**  
14 **or control is transferred.**

## 15                   **Asset Measurement**

16                   **63. Measurement of assets is as follows:**

- 17 **a) Cash is recorded at nominal value;**  
18 **b) Short-term investments are recorded at the value of acquisition;**  
19 **c) Accounts receivable recorded at nominal value;**  
20 **d) Inventories are recorded at:**  
21 **(1) Acquisition cost if acquired by purchase;**  
22 **(2) The Standard Cost if obtained through self-production;**  
23 **(3) The fair value if obtained by other means such as donations /**  
24 **booty.**

25                   **64. Long-term investments are recorded at cost including any**  
26 **other additional charges incurred to acquire legal ownership of the**  
27 **investment;**

28                   **65. Fixed assets are recorded at acquisition cost. If the**  
29 **valuation of fixed assets using cost of acquisition is not possible then**  
30 **the value of fixed assets is to be based on the fair value at the time of**  
31 **acquisition.**

32                   **66. Aside from land and construction in progress, all fixed**  
33 **assets are depreciated according to the nature and characteristics of**  
34 **the asset.**

35                   **67. Acquisition cost of fixed assets constructed by way of self-**  
36 **management includes direct costs for labor, raw materials, and indirect costs,**  
37 **including the cost of planning and supervision, equipment, electricity,**  
38 **equipment rental, and all other costs incurred with respect to the construction**  
39 **of fixed assets.**

40                   **68. Assets denominated in foreign currencies are translated**  
41 **and expressed in rupiah. Foreign currency translation is conducted**  
42 **using the central bank middle rate at the balance sheet date.**

1       **Short Term Liabilities**

2               **69. A liability is classified as a current liability if it is expected**  
3 **to be paid within 12 (twelve) months after the reporting date. All other**  
4 **liabilities are classified as long-term liabilities.**

5               70. Short-term liabilities can be categorized in the same way as  
6 current assets. Some short-term liabilities, such as government debt transfers  
7 or debt to employees is the **part that will absorb current assets within the next**  
8 reporting year.

9               71. Other short-term liabilities are obligations due within 12  
10 (twelve) months after the reporting date. For example, interest on loans,  
11 short-term debt of a third party, third party debt calculation (PFK), and the  
12 **current portion of long-term debt.**

13       **Long-term Liabilities**

14               **72. A reporting entity continues to classify debt as long-term**  
15 **debt, although the obligation is due and to be completed within 12**  
16 **(twelve) months after the reporting date if:**

- 17 **a) the original term is for a period of more than 12 (twelve) months;**  
18 **b) the entity intends to refinance the liability on a long-term basis; and**  
19 **c) this intention is supported by the existence of a refinancing**  
20 **agreement, or the rescheduling of the payment, which was**  
21 **completed before the financial reports were approved.**

22 **The amount of each liability incurred from short-term obligations in**  
23 **accordance with this paragraph, together with information supporting**  
24 **this presentation, is disclosed in the Notes to the Financial Statements.**

25               73. Some liabilities that are due to be repaid in the next year may  
26 be expected to be refinanced or rolled over based on the reporting entity's  
27 policy and it is expected it will not immediately absorb the entity's funds. Such  
28 liabilities are considered to be a part of long-term financing and are classified  
29 as long-term liabilities. But in situations where the re-financing policy is not in  
30 the entity (as in the case of an absence of a refinancing approval), refinancing  
31 can not be considered automatically and the liabilities are to be classified to a  
32 short-term posting unless settlement of the refinancing agreement before  
33 approval of the financial report proves that the substance of the liability at the  
34 reporting date is long-term.

35               74. Some loan agreements include certain conditions (covenants)  
36 that cause long-term liabilities to become current liabilities (payable on  
37 demand) if certain conditions relating to the financial position of the borrower  
38 are violated. In such circumstances, the liability can be classified as a  
39 long-term liability only if:

- 40 a) the lender has agreed not to seek repayment as a consequence of the  
41 breach; and,  
42 b) it is **not likely** that subsequent violations will occur within 12 (twelve)  
43 months after the reporting date.

## Liability Recognition

*75. Liabilities are recognized when it is probable that this expenditure of economic resources will be made or has been made to settle existing liabilities, and changes to the liability has a settlement value that can be measured reliably.*

*76. Liabilities are recognized at the time loan funds are received or when the liabilities arise.*

## Liability Measurement

*77. Liabilities are recorded at their nominal value. Liabilities denominated in foreign currencies are translated and expressed in rupiah. Foreign currency translation is conducted using the middle rate of the central bank at the balance sheet date.*

## Equity Funds

*78. Each reporting entity discloses separately in the Balance Sheet or in the Notes to the Financial Statements:*

- a) *Current Equity Fund, including the remaining excess budget financing / excess Budget balance;*
- b) *Equity Investment Fund;*
- c) *Equity Reserve Fund.*

*79. Ekuitas Dana Lancar adalah selisih antara aset lancar dan kewajiban jangka pendek. Ekuitas dana lancar antara lain sisa lebih pembiayaan anggaran, cadangan piutang, cadangan persediaan, dan dana yang harus disediakan untuk pembayaran utang jangka pendek.*

*80. Ekuitas Dana Investasi mencerminkan kekayaan pemerintah yang tertanam dalam investasi jangka panjang, aset tetap, dan aset lainnya, dikurangi dengan kewajiban jangka panjang.*

*81. Ekuitas Dana Cadangan mencerminkan kekayaan pemerintah yang dicadangkan untuk tujuan tertentu sesuai dengan peraturan perundang-undangan.*

## Information presented in the Balance Sheet or in the Notes to the Financial Statements

*82. A reporting entity discloses, either within the Balance Sheet or in the Notes to the Financial Statements, a subclassification of posts presented, classified in a manner consistent with the operations of the entity concerned. A post is to be further subclassified, if necessary, in accordance with its nature.*

*83. The details included in the subclassification on the Balance Sheet or in the Notes to the Financial Statements depends on the requirements of Government Accounting Standards and the materiality of the amount of the post in question.*

1 The factors mentioned in paragraph 84 may be used in determining the basis  
2 for the subclassification.

3 84. Disclosure will vary for each item, for example:

- 4 (a) accounts receivable are specified according to amounts for taxes  
5 receivable, levies, sales, related parties, advances and other amounts;  
6 transfers receivable are specified according to source;
- 7 (b) inventories are further detailed in accordance with the standards  
8 governing the accounting for inventories;
- 9 (c) fixed assets are classified by group in accordance with the standards set  
10 for fixed assets;
- 11 (d) debt transfers are analyzed according to receiving entity;
- 12 (e) reserve funds are classified in accordance with their purpose;
- 13 (f) components of equity funds are classified into current equity funds,  
14 equity investment funds and reserve equity funds;
- 15 (g) disclosure of the interests of the government in state / local / other  
16 enterprises is subclassified into the amount of the investment provided,  
17 the level of control and valuation methods.

## 18 The Statement of Cash Flows

19 85. The Statement of Cash Flows provides information about the  
20 source, use of, changes in cash and cash equivalents during the accounting  
21 period, and the balance of cash and cash equivalents at the reporting date.

22 **86. Cash inflows and outflows are classified according**  
23 **operating, non-financial assets investments, financing, and non-budget**  
24 **activities.**

25 87. The presentation of the Statement of Cash Flows and  
26 disclosures related to cash flows is set out in Governmental Accounting  
27 Standards Statement No. 03 Statement of Cash Flows.

## 28 Statement of Financial Performance

29 **88. A reporting entity that presents on an accrual basis**  
30 **referred to in paragraph 20, then the basic financial reports include the**  
31 **Statement of Financial Performance. The Financial Performance Report**  
32 **presents at least the following posts:**

- 33 a) **Revenue from operations;**
- 34 b) **Expenses based on functional classification and economic**  
35 **classification;**
- 36 c) **Surplus or deficit.**

37 **Additional posts, headings and subtotals are presented in the**  
38 **Statement of Financial Performance** when these standards require it, or  
39 **if it is necessary to present a fair financial performance of a reporting**  
40 **entity.**

1           89. In conjunction with the Statement of Financial Performance,  
2 operational activities of a reporting entity can be analyzed by economic  
3 classification or functions / programs classification to achieve the  
4 predetermined objectives.

5           90. Additional posts in the Statement of Financial Performance,  
6 descriptions used and the arrangement of posts can be changed if necessary  
7 to explain performance. Factors to be considered include materiality and the  
8 nature and function of the components of revenue and expenses.

9           91. In the Statement of Financial Performance, which is analyzed  
10 according to expense classification, expenses are classified by economic  
11 classification (as examples, depreciation / amortization, office stationery,  
12 transportation expenses, and salaries and employee benefits), and are not  
13 reallocated to the various functions within a reporting entity. This method is  
14 simple to apply in most small entities because it does not require the  
15 allocation of operating expenses to the various functions.

16           92. In the Statement of Financial Performance, which is analyzed  
17 according to classification by function, expenses are grouped by program or  
18 intention. Presentation of the report provides more relevant information to  
19 users than the report by economic classification, although in this case the  
20 allocation of expenses to functions is sometimes arbitrary and on the basis of  
21 certain considerations.

22           93. The reporting entity that classifies expenses according to  
23 functional classification also discloses additional information on expenses by  
24 economic classification, i.e. including depreciation / amortization expense,  
25 salaries and employee benefits expense, and debt interest expense.

26           94. In selecting to apply either the economic classification or  
27 functional classification method will depend on historical factors and laws and  
28 regulations, as well as the nature of the organization. Both methods can  
29 provide an indication of possible expenses, directly or indirectly, in contrast  
30 with the output of the reporting entity concerned. Because the application of  
31 each method on different entities has its own advantages, then the standards  
32 allow reporting entities to choose one method that is considered to present  
33 the elements of performance appropriately.

## 34           **Statement of Changes in Equity**

35           **95. A reporting entity that presents the Statement of Changes**  
36 **in Equity as referred to in paragraph 20 presents at least these items:**

- 37           **a) Budget financing excess / shortfall;**  
38           **b) All revenue and expenditure along with the total as indicated in**  
39 **other standards, which is recognized directly in equity;**  
40           **c) The cumulative effect of changes in accounting policies and**  
41 **correction of fundamental errors regulated in a separate standard.**

42           **96. In addition, a reporting entity presents on the face or in**  
43 **the notes to the Financial Reports:**



- 1 a) *equity balance at the beginning of the period and at the reporting*  
2 *date, and changes during the period.*  
3 b) *If the equity components are separately disclosed, reconciliations*  
4 *between the value of each component of equity funds at the*  
5 *beginning and end of the period disclosing each change separately.*

6 **Notes to the Financial Statements**  
7 **Structure**

8 97. *In order to be used by the user in understanding and*  
9 *comparing it with other entity's financial reports, the Notes to the*  
10 *Financial Statements must at least be presented with the following*  
11 *composition:*

- 12 a) *information about fiscal/financial policy, the macro economy,*  
13 *budget target achievement, and subsequent constraints and*  
14 *obstacles encountered in target achievement;*  
15 b) *an overview of financial performance during the reporting year;*  
16 c) *information about the basis of preparation of the financial reports*  
17 *and accounting policies to be applied to the selected transactions*  
18 *and other significant events;*  
19 d) *disclosure of information required by the Government Accounting*  
20 *Standards that has not been presented on the face of the financial*  
21 *reports;*  
22 e) *disclosure of information to the posts of assets and liabilities*  
23 *arising from the application of accrual basis of revenue and*  
24 *expenditure and reconciliation with the application of cash basis;*  
25 f) *additional information necessary for the fair presentation, which is*  
26 *not presented on the face of the financial report.*  
27 g) *list and schedule.*

28 98. *Notes to the Financial Statements are presented*  
29 *systematically. Each item on the Budget Realization Report, Balance*  
30 *Sheet and Cash Flow Report should have a cross reference to the*  
31 *relevant information in the Notes to the Financial Statements.*

32 99. *Notes to the Financial Statements include an explanation*  
33 *or a list or a detailed analysis of the value of the items presented within*  
34 *the Budget Realization Report, Balance Sheet and Cash Flow Report.*  
35 *Included also in the notes to the financial statements is the presentation*  
36 *of information required and recommended by the Government*  
37 *Accounting Standards and other disclosures necessary for the fair*  
38 *presentation of the financial statements, such as contingent liabilities*  
39 *and other commitments.*

40 100. *In certain circumstances it is possible to change the order of*  
41 *the presentation of certain items in the Notes to the Financial Statements.* For  
42 example, information on the level of the interest rate and fair value  
43 adjustments may be combined with information on the maturity of securities.

1       **Presentation of Accounting Policies**

2               ***101. The accounting policies section in Notes to Financial***  
3       ***Statements describes the following:***

- 4       ***(a) the measurement basis used in the preparation financial reports;***  
5       ***(b) the extent to which the accounting policies relating to the transition***  
6       ***provisions of the Government Accounting Standards have been***  
7       ***applied by a reporting entity; and***  
8       ***(c) each specific accounting policy which is necessary to understand***  
9       ***the financial reports.***

10              102. Users of financial statements need to know the bases of  
11       measurement used as the basis in preparing the financial reports. If more  
12       than one measurement basis is used in the preparation of financial reports,  
13       then the information presented must be sufficient to indicate the  
14       measurements basis used for assets and liabilities.

15              103. In determining whether a particular accounting policy should  
16       be disclosed, management should consider whether disclosure would help  
17       users understand every transaction which is reflected in the financial  
18       statements. The accounting policies that need to be considered for  
19       presentation include, but are not limited to, the following:

- 20       (a) Revenue recognition;  
21       (b) Expenditure recognition;  
22       (c) Principles for the preparation of the consolidated statements;  
23       (d) Investments;  
24       (e) Recognition of termination / disposal of tangible and intangible assets;  
25       (f) construction contracts;  
26       (g) expenditure capitalization policy;  
27       (h) Partnerships with third parties;  
28       (i) Research and development costs;  
29       (j) Inventories, whether for sale or for their own use;  
30       (k) Reserve funds;  
31       (l) Foreign currency translation and hedging.

32              104. Each reporting entity should consider the nature of the  
33       activities and policies that need to be disclosed in the Notes to the Financial  
34       Statements. For example, the disclosure of information for the recognition of  
35       taxes, levies and other forms of compulsory dues (non-reciprocal revenue),  
36       foreign currency translation and the accounting treatment of foreign  
37       exchange.

38              105. An accounting policy may be significant even if the value of  
39       the items presented in the current and previous period are not material. In  
40       addition, any accounting policies selected and applied that are not regulated  
41       in this Statement also need to be disclosed.

42       **Other Disclosures**



- 1                    **106. A reporting entity discloses the following if not yet**  
2                    **stated in any part of the financial report, namely:**
- 3                    **i. domicile and legal form of the entity, and the jurisdiction in which**  
4                    **the entity operates;**
  - 5                    **ii. explanation about the nature of the principal activities and**  
6                    **operations of the entity;**
  - 7                    **iii. statutory provisions that underlie its operations.**

## 8                    **EFFECTIVE DATE**

9                    **107. Statement of Government Accounting Standards can**  
10                    **be applied to financial statements on accountability of the budget**  
11                    **through fiscal year 2014.**

ATTACHMENT II.03  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 02**

**BUDGET REALIZATION REPORT**

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**Attachements:**

- Attachment Illustration II.03 PSAP 02.A :      Sample      Format      Central  
   Government Realization Report
- Attachment Illustration II.03 PSAP 02.B :      Sample      Format      Provincial  
   Government      Budget      Realization  
   Report

Attachment Illustration II.03 PSAP 02.C :        Sample    Format    District/City  
Government    Budget    Realization  
Report

1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **STATEMENT NO. 02**  
3 **BUDGET REALIZATION REPORT**  
4 *The standards, which have been set in bold italic type, should be read in*  
5 *the context of the explanatory paragraphs, which are in plain type, and*  
6 *in the context of the Conceptual Framework of the Government*  
7 *Accounting Standards.*

8 **INTRODUCTION**

9 **Objective**

- 10 1. The objective of the Realization Budget Report Standard is to  
11 prescribe the basis for the presentation of government budget realization  
12 reports in order to meet accountability objectives as established by laws and  
13 regulations.
- 14 2. The objective of Budget Realization Reports is to provide  
15 information on the realization and budget of the reporting entity. Comparisons  
16 between the budget and realization indicate the level of achievement of the  
17 targets that have been agreed between the legislature and the executive in  
18 accordance with laws and regulations.

19 **Scope**

- 20 3. *This Standard is applied to the preparation of the Budget*  
21 *Realization Report prepared and presented using the cash basis.*
- 22 4. *This Standard applies to all reporting entities, both in the*  
23 *central government and local governments, which have a budget based*  
24 *on the APBN / APBD, not including state / local enterprises.*
- 25 5. *Reporting entities that prepare and present financial*  
26 *reports using accrual-based accounting, continue to prepare Budget*  
27 *Realization Reports on a cash basis.*

28 **BENEFITS OF BUDGET REALIZATION INFORMATION**

- 29 6. The Budget Realization Report provides information on the  
30 realization of revenue, expenditures, transfers, surplus / deficit, and the  
31 financing of a reporting entity, compared with the budget. Such information is  
32 useful for users of reports in evaluating decisions about the allocation of  
33 economic resources, accountability and adherence by the reporting entity to  
34 the budget by:
- 35 (a) providing information about the source, allocation and use of economic  
36 resources;

- 1 (b) providing information about the realization of the budget as a whole that  
2 is useful in evaluating the government's performance in terms of  
3 efficiency and effectiveness of the use of the budget.
- 4 7. The Budget Realization Report provides information that is  
5 useful in predicting the economic resources that will be received to finance  
6 the activities of central and local governments in the coming period by  
7 presenting a comparative report. The Budget Realization Report can provide  
8 information to the report users indicating that the acquisition and use of  
9 economic resources:
- 10 (a) has been carried out in an efficient, effective, and efficient;  
11 (b) has been implemented in accordance with the budget (APBN / APBD);  
12 and  
13 (c) has been implemented in accordance with laws and regulations.

## 14 DEFINITIONS

15 8. *The following are terms used in this Standard:*

16 ***Budget is a guide for actions to be implemented by government***  
17 ***covering planned revenues, expenditures, transfers, and financing***  
18 ***which is measured in rupiah, and arranged systematically according***  
19 ***to a specific classification for one period.***

20 ***Local Expenditure and Revenue Budget (APBD) is the local***  
21 ***government annual financial plan agreed by local legislatures.***

22 ***National Expenditure and Revenue Budget (APBN) is the central***  
23 ***government annual financial plan agreed by the House of***  
24 ***Representatives (DPR).***

25 ***Appropriation is the budget approved by DPR / local parliaments***  
26 ***which is the mandate given to president / governor / regent / mayor***  
27 ***to undertake expenditures according to the purpose specified.***

28 ***Gross Principle is a principle that does not permit recording on a net***  
29 ***basis, that is, the recording of receipts after deducting expenses in a***  
30 ***unit or organization, or does not permit the recording of***  
31 ***expenditures after compensation between receipts and expenditures.***

32 ***Cash basis is the basis of accounting that recognizes the effects of***  
33 ***transactions and other events when cash or cash equivalents are***  
34 ***received or paid.***

35 ***Expenditures are all disbursements from the State/Local General***  
36 ***Treasury that reduce current equity funds in the corresponding***  
37 ***period of the budget year and that will not be paid back to the***  
38 ***government.***

39 ***Reserve Funds are funds set aside to accommodate needs requiring***  
40 ***relatively large funds that cannot be met within one budget year.***

41 ***Reporting Entity is a unit of government consisting of one or more***  
42 ***accounting entities in accordance with the accounting provisions of***  
43 ***legislation and that are required to submit accountability reports in***  
44 ***the form of financial statements.***

1       **Local Treasury** is the depository for local government monies that is  
2       determined by the Local Treasurer to accommodate all local  
3       government receipts and expenditures.

4       **State Treasury** is the depository of state monies as determined by  
5       the Minister of Finance as the General Treasurer of the State to  
6       accommodate all the central government receipts and expenditures.

7       **Accounting Policies** are the principles, foundations, conventions,  
8       rules, and specific practices chosen by a reporting entity in the  
9       preparation and presentation of financial statements.

10      **Exchange rate** is the ratio of exchange of two currencies.

11      **Budget Credit Authorization (allotment)** is the budget implementation  
12      document that shows the part of the appropriation provided for  
13      agency units and used to obtain money from the State / Local  
14      General Treasury to finance expenditures during the period of  
15      authorization.

16      **Revenue** is all receipts into the State / Local General Treasury  
17      Account that adds to current equity funds in the period of the  
18      corresponding budget year that becomes the right of the  
19      government, and does not need to be repaid by the government.

20      **Financing** is any receipt that needs to be repaid and / or  
21      expenditures that will be readmitted, both in the budget year  
22      concerned and in subsequent budget years, which in government  
23      budgeting is primarily intended to cover a budget deficit or utilize a  
24      surplus.

25      **Local enterprise** is a business entity wholly or partially owned by the  
26      Local Government.

27      **State enterprise** is a business entity wholly or partially owned by the  
28      Central Government.

29      **State General Treasury Account** is a depository account of State  
30      funds prescribed by the Minister of Finance as General Treasurer of  
31      the State to accommodate all State receipts and pay all State  
32      expenditures in the central bank.

33      **Local General Treasury Account** is a local depository account  
34      determined by the Governor / Regent / Mayor to hold all local  
35      receipts and pay all local expenditures in a specified bank.

36      **Surplus/deficit** is the excess/shortfall difference between revenue  
37      and expenditures during one reporting period.

38      **Transfers** are revenues / expenditures of money of a reporting entity  
39      from / to other reporting entities, including the balance funds and  
40      revenue sharing funds.

1                   **BUDGET REALIZATION REPORT STRUCTURE**

2                   9. *The Budget Realization Report presents information on*  
3 *the realization of revenue, expenditures, transfers, surplus / deficit, and*  
4 *financing, compared with the budget in one period.*

5                   10. *The Budget Realization Report should clearly identify, and*  
6 *repeat on each page of the report, if deemed necessary, the following*  
7 *information:*

- 8                   (a) *the name of the reporting entity or other means of identification;*  
9                   (b) *the scope of the reporting entity;*  
10                  (c) *the period covered;*  
11                  (d) *the reporting currency; and*  
12                  (e) *units of the figures used.*

13                   **REPORTING PERIOD**

14                   11. *The Budget Realization Report is presented at least once a*  
15 *year. If in certain circumstances an entity's reporting date changes and*  
16 *the annual Budget Realization Report is presented with a period longer*  
17 *or shorter than one year, the entity must disclose the following*  
18 *information:*

- 19                   (a) *reasons for not reporting for a period of one year;*  
20                   (b) *the fact that comparative amounts in the Budget Realization*  
21 *Report and related notes are not comparable.*

22                   **TIMELINESS**

23                   12. The benefits of the Budget Realization Report are reduced if  
24 the report is not available on time. Factors such as the complexity of  
25 government operations cannot justify the inability of the reporting entity to  
26 present its financial statements on time. A reporting entity must present the  
27 Budget Realization Report no later than 6 (six) months after the end of  
28 financial year.

29                   **BUDGET REALIZATION REPORT CONTENTS**

30                   13. The Budget Realization Report is presented in such a way as  
31 to highlight the various elements of revenues, expenditures, transfers, surplus  
32 / deficit, and financing necessary for a fair presentation. The Budget  
33 Realization Report reconciles the realization of revenue, expenditures,  
34 transfers, surplus / deficit, and financing with the Budget. The Budget  
35 Realization Report is further explained in the Notes to the Financial  
36 Statements which contain matters that affect the implementation of the  
37 budget, such as fiscal and monetary policy, the causes of the material  
38 differences between the budget and realization, as well as lists further  
39 detailing figures that are considered necessary to be explained.



1                   14. Budget Realization Report must include at least the  
2 following items:  
3       (a) Revenue  
4       (b) Expenditure  
5       (c) Transfers  
6       (d) Surplus or deficit  
7       (e) Financing receipts  
8       (f) Financing expenditures  
9       (g) Net financing; and  
10      (h) Budget financing surplus / deficit balance (SiLPA / SiKPA)

11                   15. Posts, titles, and other sub-amounts shown in the Budget  
12 Realization Report are required by the Government Accounting  
13 Standards, or if the presentation is necessary to present the Budget  
14 Realization Report fairly.

15                   16. Examples of the Budget Realization Report formats are shown  
16 in the illustration PSAP 02.A, 02.B, and 02.C of this Standard. These  
17 illustrations are examples and do not form part of the Standard. The purpose  
18 of these illustrations is to provide a description of the implementation of the  
19 standards to assist in clarifying their meaning.

## 20                   **INFORMATION PRESENTED IN THE BUDGET** 21                   **REALIZATION REPORT OR IN THE NOTES TO THE** 22                   **FINANCIAL STATEMENTS**

23                   17. The reporting entity presents the classification of revenue  
24 according to the type revenue in the Budget Realization Report, and  
25 further details of the type of revenue are presented in the Notes to the  
26 Financial Statements.

27                   18. The reporting entity presents the classification of  
28 expenditures according to the type expenditure in the Budget  
29 Realization Report. The classification of expenditures according to the  
30 organization is shown in the Budget Realization Report or in the Notes  
31 to the Financial Statements. Classification of expenditures by function  
32 is presented in the Notes to the Financial Statements.

## 33                   **BUDGET ACCOUNTING**

34                   19. Budget accounting is the accountability and management  
35 control technique used to help manage revenue, expenditures, transfers, and  
36 financing.

37                   20. Budget accounting is organized according to the structure of  
38 the budget, consisting of budget revenues, expenditures, and financing.

1 Budget revenue covers estimated revenues translated into revenue estimate  
2 allocations. Budget expenditures consist of appropriations translated into  
3 budget credit authorizations (allotments). Budget financing consists of  
4 financing revenue and financing expenditures.

5 21. Budget accounting is conducted at the time the budget is  
6 enacted and allocated.

7 **REVENUE ACCOUNTING**

8 *22. Revenue is recognized when received in the State / Local*  
9 *General Treasury Account.*

10 *23. Revenue is classified according to the type revenue.*

11 *24. Transfers in is the receipt of money from other reporting*  
12 *entities, such as balance fund receipts from the central government and*  
13 *the revenue sharing fund from the provincial government.*

14 *25. Accounting for revenue is conducted based on the gross*  
15 *principle by recording gross receipts, and not by recording the net*  
16 *amount (that is, offset against expenditures).*

17 *26. In the case of public service agencies, revenue is*  
18 *recognized by reference to the laws and regulations governing the*  
19 *public service agency.*

20 *27. Refunds that are systemic (normal) and recurring for*  
21 *revenue receipts in the period of receipt or the prior period are recorded*  
22 *as reductions to revenue.*

23 *28. Corrections and refunds that are non-recurring for*  
24 *revenue receipts that occur in the period of revenue receipt are*  
25 *recorded as reductions of revenue in the same period.*

26 *29. Corrections and refunds that are non-recurring for*  
27 *revenue receipts that occur in the previous period are recorded as*  
28 *reductions to the current equity funds in the period the correction and*  
29 *refund is discovered.*

30 30. Accounting for revenue is structured to meet the accountability  
31 requirements in accordance with the provisions and for the purposes of  
32 management control for central and local governments.

33 **EXPENDITURE ACCOUNTING**

34 *31. Expenditures are recognized when there is expenditure*  
35 *from the State / Local General Treasury Account.*

36 *32. Recognition of special expenditure through the*  
37 *expenditure treasurer occurs when the liability for such expenditures is*  
38 *authorized by the unit which has the treasury function.*

39 *33. In the case of public service agencies, expenditure is*  
40 *recognized by reference to the laws and regulations governing the*  
41 *public service agency.*

1                   **34. Expenditures are classified according to economic**  
2 **classification (type of expenditure), organization, and function.**

3                   35. Economic classification is an expenditure grouping based on  
4 the type of expenditure to implement an activity. The economic classifications  
5 for the central government are personnel expenditures, goods expenditures,  
6 capital expenditures, interest, subsidies, grants, social assistance, and other  
7 expenditures. The economic classification for local governments covers  
8 personnel expenditures, goods expenditures, capital expenditures, interest,  
9 subsidies, grants, social assistance, and unexpected expenditures.

10                  36. Operating expenditures are budget expenditures for the day-to-  
11 day activities of central / local governments which give short-term benefits.  
12 Operating expenditures include personnel expenditures, goods expenditures,  
13 interest, subsidies, grants, social assistance.

14                  37. Capital expenditures are budget expenditures for the  
15 acquisition of fixed assets and other assets that give benefits to more than  
16 one accounting period. Capital expenditures include, among others, capital  
17 expenditures for the acquisition of land, buildings, equipment, intangible  
18 assets.

19                  38. Other expenditures / unexpected expenditures are budget  
20 expenditures for activities that are unusual and not expected to recur, such as  
21 a natural disaster response, social disasters, and other unexpected  
22 expenditures that are indispensable in implementing the authority of central /  
23 local governments.

24                  39. Examples of expenditure by economic classification (type of  
25 expenditure) are as follows:

26	Operating Expenditure:	
27	- Personnel Expenditure	xxx
28	- Goods Expenditure	xxx
29	- Interest	xxx
30	- Subsidies	xxx
31	- Grants	xxx
32	- Social Assistance	xxx
33		
34	Capital Expenditure:	
35	- Fixed Assets Expenditure	xxx
36	- Other Assets Expenditure	xxx
37	Other Assets Expenditure	xxx

38                   **40. Transfer expenditures are expenditures of money from a**  
39 **reporting entity to other reporting entities, such as balance funds**  
40 **expenditures by the central government and revenue sharing funds by**  
41 **local governments.**

1                   41. Classification according to organization, i.e. classification  
2 based on budget user organizational units. The classification of expenditure  
3 by organization in the central government includes, among others,  
4 expenditure per line ministry / agency and their sub-ordinate organizational  
5 units. The classification of expenditure by organization in the local  
6 government includes, among others, the Secretariat of the Council of  
7 Regional Representatives (DPRD), the Regional Secretariat of the province /  
8 district / city, government agencies of the province / district / city and regional  
9 technical institutions of the province / district / city.

10                   42. Classification by function is a classification which is based on  
11 the main functions of the central / local government in providing services to  
12 the community.

13                   43. An example of expenditure classified by function is as follows:

14           Expenditure :

15           - General Services	xxx
16           - Defense	xxx
17           - Order and Security	xxx
18           - Economy	xxx
19           - Environmental Protection	xxx
20           - Housing and Settlement	xxx
21           - Health	xxx
22           - Tourism and Culture	xxx
23           - Religion	xxx
24           - Education	xxx
25           - Social protection	xxx

26

27

28                   **44. Budget expenditure realization is reported in accordance**  
29 **with the classification set out in the budget document.**

30                   **45. Corrections to expenditure (refund receipts) that occur in**  
31 **the period of expenditure are recorded as a reduction of expenditures in**  
32 **the same period. If received in a subsequent period, corrections to**  
33 **expenditures are recorded in revenue in the post other revenue.**

34                   46. Structured expenditure accounting, in addition to fulfilling  
35 accountability requirements in accordance with regulations, can also be  
36 developed for the purposes of control of management to measure the  
37 effectiveness and efficiency of public spending.

1                   **SURPLUS/DEFICIT ACCOUNTING**

2                   47. Surplus is the excess of revenues and expenditures during the  
3 reporting period.

4                   48. The deficit is the shortfall between revenue and spending  
5 during the reporting period.

6                   **49. The excess/ shortfall difference between revenue and**  
7 **expenditure during a reporting period is recorded in the post Surplus /**  
8 **Deficit.**

9                   **ACCOUNTING FOR FINANCING**

10                  50. Financing is all government financial transactions, both  
11 receipts and expenditures, to be paid or to be received back, which in  
12 government budgeting is primarily intended to cover a deficit or utilize a  
13 budget surplus. Financing receipts can come from, among others, loans and  
14 the proceeds of divestment. Meanwhile, financing expenditures is used,  
15 among others, for the repayment of loan principal, lending to other entities,  
16 and equity investments by the government.

17                  **ACCOUNTING FOR FINANCING RECEIPTS**

18                  51. Financing receipts are all the receipts into State / Local  
19 General Treasury Accounts which derive from, among others, loans receipts,  
20 the sale of government bonds, the proceeds from the privatization of State /  
21 Local owned enterprises, repayments of loans provided to third parties, the  
22 sale of other permanent investments, and disbursements of reserve funds.

23                  **52. Financing receipts are recognized at the time of receipt**  
24 **into the State / Local General Treasury Account.**

25                  **53. Accounting for financing receipts is implemented based**  
26 **on the gross principle, with the recording of gross receipts, and not**  
27 **recording net amounts (i.e. after offsetting against expenditures).**

28                  54. Disbursement of Reserve Funds reduces the Reserve Fund in  
29 question.

30                  **ACCOUNTING FOR FINANCING EXPENDITURES**

31                  55. Financing expenditures are all State / Local General Treasury  
32 Account expenditures including, among others, loans to third parties,  
33 government equity participation, repayment of loan principal in a particular  
34 budget year period, and the establishment of reserve funds.

35                  **56. Financing expenditures are recognized when issued from**  
36 **the State / Local General Treasury Account.**

37                  57. The formation of Reserve Fund adds to the relevant Reserve  
38 Fund. The proceeds obtained from the management of the Reserve Fund in

1 local government are additions to the Reserve Fund. The proceeds are  
2 recorded as revenue in the post other local government own-source revenue.

3 **ACCOUNTING FOR NET FINANCING**

4 58. Net Financing is the difference between financing receipts net  
5 of financing expenditures within a certain budget year period.

6 *59. Any excess / shortfall between financing receipts and*  
7 *expenditures for one financial reporting period are recorded in the post*  
8 *Net Financing.*

9 **ACCOUNTING FOR THE SURPLUS / DEFICIT**  
10 **AFTER BUDGET FINANCING (SILPA/SIKPA)**

11 60. The surplus / deficit after budget financing is the surplus /  
12 deficit difference between the realization of receipts and expenditures for one  
13 reporting period.

14 *61. The surplus/deficit balance between the realization of*  
15 *revenue and expenditure, as well as financing receipts and expenditures*  
16 *for one reporting period are recorded in the SiLPA/SiKPA account.*

17 **FOREIGN CURRENCY TRANSACTIONS**

18 62. *Transactions in foreign currencies are recorded in rupiah*  
19 *by converting the foreign exchange amount by using the central bank*  
20 *middle exchange rate on the date of the transaction.*

21 **TRANSACTIONS OF REVENUE, EXPENDITURE,**  
22 **AND FINANCING IN THE FORM OF GOODS AND**  
23 **SERVICES**

24 63. Revenue, expenditure, and financing transactions in the  
25 form of goods and services should be reported in the Budget  
26 Realization **Report** by estimating the value of the goods and services  
27 on the date of the transaction. In addition, **such transactions** must also  
28 be disclosed in such a way in the Notes to the Financial Statements so  
29 as to provide all the relevant information about the form of revenues,  
30 expenditures, and financing received. Examples of tangible goods and  
31 services transactions are grants in the form of goods, booty, and  
32 consulting services.

1       ***DATE OF EFFECT***

2                   ***64. This Statement of Government Accounting Standards can***  
3       ***be applied to financial reports of the budget up to budget year 2014.***

ATTACHMENT II.04  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 03**

**STATEMENT OF CASH FLOWS**



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Attachment :	
Attachment Illustration II.04 PSAP 03.A : -----	Sample Format Central Government Statement of Cash Flows
Attachment Illustration II.04 PSAP 03.B : -----	Sample Format Provincial Government Statement of Cash Flows
Attachment Illustration II.04 PSAP 03.C : -----	Sample Format District/City Statement of Cash Flows

1 **GOVERNMENT ACCOUNTING STANDARD NO.**  
2 **03**

3 **STATEMENT OF CASH FLOWS**

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

8 **INTRODUCTION**

9 **Objective**

- 10 1. The purpose of this Standard is to regulate the presentation of  
11 the Statement of Cash Flows which provides historical  
12 information about changes in cash and cash equivalents of a  
13 reporting entity by classifying cash flows as operating, non-  
14 financial asset investment, financing, and non-budget activities  
15 for an accounting period.
- 16 2. The purpose of cash flow reporting is to provide information  
17 about the source, use, changes in cash and cash equivalents  
18 during an accounting period and the balance of cash and cash  
19 equivalents at the reporting date. This information is presented  
20 for the purposes of accountability and decision-making.

21 **Scope**

- 22 3. *Central and local governments that prepare and present*  
23 *their financial statements in accordance with this Standard*  
24 *are required to prepare a cash flow statement for every*  
25 *financial reporting period as a component of the principal*  
26 *financial reports.*
- 27 4. *This Standard applies to the preparation of the Statement*  
28 *of Cash Flows of the central and local governments, organizational*  
29 *units of central and local governments, or other organizations if*  
30 *required to by laws and regulations or the standards are organizational*  
31 *units that must prepare a Statement of Cash Flows, except for the state /*  
32 *local enterprises are regulated separately in the Financial Accounting*  
33 *Standards issued by the Indonesian Institute of Accountants.*

34 **Benefits of Cash Flow Information**

- 35 5. Cash flow information is a useful indicator of the amount of  
36 cash flow in the future, as well as being useful in assessing the  
37 precision of cash flow estimates that have been made  
38 previously.

- 1 6. The Statement of Cash Flows is also a tool of accountability for  
2 cash inflows and outflows during the reporting period.
- 3 7. When linked with the other financial statements, the Statement  
4 of Cash Flows provides useful information for users of the  
5 report to evaluate changes in net assets / equity of a reporting  
6 entity and the financial structure of the government (including  
7 liquidity and solvency).

## 8 Definitions

9 8. The following are terms used in this Standard:

10 **Assets are economic resources controlled and / or owned by the**  
11 **government as a result of past events and from which future economic**  
12 **and / or social benefits are expected to be obtained, either by the**  
13 **government or the public, and can be measured in terms of money,**  
14 **including non-financial resources required for the provision of public**  
15 **services and resources that are maintained for reasons of history and**  
16 **culture.**

17 **Budget is a guide for actions to be implemented by government**  
18 **covering planned revenues, expenditures, transfers, and financing**  
19 **which is measured in rupiah, and arranged systematically according to**  
20 **a specific classification for one period.**

21 **Appropriation is the budget approved by DPR / local parliaments which**  
22 **is the mandate given to President / Governor / Regent / Mayor to**  
23 **undertake expenditures according to the purpose specified.**

24 **Cash flows are inflows and outflows of cash and cash equivalents in the**  
25 **State / Local General Treasury.**

26 **Operating activities are cash receipt and disbursement activities**  
27 **intended for government operational activities during an accounting**  
28 **period.**

29 **Non-financial asset investment activities are cash receipt and**  
30 **expenditure activities intended for the acquisition and disposal of fixed**  
31 **assets and other non-financial assets.**

32 **Financing activities are activities relating to cash receipts that will be**  
33 **repaid and / or disbursements of cash that will be returned that result in**  
34 **changes in the amount and composition of debt and long-term**  
35 **receivables.**

36 **Non-budget activities are activities relating to cash receipts or**  
37 **disbursements that do not affect budget revenues, expenditures,**  
38 **transfers, and government financing.**

39 **Expenditures are all disbursements from the State/Local General**  
40 **Treasury that reduce current equity funds in the corresponding period**  
41 **of the budget year and that will not be paid back to the government.**

42 **Reserve Funds are funds set aside to accommodate needs requiring**  
43 **relatively large funds that cannot be met within one budget year.**

1     **Equity Funds** is the government's net worth and is the difference  
2     between the government's assets and liabilities.

3     **Reporting Entity** is a unit of government consisting of one or more  
4     accounting entities in accordance with the accounting provisions of  
5     legislation and are required to submit accountability reports in the form  
6     of financial statements.

7     **Liabilities** are debts arising from past events whose settlement results in  
8     outflows of government economic resources.

9     **Cash** is cash and the balance of bank deposits at any time that can be  
10    used to finance government activities.

11    **Local Treasury** is the depository for local government monies that is  
12    determined by the Local Treasurer to accommodate all local  
13    government receipts and expenditures.

14    **State Treasury** is the depository of state monies as determined by the  
15    Minister of Finance as the General Treasurer of the State to  
16    accommodate all the central government receipts and expenditures.

17    **Partnerships** are agreements between two or more parties who are  
18    committed to carry out a jointly controlled activity using owned assets  
19    and/or operating rights.

20    **Exchange rate** is the ratio of exchange of two currencies.

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

23    **Reporting currency** is rupiah used in presenting financial reports.

24    **Cost method** is a method of accounting that records the value of  
25    investments at the price of acquisition.

26    **Equity method** is a method of accounting that records the value of the  
27    initial investment at cost. The investment value is then adjusted for  
28    changes in the investor's share of net wealth / equity of the entity  
29    receiving the investment (investee) that occur after the initial acquisition  
30    of the investment.

31    **Budget Credit Authorization (allotment)** is the budget implementation  
32    document that shows the part of the appropriation provided for agency  
33    units and used to obtain money from the State / Local General Treasury  
34    to finance expenditures during the period of authorization.

35    **Revenue** is all receipts into the State / Local General Treasury Account  
36    that adds to the current equity funds in the period of the corresponding  
37    budget year that becomes the right of the government, and does not  
38    need to be repaid by the government.

39    **Cash receipts** are all cash inflows to the State / Local General Treasury.

40    **Cash expenditures** are all cash outflows from the State / Local General  
41    Treasury.

- 1     **Accounting period is the period of financial accountability for the**  
2     **reporting entity for the period equal to the period of the budget year.**
- 3     **State / Local enterprises are business entities that are wholly or partially**  
4     **owned by the central / local government.**
- 5     **Cash equivalents are short-term investments that are highly liquid and**  
6     **ready to be converted into cash, and are free from a significant risk of**  
7     **changes in value.**
- 8     **Reporting date is the date of the last day of the reporting period.**
- 9     **Transfer receipts are receipts of money from another reporting entity**  
10    **including receipts from the balance funds and the revenue sharing fund.**
- 11    **Transfer expenditures are disbursements of money from a reporting**  
12    **entity to other reporting entities, including balance funds and revenue**  
13    **sharing fund expenditures.**

## 14     **Cash and Cash Equivalents**

- 15             9. Cash equivalents of the government are intended to meet  
16             short-term cash requirements or for other purposes. To be  
17             eligible to be classified as cash equivalents, short-term  
18             investments must be able to be converted immediately into  
19             cash in the amount that can be known without significant risk of  
20             changes in value. Therefore, an investment is called a cash  
21             equivalent if the maturity period is three (3) months or less from  
22             the date of acquisition.
- 23             10. Information on movements between cash and cash equivalents  
24             is not included in the financial reports because such acts are  
25             part of the management of cash and do not form part of  
26             operating, non-financial asset investing, financing, and non-  
27             budget activities.

## 28     **CASH FLOW REPORTING ENTITY**

- 29             **11. Reporting entities are government units consisting of one**  
30             **or more accounting entities which, according to the provisions of laws**  
31             **and regulations, are required to submit an accountability report in the**  
32             **form of financial statements. A reporting entity is comprised of:**
- 33             **(a) The central government;**
- 34             **(b) Local governments; and**
- 35             **(c) Organizational units within the central / local governments or any**  
36             **other organizational unit, if, according to laws and regulations, the**  
37             **organizational unit is required to present the Statement of Cash**  
38             **Flows.**
- 39             **12. The reporting entity that must prepare and present the**  
40             **statement of cash flows is an organizational unit that has the general**  
41             **treasury function.**

1                   13. The organizational units that have the general treasury function  
2 are defined as units of the state / local general treasurer and / or have the  
3 authority of the state / local general treasurer.

## 4                   **PRESENTATION OF THE STATEMENT OF CASH** 5                   **FLOWS**

6                   14. *The statements of cash flow is a part of the financial*  
7 *reports presenting information on cash receipts and expenditures for a*  
8 *period classified according to operating, non-financial asset investing,*  
9 *financing, and non-budget activities.*

10                  15. The classification of cash flows according to operating, non-  
11 financial asset investing, financing, and non-budget provides  
12 information that allows report users to assess the effect of  
13 these activities on the cash and cash equivalent position of the  
14 government. Such information may also be used to evaluate  
15 the relationships among operating, non-financial asset  
16 investing, financing, and non-budget activities.

17                  16. A particular transaction may affect the cash flows of several  
18 activities, such as debt repayment transactions consisting of  
19 the repayment debt principal and debt interest. Debt principal  
20 payments will be classified into financing activities while  
21 interest payments will generally be classified into operating  
22 activities.

23                  17. Sample formats of the statement of cash flows are presented in  
24 Attachment V.A-C of this standard. The Attachment only forms  
25 and illustration and to assist understanding and is not part of  
26 the standard.

## 27                  **Operating Activities**

28                  18. Net cash flows from operating activities is an indicator that  
29 shows the ability of government operations to generate  
30 sufficient cash to finance operating activities in the future  
31 without relying on external funding sources.

32                  19. Cash inflows from operating activities are derived primarily  
33 from:

- 34                  (a) Tax receipts;
- 35                  (b) State Non-Tax Receipts (PNBP);
- 36                  (c) Grant receipts;
- 37                  (d) Receipts from shares of profits of state / local enterprises and Other  
38 Investments; and
- 39                  (e) Transfer receipts.

- 1                                20. Cash outflows for operating activities are primarily used for the  
2    expenditures:  
3        (a)   Personnel expenditure;  
4        (b)   Goods expenditure;  
5        (c)   Interest;  
6        (d)   Subsidies;  
7        (e)   Grants;  
8        (f)   Social assistance;  
9        (g)   Other/Unexpected expenditures; and  
10        (h)   Transfer expenditures.

11                                ***21. If a reporting entity has securities that in nature are the***  
12    ***same as inventories, are purchased for sale, then the***  
13    ***acquisition and sale of such securities are classified as***  
14    ***operating activities.***

15                                ***22. If the reporting entity authorizes funds for activities of***  
16    ***another entity, and the allocation is not yet clear whether***  
17    ***the funds are for working capital, equity capital or to***  
18    ***finance the activities of the current period, then the***  
19    ***provision of these funds should be classified as operating***  
20    ***activities. These events are described in the Notes to the***  
21    ***Financial Statements.***

## 22                                **Non-Financial Asset Investing Activities**

23                                23. Cash flows from investing activities reflect the gross cash  
24    receipts and expenditures in the context of the acquisition and  
25    disposal of economic resources that aim to enhance and  
26    support government services to the community in the future.

27                                24. Cash inflows from non-financial asset investing activities  
28    consist of:

- 29        (a)   Sales of Fixed Assets;  
30        (b)   Sales of Other Assets.

31                                25. Cash outflows from non-financial asset investing activities  
32    consist of :

- 33        (a)   Acquisition of Fixed Assets;  
34        (b)   Acquisition of Other Assets.

## 35                                **Financing Activities**

36                                26. Cash flows from financing activities reflect the gross cash  
37    receipts and expenditures in connection with financing a  
38    budget deficit or the use of a surplus, which aims to predict

- 1                   other parties' claims against the government's cash flows and  
2                   the government's claims against other parties' in the future.
- 3                   27. Cash inflows from financing activities include, among others:
- 4           (a)    Loan Receipts;
- 5           (b)    Proceeds from the Sale of Government Securities;
- 6           (c)    Proceeds from divestment;
- 7           (d)    Receipts from Loan Repayments;
- 8           (e)    Disbursement from Reserve Funds.
- 9                   28. Cash outflows from financing activities include, among others:
- 10          (a)    Government Equity Participation;
- 11          (b)    Loan Principal Payments;
- 12          (c)    Provision of Long Term Loans; and
- 13          (d)    Establishment of Reserve Funds.

## 14           **Non-Budget Activities**

- 15                   29. The cash flows from non-budget activities reflect gross cash  
16                   receipts and expenditures that do not affect revenues,  
17                   expenses, and government financing. The cash flows from  
18                   transitory transactions include Third Party Calculation (PFK)  
19                   and remittances. PFK describes the cash derived from the  
20                   funds deducted from Payment Orders or receipts in cash for a  
21                   third party such as Taspen and Askes deductions. Remittances  
22                   of cash describe movements of cash between State / Local  
23                   General Treasury accounts.
- 24                   30. Cash inflows from non-budgetary activities include PFK  
25                   receipts and incoming remittances.
- 26                   31. Cash outflows from non-budgetary activities include PFK  
27                   exoenditures and outgoing remittances.

## 28           **REPORTING CASH FLOWS FROM OPERATING, 29           NON-FINANCIAL           ASSETS           INVESTING, 30           FINANCING, AND NON-BUDGET ACTIVITIES**

31                   ***32. Reporting entities report major groups of gross cash***  
32                   ***receipts and expenditures from operating, non-financial asset investing,***  
33                   ***financing, and non-budget activities separately except those mentioned***  
34                   ***in paragraph 35.***

35                   ***33. Reporting entities may present cash flows from operating***  
36                   ***activities by way of the:***

37



1       (a) *Direct method*

2       *This method discloses the main grouping of gross cash receipts and*  
3       *expenditures.*

4       (b) *Indirect method*

5       *In this method, the surplus or deficit is adjusted for non-cash operating*  
6       *transactions, deferral or recognition (accrual) of past / future cash*  
7       *receipts or payments, as well as elements of receipts and expenditures*  
8       *in the form of cash related to non-financial asset investing and*  
9       *financing activities.*

10               34. Reporting entities of the central / local governments should use  
11               the direct method for reporting cash flows from operating  
12               activities. The advantages of using the direct method are as  
13               follows:

- 14       (a) It provides better information to estimate cash flows in the future;  
15       (b) Is more easily understood by users reports; and  
16       (c) Data on the gross cash receipts and expenditures can be directly  
17       obtained from the accounting records.

18       **REPORTING CASH FLOWS ON THE BASIS OF**  
19       **NET CASH FLOWS**

20               35. *Cash flows arising from operating activities may be*  
21       *reported on the basis of net cash flows in terms of:*

- 22       (a) *Cash receipts and disbursements for the benefit of beneficiaries*  
23       *where the cash flows reflect the activities of the other parties more*  
24       *than the activities of the government. One example is the proceeds*  
25       *from operational cooperation.*  
26       (b) *Cash receipts and expenditures for transactions that turnover*  
27       *rapidly, are large in volume, and have a quick turnaround.*

28       **FOREIGN CURRENCY CASH FLOWS**

29               36. *Cash flows arising from foreign currency transactions*  
30       *should be accounted for using rupiah with the conversion of the foreign*  
31       *currency into rupiah based on the exchange rate prevailing on the*  
32       *transaction date.*

33               37. *Cash flows arising from the activities the reporting entity*  
34       *overseas must be converted into rupiah based on the rates of exchange*  
35       *prevailing on the transaction date.*

36               38. Unrealized gains or losses due to changes in foreign exchange  
37       rates will not affect cash flows.

1                   **INTEREST AND SHARES OF PROFITS**

2                   ***39. Cash flows from transactions relating to receipts of***  
3 ***interest revenue and expense outlays for the payment of interest on***  
4 ***loans, as well as revenue receipts of shares of profits from state / local***  
5 ***owned enterprises, must be disclosed separately. Every account***  
6 ***associated with the transaction should be classified into operating***  
7 ***activities consistently from year to year.***

8                   40. Total receipts from interest revenue reported in cash flows from  
9                   operating activities are the amounts of cash actually received  
10                  from interest revenue in the accounting period in question.

11                  41. The amount of debt interest expenditure payments reported as  
12                  cash flows from operating activities is the amount of cash  
13                  outlays for interest payments in the accounting period in  
14                  question.

15                  42. The amount of revenue receipts from the profits of state / local  
16                  enterprises are reported as cash flows from operating activities  
17                  is the amount of cash actually received from the profits of the  
18                  state / local owned enterprise in the accounting period in  
19                  question.

20                   **INVESTMENTS       IN       STATE       /       LOCAL**  
21 **ENTERPRISES AND PARTNERSHIPS**

22                   43. Recording of investments in state / local enterprises and  
23                   partnerships can be done using two methods: the equity  
24                   method and the cost method.

25                   ***44. Government investments in state / local enterprises and***  
26 ***partnerships are recorded using the cost methods, that is at the***  
27 ***acquisition value.***

28                   ***45. Entities record long term investment expenditures in state***  
29 ***/ local enterprises and partnership in cash flows from investing***  
30 ***activities.***

31                   **ACQUISITION       AND       DISPOSAL       OF**  
32 **INVESTMENTS IN THE STATE / LOCAL /**  
33 **ENTERPRISES AND OTHER OPERATING UNITS**

34                   ***46. Cash flows arising from the acquisition and disposal state***  
35 ***/ local enterprises and other operating units should be presented***  
36 ***separately in investing activities.***

37                   ***47. An entity discloses the entire acquisition and disposal of***  
38 ***state / local enterprises and other operating units during the period. The***  
39 ***matters disclosed are:***

- 1       (a) *Total purchase or disposal price;*  
2       (b) *The part of the purchase or disposal price paid with cash and cash*  
3       *equivalents;*  
4       (c) *Total cash and cash equivalents in the state / local enterprise and*  
5       *other operating units acquired or disposed of; and*  
6       (d) *Total assets and liabilities other than cash and cash equivalents*  
7       *recognized by state / local enterprises and other operating units*  
8       *acquired or disposed.*

9               48. The separate presentation of cash flows of the state / local  
10              enterprise and other operating units as a separate estimate will  
11              help to distinguish those cash flows from the cash flows arising  
12              from operating, non-financial asset investing, financing, and  
13              non-budget activities. Cash inflows from disposals are not  
14              deductible from acquisitions of other investments.

15              **49. Assets and debts other than cash and cash equivalents of**  
16              **state / local enterprises and other operating units acquired or disposed**  
17              **of need to be disclosed only if the transaction has been previously**  
18              **recognized as an asset or a debt by the state / local enterprise and other**  
19              **operating unit.**

## 20       **NON-CASH TRANSACTIONS**

21              **50. Investing and financing transactions that do not result in**  
22              **receipts or expenditure of cash and cash equivalents are not reported**  
23              **in the Statement of Cash Flows. These transactions must be disclosed in**  
24              **the Notes to the Financial Statements.**

25              51. Non-cash transactions are excluded from the Statement of  
26              Cash Flows, consistent with the purpose of the Statement of  
27              Cash Flows, because non-cash transactions do not affect the  
28              cash flows in the relevant period. An example of a transaction  
29              that does not affect the Statement of Cash Flows is the  
30              acquisition of assets through exchange or grant.

## 31       **COMPONENTS       OF       CASH       AND       CASH** 32       **EQUIVALENTS**

33              **52. Reporting entities disclose the components of cash and**  
34              **cash equivalents in the Statement of Cash Flows with amounts equal to**  
35              **the related posts in the Balance Sheet.**

## 36       **OTHER DISCLOSURES**

37              **53. Reporting entities disclose significant amounts of cash**  
38              **and cash equivalents that must not be used by the entity. These are**  
39              **described in the Notes to the Financial Statements.**

- 1                   54. Additional information related to the cash flows is useful for  
2                   report users in understanding the financial position and liquidity  
3                   of a reporting entity.
- 4                   55. If the budget appropriation or credit authorization is prepared  
5                   on the basis of cash, the Statement of Cash Flows can help  
6                   users in understanding the relationship between the reporting  
7                   activity or program and government budgeting information.

8                   **DATE OF EFFECT**

- 9                   ***56. This Statement of Government Accounting Standards can***  
10                  ***be applied to financial reports of the budget up to budget year 2014.***

ATTACHMENT II.05  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 04**

**NOTES TO THE FINANCIAL  
STATEMENTS**

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1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **STATEMENT NO. 04**  
3 **NOTES TO THE FINANCIAL STATEMENTS**

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

8 **INTRODUCTION**

9 **Objective**

10 1. The objective of the Notes to the Financial Statements  
11 Standard is to prescribe the presentation and disclosures required in the  
12 Notes to the Financial Statements.

13 **Scope**

- 14 2. *This Standard must be applied to:*
- 15 (a) *The general purpose financial reports of reporting entities;*  
16 (b) *Financial Reports that are expected to be general purpose financial*  
17 *reports by an entity that is not a reporting entity.*
- 18 3. A report is a general purpose financial report that intends to meet the  
19 common needs of users of financial accounting information. What is  
20 meant by the user is the public, legislatures, supervisory agencies,  
21 inspectors, parties who provide or participate in the process of  
22 donations, investments and loans, and the government. Financial  
23 reports include the financial statements that are presented separately  
24 or part of the financial reports presented in public documents such as  
25 annual reports.
- 26 4. This Standard applies to reporting entities in preparing the financial  
27 statements of the central government, local governments, and the  
28 consolidated financial statements, excluding state / local enterprises.
- 29 5. An entity that is not a reporting entity may present general purpose  
30 financial reports. If it is desired, then the standard should be applied by  
31 the entity even if the entity does not meet the criteria for reporting in  
32 accordance with the regulations and / or the accounting standards of  
33 government reporting entities.

34 **DEFINITIONS**

35 6. *he following are terms used in this Standard:*

1     **Budget** is an action guide to be implemented by government covering  
2     planned revenues, expenditures, transfers, and financing which is  
3     measured in rupiah, and arranged systematically according to a specific  
4     classification for one period.

5     **Local Expenditure and Revenue Budget (APBD)** is the local government  
6     annual financial plan agreed by local legislatures.

7     **National Expenditure and Revenue Budget (APBN)** is the central  
8     government annual financial plan agreed by the House of  
9     Representatives (DPR).

10    **Assets** are economic resources controlled and / or owned by the  
11    government as a result of past events and from which future economic  
12    and / or social benefits are expected to be obtained, either by the  
13    government or the public, and can be measured in terms of money,  
14    including non-financial resources required for the provision of public  
15    services and resources that are maintained for reasons of history and  
16    culture.

17    **Accrual basis** is the basis of accounting that recognizes the effects of  
18    transactions and other events at the time the transaction and event  
19    occurred, regardless of when cash or its equivalent is received or paid.

20    **Cash basis** is the basis of accounting that recognizes the effects of  
21    transactions and other events when cash or cash equivalents are  
22    received or paid.

23    **Expenditures** are all disbursements from the State/Local General  
24    Treasury that reduce current equity funds in the corresponding period  
25    of the budget year and that will not be paid back to the government.

26    **Equity Funds** is the government's net worth and is the difference  
27    between the government's assets and liabilities.

28    **Reporting Entity** is a unit of government consisting of one or more  
29    accounting entities in accordance with the accounting provisions of  
30    legislation and are required to submit accountability reports in the form  
31    of financial statements.

32    **Accounting Policies** are the principles, foundations, conventions, rules,  
33    and specific practices chosen by a reporting entity in the preparation  
34    and presentation of financial statements.

35    **Liabilities** are debts arising from past events whose settlement results  
36    in outflows of government economic resources.

37    **Materiality** is a condition that arises if unrepresented or misstated  
38    information influences the decisions or assessments of users made on  
39    the basis of financial reports. Materiality depends on the nature or  
40    magnitude of the item or the error under consideration given the  
41    specific circumstances in which the deficiency or misstatement  
42    occurred.

43    **Financing** is any receipt that needs to be repaid and / or expenditures  
44    that will be readmitted, both in the budget year concerned and in  
45    subsequent budget years, which in government budgeting is primarily  
46    intended to cover a budget deficit or utilize a surplus.



1       ***Revenue is all receipts into the State / Local General Treasury Account***  
2       ***that adds to the current equity funds in the period of the corresponding***  
3       ***budget year that becomes the right of the government, and does not***  
4       ***need to be repaid by the government.***  
5

## 6       **GENERAL PROVISIONS**

7               ***7. Each reporting entity is required to present the Notes to***  
8       ***Financial Statements as an integral part of general purpose financial***  
9       ***reports.***

10           8. Notes to the Financial Statements are intended to be understood by  
11           the reader at large, not confined to a particular reader or management  
12           reporting entity. Financial Reports may contain information that may  
13           have potential misunderstandings among readers. Therefore, to avoid  
14           misunderstandings, the presentation of financial reports must be made  
15           with the Notes to the Financial Statements that contain information to  
16           enable users to understand the Financial Reports.

17           9. Misunderstandings may be caused by a reader's perception of the  
18           financial reports. Readers who are familiar with the orientation of the  
19           budget have the potential misunderstand the concept of accrual  
20           accounting. Readers who are familiar with the financial reports of the  
21           commercial sector tend to view the government's financial reports as  
22           company financial reports. General discussion and references to  
23           financial statement items become important for the readers of financial  
24           reports.

25           10. In addition, disclosure of the accounting basis and the accounting  
26           policies to be applied can help readers avoid misunderstanding the  
27           financial reports.

## 28       **STRUCTURE AND CONTENTS**

29               ***11. The Notes the Financial Statements must be presented***  
30       ***systematically. Each item in the Budget Realization Report, Balance***  
31       ***Sheet, and Statement of Cash Flows can have cross-references to***  
32       ***related information in the Notes to the Financial Statements.***

33           12. The Notes the Financial Statements include an explanation or a  
34           detailed list or an analysis of the value of the items presented in the  
35           Budget Realization Report, the Balance Sheet and Statement of Cash  
36           Flows. Also included in the Notes the Financial Statements is the  
37           presentation of information required and recommended by the  
38           Government Accounting Standards and other disclosures necessary  
39           for a fair presentation of the financial statements, such as contingent  
40           liabilities and other commitments.

41               ***13. In order to provide adequate disclosure, the Notes to the***  
42       ***Financial Statements disclose the following:***

- 1       (a) *Information about fiscal / financial policies, the macro-economy,*  
2           *the achievement of APBN / APBD targets, together with constraints*  
3           *and obstacles encountered in achieving the targets;*
- 4       (b) *A summary of the achievement of financial targets for the*  
5           *reporting year;*
- 6       (c) *Information on the basic presentation of the financial statements*  
7           *and the selected accounting policies applied to transactions and*  
8           *other significant events;*
- 9       (d) *Information required by the Government Accounting Standards*  
10           *that has not been presented on the face of the financial*  
11           *statements;*
- 12       (e) *Disclose information on the asset and liability posts arising from*  
13           *the application of the accrual basis of revenue and expenditure*  
14           *and a reconciliation with the application of the cash basis;*
- 15       (f) *Other information necessary for a fair presentation, that is not*  
16           *presented on the face of the financial statements.*

- 17
- 18       14. Disclosures for each item in the financial statements follow the  
19           applicable statement of accounting standard governing the disclosure  
20           of the relevant posts. For example, the Statement of Government  
21           Accounting Standards on Inventories requires disclosures about the  
22           accounting policies adopted in measuring inventories.
- 23       15. To facilitate the reader's understanding of financial reports, disclosure  
24           in the Notes to the Financial Statements can presented as narrative,  
25           charts, graphs, lists, and schedules or other typical forms that  
26           summarize, in a concise and compact manner, the financial condition  
27           and position of the reporting entity and the results for a period.

## 28       **Presentation of Information about Fiscal / Financial** 29       **Policies, the Macro-Economy, Achievement of** 30       **APBN/APBD Targets, and Constraints and Obstacles** 31       **Encountered in Target Achievement**

32                   **16. The Notes to the Financial Statements must able to help**  
33       **the reader understand the realization and the reporting entity's financial**  
34       **position as a whole.**

- 35       17. To help readers of Financial Reports, the Notes to the Financial  
36           Statements must provide information that can answer questions such  
37           as how the the realization and financial / fiscal position of the reporting  
38           entity developed and how this was achieved.
- 39       18. To be able to answer the questions above, the reporting entity should  
40           present information about important differences regarding the  
41           realization and the financial / fiscal position in the current period when  
42           compared to the previous period, compared with the budget, and with  
43           other plans in connection with the realization and the budget. Included  
44           in the explanation of the differences are the differences in

- 1 macroeconomic assumptions used in the preparation of the budget  
2 compared with the realization.
- 3 19. Fiscal policies that need to be disclosed in the Notes to the Financial  
4 Statements are government policies to increase revenue, the efficiency  
5 of spending and the determination of the source or the use of  
6 financing. For example, the elaboration of strategic plans into the  
7 preparation of APBN / APBD policies, goals, programs and budget  
8 priorities, policies to intensify / extend taxation and government  
9 securities market development.
- 10 20. Macroeconomic information that needs to be disclosed in the Notes to  
11 the Financial Statements are the assumptions of macroeconomic  
12 indicators used in the preparation of the APBN / APBD together with  
13 the level of achievement. The macroeconomic indicators include,  
14 among others, Gross Domestic Product / Gross Regional Domestic  
15 Product, economic growth, inflation, exchange rates, oil prices, interest  
16 rates and the balance of payments.
- 17 **21. The Notes to the Financial Statements must be able to**  
18 **explain significant changes to the budget during the current period**  
19 **compared with the budget first approved by DPR / DPRD, obstacles and**  
20 **constraints in achieving the set targets and other issues deemed**  
21 **necessary by the management of reporting entity to be known to the**  
22 **readers of financial reports.**
- 23 22. In a reporting period, due to certain reasons and conditions, the  
24 reporting entity may make changes to the budget approved by the  
25 DPR / DPRD. So that readers of the financial reports can follow the  
26 condition and development of the budget, an explanation of any  
27 changes approved by the DPR / DPRD, compared with the budget first  
28 enacted, will assist the reader in understanding the reporting entity's  
29 budget and financial condition.
- 30 23. Under certain conditions, the reporting entity has not been able to  
31 achieve the set targets, such as the number of units of primary school  
32 buildings constructed. A description of the barriers and constraints,  
33 such as a lack of availability of land, should be explained in the Notes  
34 to the Financial Statements.
- 35 24. To assist readers of financial reports, the management of the reporting  
36 entity may feel the need to provide other financial information that is  
37 considered necessary for the readers to know, such as liabilities that  
38 require the availability of funds in the coming budget period.

39 **Presentation of an Overview of Financial Target**  
40 **Achievement During the Reporting Year**

- 41 **25. The financial performance of the reporting entity in the**  
42 **Budget Realization Report must recapitulate the achievement of**  
43 **performance indicators and operational activities which have a financial**  
44 **dimension in a reporting period.**

- 1 26. The needs of government financial report users are different to users  
2 of non-government financial reports. The needs of government  
3 financial report users do not only view the reporting entity in terms of  
4 changes in net assets, rather government financial report users are  
5 very interested in the government's performance when compared with  
6 set targets.
- 7 27. The achievement of pre-determined financial performance is explained  
8 objectively in the Notes to the Financial Statements. The successful  
9 achievement of performance can be determined based on the level of  
10 efficiency and effectiveness of the program. Efficiency can be  
11 measured by comparing the output (output) to the input (input).  
12 Meanwhile, effectiveness is measured by comparing the results  
13 (outcomes) with the set targets.
- 14 **28. The discussion of financial performance should be linked**  
15 **to the aims and objectives of the strategic plan of the government and**  
16 **indicators in accordance with applicable laws and regulations. The**  
17 **summary of financial performance discussed in the Notes to the**  
18 **Financial Statements must:**
- 19 (a) **Describe the strategies and resources used to achieve goals;**  
20 (b) **To provide a clear picture of the realization and the financial**  
21 **performance plan in the reporting entity; and**  
22 (c) **Describe the procedures that have been formulated and**  
23 **implemented by management to provide reasonable assurance**  
24 **that the reported financial performance information is relevant and**  
25 **reliable;**
- 26 **29. The discuss of financial performance must:**
- 27 (a) **Include both positive and negative results;**  
28 (b) **Present relevant historical data;**  
29 (c) **Compare the results achieved with the objectives and plans set;**  
30 (d) **Present information and other explanations that are believed by**  
31 **management will be required by the readers of financial reports to**  
32 **understand the indicators, results, and the differences that exist**  
33 **with the goal or plan.**
- 34 30. To further enhance the usability of information, the explanation of the  
35 reporting entity must also include a description of what should be  
36 undertaken and a plan to improve program performance.
- 37 31. Important limitations and difficulties related to the measurement and  
38 reporting of financial performance should be disclosed in accordance  
39 with the relevant performance indicators outlined in the Notes to the  
40 Financial Statements. Relevant limitations will vary from one program  
41 to another, but usually factors discussed include, among others:
- 42 (a) Performance usually cannot be fully disclosed using only one indicator  
43 alone;
- 44 (b) Performance indicators are unable to reveal the reason why the  
45 performance is at the level of reported; and

- 1 (c) Looking exclusively at quantitative indicators often produces unintended  
2 consequences.
- 3 32. Therefore, the performance indicators must be equipped with  
4 appropriate explanatory information. This explanatory information will  
5 help the user understand the reported indicators, get an overview of  
6 the reporting entity's financial performance, and evaluate the  
7 importance of the underlying factors that may affect the reported  
8 financial performance.
- 9 33. Explanatory information may include, for example, information about  
10 factors that are substantially beyond the control of the entity, and  
11 information concerning factors that make the entity have a significant  
12 influence.

13 **Basis of Financial Report Presentation and Financial**  
14 **Accounting Policy Disclosures**

15 ***34. Reporting entities disclose the primary financial***  
16 ***statements and the accounting policies in the Notes to the Financial***  
17 ***Statements.***

18 **Basic Accounting Assumptions**

19 ***35. The basic assumption or the particular basic accounting***  
20 ***concepts that underlie the preparation of the financial reports, usually***  
21 ***do not need to be specifically disclosed. Disclosure is required if the***  
22 ***reporting entity does not follow the assumptions or the concepts,***  
23 ***accompanied with the reasons and explanations.***

24 36. In accordance with the Government Accounting Conceptual  
25 Framework, the assumptions underlying government financial reporting  
26 that are accepted as true without the need to prove in order that the  
27 accounting standards can be applied, consists of:

- 28 (a) The assumption entity independence;  
29 (b) The assumption of continuity of the entity; and  
30 (c) The assumption of monetary measurement.

31 37. The assumption of entity independence means that each  
32 organizational unit is considered as an independent unit and has the  
33 obligation to present financial statements to avoid chaos among  
34 government units in financial reporting. One indication of the fulfillment  
35 of this assumption is that the entity is authorized to formulate and  
36 execute budgets with full responsibility. The entity is responsible for the  
37 management of assets and off-balance sheet resources for the  
38 purpose of their main duty jurisdiction, including any loss or damage to  
39 assets and resources in question, debts arising from the entity's  
40 decisions, as well as whether a predetermined program has been  
41 implemented.

- 1           38. Financial reports are prepared assuming that the reporting entity will  
2           continue its existence. Thus, it is assumed the government does not  
3           intend to liquidate the entity reporting in the short-term.
- 4           39. The reporting entity's financial reports must present each activity  
5           assuming it can be valued in terms of money. This is necessary in  
6           order enable analysis and measurement in the accounting.

7           **Financial Report Users**

- 8           40. Financial reports contain information for different users, such as  
9           legislators, creditors and employees. Other important users include  
10          suppliers, customers, trade organizations, financial analysts, potential  
11          investors, underwriters, statisticians, economists, and parties with the  
12          authority to make regulations.
- 13          41. Related to paragraph 34 above, users of financial statements require  
14          an explanation of the accounting policies selected as part of the  
15          information required, to make judgments, financial decisions, and other  
16          purposes. They cannot make reliable assessments if the financial  
17          reports do not reveal clearly the selected accounting policies that are  
18          important in the preparation of financial reports.
- 19          42. Disclosure of accounting policies in financial reports are intended so  
20          that the financial reports can be understood. Disclosure policy is an  
21          integral part of the financial reports that helps the users of financial  
22          reports, because sometimes an inappropriate or incorrect treatment is  
23          used for a component of the budget realization report, balance sheet,  
24          and statement of cash flows, which become biased by the disclosure  
25          policy selected.

26          **Accounting Policies**

- 27                   ***43. Consideration and / or selection of accounting policies***  
28                   ***need to be adapted to the conditions of the reporting entity. The target***  
29                   ***for the selection of the most appropriate policy is one that will describe***  
30                   ***the reality of the reporting entity economic accurately, in the form of the***  
31                   ***financial condition and activities.***
- 32          44. There are three selection considerations for the implementation of the  
33          most appropriate accounting policies and the preparation of financial  
34          statements by management:
- 35          (a) Sound Judgment
- 36                  Uncertainty surrounds many transactions. It should be recognized in  
37                  the financial statements. Caution would not justify the creation of  
38                  secret or hidden reserves.
- 39          (b) Substance Surpasses Form
- 40                  Transactions and other events should be accounted for and presented  
41                  in accordance with the nature of the transaction and the reality of  
42                  events, not merely refer to the legal form of the transaction or  
43                  occurrence.

(c) Materiality

Financial reports should disclose all sufficiently material components that influence evaluations or decisions.

## Contents of Accounting Policies

**45. Disclosure of accounting policies must identify and describe the accounting principles used by the reporting entity and the methods of application that could materially affect the presentation of the Budget Realization Report, Balance Sheet and Statement of Cash Flows. Disclosure should also include important considerations taken in choosing the appropriate principles.**

**46. In general, the accounting policies in the Notes to Financial Statements explain the following:**

- (a) The reporting entity;**
- (b) The accounting basis underlying the preparation of the financial reports;**
- (c) The measurement basis used in the preparation of the financial reports;**
- (d) The extent to which accounting policies related to this Statement of Government Accounting Standards are applied by a reporting entity during the transition period. Otherwise early application is recommended based on preparedness the entity;**
- (e) Each specific accounting policy that is necessary to understand the financial reports.**

47. Reporting entity disclosures that make up general purpose financial reports will help the report reader understand the financial information presented in the financial reports. Readers of the report will have a framework for analyzing information. The omission of information about the reporting entity and its components has the potential to mislead the reader in identifying existing problems.

**48. Although the Government Accounting Conceptual Framework has suggested the use of a certain accounting basis for the government's preparation of financial reports, a statement of the accounting basis underlying the use of the government's financial statements should be disclosed in the Notes to the Financial Statements. The statement also includes a statement of compliance with the Government Accounting Conceptual Framework. This makes it easy readers of the report who do not have to revisit the basis of accounting shown in the Government Accounting Conceptual Framework.**

49. Users of financial reports need to know the measurement bases used for preparing the financial reports. If more than one measurement basis is used in the preparation of the financial reports, the information presented must be sufficiently adequate to indicate the measurement basis used for assets and liabilities.

50. In determining whether or not an accounting policy is to be disclosed, management should consider the benefits of such disclosure in helping

1 users to understand every transaction reflected in the financial  
2 statements. Considerations in paragraph 44 may be used as guidance  
3 in considering accounting policies that need to be disclosed.  
4 Accounting policies to be considered for presentation include, among  
5 others:

- 6 (a) Recognition of revenue;
- 7 (b) Recognition of expenditure;
- 8 (c) Principles of consolidated report preparation;
- 9 (d) Investments;
- 10 (e) Recognition and termination / disposal of tangible and intangible assets;
- 11 (f) Construction contracts;
- 12 (g) Expenditure capitalization policy;
- 13 (h) Partnerships with third parties;
- 14 (i) Research and development costs;
- 15 (j) Inventories, whether for sale or for their own use;
- 16 (k) The establishment of reserve funds;
- 17 (l) The creation of welfare funds for employees;
- 18 (m) Foreign currency translation and hedging.

19 51. Each entity needs to consider the type of activities and policies that  
20 need to be disclosed in the Notes to the Financial Statements. For  
21 example, disclosure of information on the recognition of income taxes,  
22 levies and other forms of mandatory fees, foreign currency translation  
23 and the accounting treatment of foreign exchange.

24 ***52. Accounting policies may be significant even though the***  
25 ***value of items presented in the current or previous periods are not***  
26 ***material. Furthermore, it is necessary to also disclose accounting***  
27 ***policies selected and applied that are not regulated in this Standard.***

28 53. Financial statements should show the relationship of figures with the  
29 previous period. If the effect of changes in accounting policies is  
30 material, then the changes in policy and the impact of the changes  
31 must be disclosed quantitatively.

32 ***54. Changes in accounting policy that do not have a material***  
33 ***effect in the year of the change must also be disclosed if the effect is***  
34 ***material to the years to come.***

## 35 **Disclosure of Information required by the Government**

## 36 **Accounting Standards not yet presented on the face of**

## 37 **the Financial Statements**

38 ***55. The Notes to the Financial Statements should present***  
39 ***information that is required and recommended by other Government***  
40 ***Accounting Standards and other disclosures that are required for fair***  
41 ***presentation of the financial statements, such as contingent liabilities***  
42 ***and other commitments. The disclosure of information in the Notes to***



1       ***the Financial Statements must able to provide other information that***  
2       ***has not been presented in other parts of the financial report.***

3       56. Due to the limitations of the assumptions and methods of  
4       measurement used, some transactions of events that are believed will  
5       have important implications for the reporting entity cannot be  
6       presented on the face of the financial statements, such as contingent  
7       liabilities. In order to provide a more complete picture, the report reader  
8       needs to be reminded of the possibility of an event that may affect the  
9       financial condition of the reporting entity in future periods.

10      57. Disclosure of information in the Notes to the Financial Statements  
11      should present information that does not repeat the details (such as  
12      details of inventory, details of fixed assets, or details of expenditure) as  
13      shown on the face of the financial statements. In some cases, the  
14      disclosure of accounting policies, in order to improve the  
15      understanding of the reader, should refer to the details presented  
16      elsewhere in the financial statements.

17      **Disclosure of Information of asset and liability posts**  
18      **arising from the application of the accrual basis of**  
19      **revenue and expenditure and reconciliation with the**  
20      **application of the cash basis**

21               ***58. Reporting entities that prepare financial statements on the***  
22      ***accrual basis of revenue and expenditure must disclose asset and***  
23      ***liability posts arising from the application of accrual basis and present a***  
24      ***reconciliation with the application of the cash basis.***

25      59. The Government Accounting Conceptual Framework in paragraphs 26  
26      and 76 allow reporting entities to prepare financial reports on an  
27      accrual basis for revenues and expenditures. The reporting entity  
28      should provide additional information, including details about the  
29      entity's output and outcome in the form of financial performance  
30      indicators, a statement of financial performance, a review of programs  
31      and other reports regarding the achievement of the entity's financial  
32      performance during the reporting period. This is so that the reader can  
33      understand asset and liability posts that arise due to the application of  
34      the accrual basis for revenue and expenditure items, such as revenue  
35      received in advance, prepaid expenses, and depreciation expense.  
36      Assets and liability items result from the adoption of the accrual basis  
37      for revenue and expenditure items.

38      60. The purpose of the reconciliation is to present the relationship between  
39      the Statement of Financial Performance with the Budget Realization  
40      Report. The reconciliation report begins with the addition / deduction of  
41      equity derived from the Statement of Financial Performance that is  
42      prepared on an accrual basis. This value is further adjusted by the  
43      addition and deduction of net asset transactions due to the use of the  
44      accrual basis, which then produces the same value with the final value  
45      in the Budget Realization Report.

1           61. For the ease of the user, a reconciliation list and explanation of the  
2           conditions that exist in paragraphs 59 and 60, should be presented as  
3           part of the Notes to the Financial Statements.

## 4   **Other Disclosures**

5           **62. The Notes to the Financial Statements must also disclose**  
6           **information that, if not disclosed, would mislead the report reader.**

7           63. A reporting entity discloses the following if not stated in any part of the  
8           financial reports, namely:

- 9           (a) the domicile and legal form of the entity and the jurisdiction where the  
10           entity is located;
- 11           (b) an explanation of the nature of the entity's operations and principal  
12           activities;
- 13           (c) the statutory provisions that underlie its operational activities.

14           64. The Notes to the Financial Statements must disclose important events  
15           during the reporting year, such as:

- 16           (a) Replacement of government management during the current year;
- 17           (b) Errors of the previous management corrected by the new management;
- 18           (c) Commitments or contingencies that can not be presented in the the  
19           Balance Sheet;
- 20           (d) Merger or division of the entity during the current year; and
- 21           (e) An event that has a social impact, such as a strike, that must be  
22           addressed by the government.

23           65. Disclosures required by each applicable standard complement this  
24           standard.

## 25   **COMPOSITION**

26           66. To be used by the user in understanding and comparing with other  
27           entity's financial statements, the Notes to the Financial Statements are  
28           usually presented with the following composition:

- 29           (a) Fiscal / financial policies and the macroeconomy, achievement of  
30           APBN/ABPD targets;
- 31           (b) Summary of financial target achievement;
- 32           (c) Significant accounting policies:
  - 33               i. The reporting entity;
  - 34               ii. The accounting basis underlying the preparation of financial  
35               statements;
  - 36               iii. The measurement bases used in the preparation of financial  
37               statements;
  - 38               iv. Compliance of the accounting policies applied with the provisions of  
39               the Statements of Government Accounting Standards by a  
40               reporting entity;

- 1           v. Each specific accounting policy necessary to understand the
- 2           financial statements.
- 3       (d) Explanation of the items in the Financial Statements:
- 4           i. Details and an explanation of each item in the Financial
- 5           Statements;
- 6           ii. Disclosure of information required by the Governmental Accounting
- 7           Standards that is not presented on the face of Financial
- 8           Statements.
- 9       (e) Disclosure of asset and liability items arising from the application of the
- 10       accrual basis of revenue and expenditure, and a reconciliation with the
- 11       application of the cash basis, for reporting entities using an accrual
- 12       basis;
- 13       (f) any additional information, which is needed as a general overview the
- 14       area.

15       **DATE OF EFFECT**

16           *67.This Statement of Government Accounting Standards can be*

17           *applied to financial reports of the budget up to budget year*

18           *2014.*

ATTACHMENT II.06  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 05**

**ACCOUNTING FOR INVENTORIES**

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1 **GOVERNMENT ACCOUNTING STANDARD**  
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 explanatory paragraphs, which are in plain type, and in*  
6 *the context of the Conceptual Framework of the Government Accounting*  
7 *Standards.*

8 **INTRODUCTION**

9 **Objective**

10 1. The objective of this Standard is to regulate the accounting  
11 treatment for inventories and other information that is considered necessary to be  
12 presented in the financial statements.

13 **Scope**

14 2. *This Standard applies to the presentation of all inventories in*  
15 *general purpose financial reports which are prepared and presented on a*  
16 *cash basis for the recognition of revenue, expenditure, transfers, and*  
17 *financing posts, as well as the accrual basis for the recognition of asset,*  
18 *liability, and equity posts. This Standard is applied to all central and local*  
19 *government entities not including state / local enterprises.*

20 3. State / Local enterprises are subject to the Financial Accounting  
21 Standards issued by the Indonesian Institute of Accountants.

22 4. This Standard prescribes the accounting treatment of central and  
23 local government inventories covering:

- 24 (a) Definitions,  
25 (b) Recognition,  
26 (c) Measurement, and  
27 (d) Disclosures.

28 **DEFINITIONS**

29 5. *The following are terms used in this Standard:*

30 *Assets are economic resources controlled and / or owned by the*  
31 *government as a result of past events and from which future economic and*  
32 */ or social benefits are expected to be obtained, either by the government*  
33 *or the public, and can be measured in terms of money, including non-*  
34 *financial resources required for the provision of public services and*  
35 *resources that are maintained for reasons of history and culture.*

1 ***Fair value is the exchange value of assets or settlement of liabilities***  
2 ***between parties who understand and are willing to make a fair deal.***

3 ***Inventories are current assets in the form of goods or supplies which are***  
4 ***intended to support government operations, and items intended to be sold***  
5 ***and / or delivered in the context of services to the community.***

6 ***State / Local enterprises are business entities that are wholly or partially***  
7 ***owned by the central / local government.***

## 8 **GENERAL**

9 **6. Inventories are assets in the form of:**

10 ***Goods or supplies that used for the purpose of government***  
11 ***operations;***

12 ***Materials or supplies to be used in the production process;***

13 ***Goods in the production process that are intended to be sold or***  
14 ***delivered to the public.***

15 ***Goods stored to be sold or delivered to the public in the ordinary***  
16 ***course of government activities;***

17 **7. Inventories include goods or supplies purchased and stored for**  
18 **later use, for example, consumables such as office stationery, durable items**  
19 **such as equipment and piping components, and second-hand items used as**  
20 **second-hand components.**

21 **8. In terms of government self production, inventories also include**  
22 **materials used in the production process as raw materials for the manufacture of**  
23 **agricultural equipment.**

24 **9. Incomplete goods resulting from the production process are**  
25 **recorded as inventory, for example agricultural equipment in progress.**

26 **10. Inventories can consist of:**

27 **Consumables;**

28 **Ammunition;**

29 **Materials for maintenance;**

30 **Spare parts;**

31 **Inventories for strategic / precautionary objectives;**

32 **Excise stamps and certification fees;**

33 **Raw materials;**

34 **Goods in process / progress;**

35 **Land / buildings to be sold or delivered to the public.**

36 **Animals and plants, to be sold or delivered to the public.**

11. In the case of the government storing goods for the purpose of strategic reserves such as energy reserves (e.g. oil) or for precautionary purposes such as food reserves (eg rice), the goods are recognized as inventory.

12. Inventories of animals and plants to be sold or delivered to the public, include, among others, cows, horses, fish, rice seeds and plant seedlings.

13. Inventories that are obsolete or in poor condition are not reported in the Balance Sheet, but are disclosed in the Notes to the Financial Statements.

## 8 RECOGNITION

14. *Inventories are recognized at the time the potential future economic benefits are obtained by the government and where they have a value or cost that can be measured reliably.*

15. *Inventories are recognized upon receipt or the right of ownership and / or control is transferred.*

16. At the end of the accounting period inventory records are adjusted with the results of the physical inventory.

17. Inventories of raw materials and supplies owned by self-managed projects and charged to an asset estimate for construction in progress, are not included in inventory.

## 19 MEASUREMENT

18. *Inventories are stated at their:*

(a) *Acquisition cost, if acquired through purchase;*

(b) *Standard Cost, if obtained through own-production;*

(c) *Fair value, if obtained by other means such as donations / booty;*

19. The acquisition cost of inventories includes the purchase price, freight, handling costs and other costs that are directly charged to the acquisition of supplies. Discounts, rebates, and the like reduce the acquisition cost.

20. The purchase value used is the cost of the inventories last acquired.

21. Goods inventories which have a nominal value and that are intended to for sale, such as excise stamps, are valued at the final acquisition cost.

22. The Standard Cost of inventories include costs directly related to the inventory produced and indirect costs allocated systematically based on measures used during the preparation of the work plan and budget.

23. Inventories of animals and plants bred / propagated are valued using fair value.

24. Price / fair value of inventories includes the exchange of assets or settlement of liabilities between knowledgeable, willing parties who conduct fair transactions.



1       **DISCLOSURES**

2           **25.    *The financial statements disclose:***

3       **(a)   *The accounting policies adopted in measuring inventories;***

4       **(b)   *Further explanation of inventories, such as goods or supplies used***  
5           ***in public services, goods or supplies used in the production***  
6           ***process, goods kept for sale or delivered to the public, and goods***  
7           ***still in the production process that are intended to be sold or***  
8           ***delivered to the public;***

9       **(c)   *The condition of the inventory;***

10       **DATE OF EFFECT**

11           **26.    *This Statement of Government Accounting Standards can be***  
12       ***applied to financial reports of the budget up to budget year 2014.***

ATTACHMENT II.07  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 06**

**ACCOUNTING FOR INVESTMENTS**

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1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **STATEMENT NO. 06**

3 **ACCOUNTING FOR INVESTMENTS**

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

8 **INTRODUCTION**

9 **Objective**

10 1. The objective of this Standard is to prescribe the accounting  
11 treatment for investment and disclosures of other important information that  
12 should be presented in the financial statements.

13 **Scope**

14 2. *This Standard should be applied in the presentation of all*  
15 *government investments in general purpose financial reports prepared*  
16 *and presented on a cash basis for the recognition of revenue,*  
17 *expenditure, transfers, and financing posts, as well as the accrual basis*  
18 *for the recognition of asset, liability, and equity posts in accordance*  
19 *with the Government Accounting Standards.*

20 3. This Statement applies to reporting entities in preparing the  
21 financial reports of the central government, local governments, and the  
22 consolidated financial statements, excluding state / local enterprises.

23 4. *This Standard prescribes the accounting treatment of*  
24 *central and local government investments in both short and long term*  
25 *investments, including time recognition, classification, measurement*  
26 *and valuation methods of investments, as well as disclosures in the*  
27 *financial statements.*

28 5. This Standard does not regulate:

- 29 (a) Investments in associated companies;  
30 (b) Operating partnerships; and  
31 (c) Investments in property.

32 **DEFINITIONS**

33 6. *The following are terms used in this Standard:*

1     **Investment costs** are all costs incurred by the investor entity in the  
2     **acquisition of an investment** such as broker commissions, banking  
3     **services, legal fees and other charges from the capital market.**

4     **Investments** are assets that are intended to obtain economic benefits  
5     **such as dividends, interest and royalties, or social benefits, thus**  
6     **increasing the ability of the government to provide services to the**  
7     **community.**

8     **Short-term investments** are investments that can be quickly liquidated  
9     **and are intended to be held for 12 (twelve) months or less.**

10    **Long-term investments** are investments intended to be held for more  
11    **than 12 (twelve) months.**

12    **Non-permanent investments** are long-term investments that are not  
13    **included in permanent investments, i.e. are not intended to be held**  
14    **continuously.**

15    **Permanent investments** are long-term investments which are intended  
16    **to be held on an ongoing basis.**

17    **Social benefits** are defined in this standard as a benefit that can not be  
18    **measured directly in units of money but by effect on the improvement in**  
19    **government services to the public or a particular community group.**

20    **Cost method** is a method of accounting that records the value of  
21    **investments at the price of acquisition.**

22    **Equity method** is a method of accounting that records the value of the  
23    **initial investment at cost. The investment value is then adjusted for**  
24    **changes in the investor's share of net wealth / equity of the entity**  
25    **receiving the investment (investee) that occur after the initial acquisition**  
26    **of the investment.**

27    **Historical value** are amounts of cash or cash equivalents paid / issued  
28    **or the fair value based on certain considerations to acquire an**  
29    **investment asset at the time of acquisition.**

30    **Nominal value** is the value specified in a security such as the value  
31    **stated in share and bond certificates.**

32    **Market value** is the amount obtainable from the sale of an investment in  
33    **an active market between independent parties.**

34    **Fair value** is the exchange value of assets or settlement of liabilities  
35    **between parties who understand and are willing to make a fair deal.**

36    **Associate company** is a company in which the investor has significant  
37    **influence and is not a subsidiary or joint venture of the investor.**

38    **Perusahaan negara/daerah** adalah badan usaha yang seluruh atau  
39    **sebagian modalnya dimiliki oleh pemerintah pusat/daerah.**

1       **FORMS OF INVESTMENT**

2               7. Government undertakes investments with the intention, among  
3 others, to earn income in the long term or to utilize unused funds for short-  
4 term investments in the context of cash management.

5               8. There are several types of investments that can be verified by a  
6 certificate or other similar document. The nature of an investments may  
7 include bond purchases, both short and long term, and equity instruments.

8       **INVESTMENT CLASSIFICATION**

9               ***9. Government investment is classified into two groups,***  
10 ***namely short-term investments and long-term investments. Short-term***  
11 ***investments are a group of current assets whereas long-term***  
12 ***investments are a group of non-current assets.***

13              10. Short-term investments must meet the following  
14 characteristics:

- 15       (a) Can be immediately sold / liquidated;  
16       (b) The investment is intended in the context of cash management, which  
17           means that the government can sell such investments when cash  
18           needs arises;  
19       (c) Low risk.

20              11. Having regard to the criteria in paragraph 10, the purchase of  
21 securities is high risk for the government, because it is influenced by  
22 fluctuations in the market price of the securities, excluding short-term  
23 investments. The types of investments that are not included in the group  
24 short-term investments include:

- 25       (a) Securities purchased by the government in order to control a business  
26           entity, for example the purchase of securities to increase the equity  
27           ownership stake in a business entity;  
28       (b) Securities purchased by the government for the purpose of maintaining  
29           good institutional relations with other parties, such as the purchase of  
30           securities issued by an agency both domestically and abroad to  
31           demonstrate the participation of the government; or  
32       (c) Securities that are not intended to be liquidated in meeting short-term  
33           cash needs.

34              12. Investments that can be classified as short-term investments,  
35 consist of, among others:

- 36       (a) Deposits with terms of three to twelve months and / or which can be  
37           automatically extended (revolving deposits);  
38       (b) Purchases of short-term Government Securities both by central and  
39           local governments and purchases of Bank Indonesia Certificates).

1                   **13. Long-term investments are divided according to**  
2 **investment properties of investment, i.e. permanent and non-permanent.**  
3 **Permanent investments are long-term investments which are held on an**  
4 **continuous basis, whereas non-permanent investments are long-term**  
5 **investments which are not intended to held on a continuous basis.**

6                   14. The definition of continuous refers to investments intended to  
7 be held continuously and without any intention to trade or redeem. Whereas  
8 the definition of non-continuous refers to the ownership of investments with a  
9 maturity of more than 12 (twelve) months, but are not intended to be owned  
10 continuously or there is an intention to trade or redeem.

11                   15. A permanent investment conducted by the government is an  
12 investment that is not intended for sale, but to obtain dividends and / or have  
13 a significant influence in the long term and / or maintain institutional relations.  
14 Permanent investments can be :

15                   (a) Government Equity Participation in state / local enterprises,  
16 international agencies and other entities that are not owned by the  
17 state;

18                   (b) Other permanent investments owned by the government to generate  
19 revenue or improve public services.

20                   16. Non-permanent investments conducted by the government can  
21 include,among others:

22                   (a) The purchase of bonds or long-term debt securities intended to be held  
23 until the maturity date by the government;

24                   (b) Equity investments in development projects that can be transferred to a  
25 third party;

26                   (c) Funds set aside by the government in the context of community  
27 services as revolving working capital assistance to community groups;

28                   (d) Other non-permanent investments, that are not intended for continuous  
29 government-ownership, such as equity investments aimed at  
30 restructuring / rescuing the economy.

31                   17. Government equity participation can include securities (shares)  
32 in a limited liability company and non-marketable securities, that is equity  
33 ownership not in the form of shares in an unlimited liability company.

34                   18. Other permanent investments are investments that cannot be  
35 included in equity participation, long-term bonds purchased by the  
36 government, and capital investments in development projects that can be  
37 transferred to a third party, for example investments in properties that are not  
38 covered by this statement.

39                   19. Accounting for government investments in property and joint  
40 operations will be regulated in individual accounting standards.

1                   **RECOGNITION OF INVESTMENTS**

2                   20. *Cash or asset expenditure can be recognized an*  
3 *investment if they fulfill one of the following criteria:*

4                   (a) *There is the possibility of economic benefits and social benefits*  
5 *or service potential in the future that can be obtained from the*  
6 *investments by the government;*

7                   (b) *The acquisition value or fair value of the investments can be*  
8 *measured appropriately (reliably).*

9                   21. *Expenditures for the acquisition of short-term investments*  
10 *are recognized as government cash disbursements and are not reported*  
11 *as an expenditure in the budget realization report, while expenditures to*  
12 *obtain long term investments are recognized as financing expenditures.*

13                   22. In determining whether an expenditure of cash and / or assets,  
14 grant receipts in the form of investments and changes to accounts receivable  
15 meet the criteria for recognizing investments for the first time, the entity needs  
16 to assess the degree of certainty of the flow of economic benefits, social  
17 benefits or service potential in the future based on evidence available at the  
18 time the investment is first recognized. The existence of sufficient certainty  
19 that the future economic benefits or service potential will be obtained requires  
20 an assurance that the entity will benefit from these assets and will bear the  
21 risks that may arise.

22                   23. The criteria for the recognition of investments as stated in  
23 paragraph 20 item b, can usually be met because the exchange or purchase  
24 transaction is supported by evidence that states / identifies the acquisition  
25 cost. In certain circumstances, an investment may be obtained not based on  
26 the acquisition cost, or the fair value at the date of acquisition. In such cases,  
27 the use of appropriate value estimates may be used.

28                   **MEASUREMENT OF INVESTMENTS**

29                   24. For some types of investments, there is an active market that  
30 can shape the market value. In terms of such investments, the market value  
31 is used as the basis for the application of fair value. As for the investments  
32 that do not have an active market, the nominal value, the carrying amount or  
33 other fair value may be used.

34                   25. *Short-term investments in marketable securities, such as*  
35 *stocks and short-term bonds, are recorded at acquisition cost. The*  
36 *acquisition cost of an investment includes the investment transaction*  
37 *price itself plus brokerage, banking services, and other costs incurred*  
38 *in the context of the acquisition.*

39                   26. *If the investment in the form of securities was obtained*  
40 *without cost, then the investment is measured at fair value at the date of*  
41 *the acquisition at the market price. If there is no fair value, then the*  
42 *investment is valued based on the fair value of cash equivalents or*  
43 *other assets that were surrendered for the investment.*



1                   27. *Non-share short-term investments, for example, short-*  
2 *term deposits, are recorded at the nominal value of these deposits.*

3                   28. *Permanent long-term investments, for example,*  
4 *government equity participation, are recorded at acquisition cost*  
5 *including the price of the investment transaction itself plus other costs*  
6 *incurred in the context of the investment acquisition.*

7                   29. *Non-permanent investments, for example, in the form of*  
8 *long-term bond purchases and investments that are not intended to be*  
9 *held continuously, are valued at acquisition value. Meanwhile,*  
10 *investments in the form of bailouts for banking restructuring that will*  
11 *soon be disbursed are valued at net realizable value.*

12                   30. *Non-permanent investments in the form of investments in*  
13 *government development projects (such as PIR) are valued at the cost*  
14 *of construction, including costs incurred for planning and other costs*  
15 *incurred in the context of the completion of the project until the project*  
16 *is transferred to a third party.*

17                   31. *If long-term investments are acquired through the*  
18 *exchange of government assets, the value of the investment obtained*  
19 *by the government is the acquisition cost, or the fair value of the*  
20 *investment if there is no acquisition price.*

21                   32. *The acquisition price of a foreign currency investment is*  
22 *stated in rupiah using the exchange rate (middle rate of the central*  
23 *bank) in effect at the transaction date.*

24 **INVESTMENT VALUATION METHODS**

25                   33. *Government investment valuation is performed using*  
26 *three methods, namely:*

27                   (a) *Cost method;*

28                   *By using the cost method, the investment is carried at the*  
29 *acquisition cost. Earnings on investments are recognized in the*  
30 *amount of proceeds received and do not affect the size of the*  
31 *investment in the related business / legal entity.*

32                   (b) *Equity method;*

33                   *By using the government equity method the initial investment is*  
34 *recorded at the acquisition cost and increased or decreased by*  
35 *the government's share of profits or losses after the date of*  
36 *acquisition. Shares of profit except for dividends in the form of*  
37 *shares received by the government will reduce the value of the*  
38 *government's investment. Adjustments to the value of the*  
39 *investment are also required to change the ownership share of*  
40 *government's investment, for example changes brought about by*  
41 *the influence of foreign exchange and revaluation.*

42                   (c) *Net realizable value method;*

1           *The net realizable value method is used primarily for ownership*  
2           *that will be disposed of / sold in the near term.*

3           ***34. The use of the method in paragraph 33 is based on the***  
4           ***following criteria:***

- 5           ***(a) Ownership of less than 20% of the cost method;***  
6           ***(b) Ownership of 20% to 50%, or less than 20% ownership but has a***  
7           ***significant influence using the equity method;***  
8           ***(c) Ownership of more than 50% of the equity method;***  
9           ***(d) Non-permanent ownership using the net realizable value method.***

10           35. Under certain conditions, the criteria for the percentage of  
11           ownership of shares is not a determining factor in the selection of investment  
12           valuation methods, but more a decisive factor is the degree of influence or  
13           control over the investee. The characteristics of the influence or control over  
14           investee companies, includes, among others:

- 15           (a) The ability to influence the composition of the board of commissioners;  
16           (b) The ability to appoint or replace directors;  
17           (c) The ability to determine and change the board of directors of the  
18           investee company;  
19           (d) The ability to control the majority of votes in a meeting / board meeting.

20

1                   **RECOGNITION OF INVESTMENT PROCEEDS**

2                   36. *Investment returns earned from short-term investments,*  
3 *which include interest on deposits, bonds, and cash dividends, are*  
4 *recognized when earned and recorded as revenue.*

5                   37. *Investment returns in the form of cash dividends earned*  
6 *from government equity participation are accounted for using the cost*  
7 *method, recorded as investment revenue. Whereas when using the*  
8 *equity method, the share of profit in the form of cash dividends earned*  
9 *by government is recorded as investment revenue and reduces the*  
10 *value of government's investment. Dividends received in the form of*  
11 *shares will not increase the value of government's investment.*

12                   **DISPOSAL AND TRANSFER OF INVESTMENTS**

13                   38. *The disposal of government investment can occur due to*  
14 *sale, waiver because of government regulations, and so forth.*

15                   39. *Proceeds from sales of short-term investments are*  
16 *recognized as government cash receipts and are not reported as*  
17 *revenue in the budget realization report, while the proceeds from the*  
18 *disposal of long term investments are recognized as financing receipts.*  
19 *The disposal of a portion of certain investments owned by the*  
20 *government is valued using the average value.*

21                   40. *The average value is obtained by dividing the total value*  
22 *of the investment to the total number of shares owned by the*  
23 *government.*

24                   41. *Transfers of investment posts can be reclassifications of*  
25 *permanent investments into short-term investments, Fixed Assets,*  
26 *Other Assets, and vice versa.*

27                   **DISCLOSURES**

28                   42. *Other things that should be disclosed in the financial*  
29 *statements related to government investments, include, among others:*

- 30                   (a) *The accounting policies for the determination of investment*  
31 *values;*  
32                   (b) *The types of investments, permanent and non-permanent;*  
33                   (c) *Changes in the market price of investments both for short term*  
34 *and long term investments;*  
35                   (d) *Significant declines in the value of investments and the cause of*  
36 *the declines;*  
37                   (e) *Investments carried at fair value and the reason for its application;*  
38                   (f) *Changes in investment posts.*

1     **DATE OF EFFECT**

2                     *43. This Statement of Government Accounting Standards can*  
3     *be applied to financial reports of the budget up to budget year 2014.*

ATTACHMENT II.08  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT OF ACCOUNTING STANDARD  
STATEMENT NO. 07**

**ACCOUNTING FOR FIXED ASSETS**

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **STATEMENT NO. 07**  
3       **ACCOUNTING FOR FIXED ASSETS**

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

8       **INTRODUCTION**

9       **Objective**

10               1. The objective of this Standard is to prescribe the accounting  
11       treatment of fixed assets including the recognition, the determination of the  
12       carrying value, as well as the determination and the accounting treatment of  
13       revaluations and impairments in the value recorded (carrying amount) of fixed  
14       assets.

15               2. This Statement requires that fixed assets are recognized as an  
16       asset if it meets the definition and recognition criteria of an asset in The  
17       Government Accounting Conceptual Framework.

18       **Scope**

19               3. *This Standard is applied to all units of government that*  
20       *present general purpose financial reports and regulates the accounting*  
21       *treatment, including the recognition, valuation, presentation, and the*  
22       *disclosures required unless other Government Accounting Standards*  
23       *require different accounting treatment.*

24               4. This Standard does not apply to:  
25       (a) Forests and natural resources that can be renewed (regenerative  
26       natural resources); and  
27       (b) Authorization of mining, exploration and extraction of minerals, oil,  
28       natural gas, and natural resources and the like which are non-  
29       renewable (non-regenerative natural resources).

30       However, this Standard applies to fixed assets that are used to develop or  
31       maintain activities or assets covered in (a) and (b) above, and can be  
32       separated from the activity or asset.

33       **DEFINITIONS**

34               5. *The following are terms used in this Standard:*  
35       **Assets** *are economic resources controlled and / or owned by the*  
36       *government as a result of past events and from which future economic*  
37       *and / or social benefits are expected to be obtained, either by the*  
38       *government or the public, and can be measured in terms of money,*  
39       *including non-financial resources required for the provision of public*

1 *services and resources that are maintained for reasons of history and*  
2 *culture.*

3 *Fixed assets are tangible assets with a useful life of more than 12*  
4 *(twelve) months for use, or are intended for use, in government*  
5 *activities by the general public.*

6 *Acquisition cost is the amount of cash or cash equivalents that have*  
7 *been and are still required to be paid or the fair value of other benefits*  
8 *that have been and are still required to be given to acquire an asset at*  
9 *the time of acquisition or construction until the asset is in a condition*  
10 *and place ready to be used.*

11 *Useful life is:*

12 *(a) the period the asset is expected to be used for the activities of the*  
13 *government and / or public service; or*

14 *(b) the amount of production or similar units expected to be obtained*  
15 *from the assets of government activities and / or public service.*

16 *Residual value is the net amount expected to be obtained by the end of*  
17 *the useful life of the asset after deducting the estimated costs of*  
18 *disposal.*

19 *Carrying amount of assets is the book value of assets, which is*  
20 *calculated from the cost of acquisition of an asset less accumulated*  
21 *depreciation.*

22 *Fair value is the exchange value of assets or settlement of liabilities*  
23 *between parties who understand and are willing to make a fair deal.*

24 *Depreciation is the systematic allocation of the value of a fixed asset*  
25 *that can be depreciated (depreciable assets) over the useful life of the*  
26 *asset.*

## 27 **GENERAL**

28 6. Fixed assets are often a major part of government assets, and  
29 therefore significant in the presentation of the balance sheet. Included in the  
30 fixed assets of the government are:

31 (a) fixed assets owned by the reporting entity, but used by other entities,  
32 such as other government agencies, universities, and contractors;

33 (b) Land rights.

34 7. Not included in the definition of fixed assets are assets held for  
35 consumption in government operations, such materials and supplies.

## 36 **FIXED ASSET CLASSIFICATION**

37 8. Fixed assets are classified based on similarities in the  
38 nature or function in an entity operating activities. Classification of fixed  
39 assets is as follows:

40 (a) Land;

41 (b) Equipment and Machinery;

42 (c) Buildings and Construction;



- 1        **(d) Roads, Irrigation, and Networks;**  
2        **(e) Other Fixed Assets; and**  
3        **(f) Construction In Progress.**

4                9. Land classified as fixed assets is land obtained with the intent  
5 to be used in the operations of government and in a condition ready for use.

6                10. Buildings and construction covers all buildings and sstructures  
7 obtained that are intended to be used in the operations of government and in  
8 a condition ready for use.

9                11. Equipment and machinery includes machinery and motor  
10 vehicles, electronic equipment, office equipment, and other equipment of  
11 significant value and useful life of more than 12 (twelve) months and is ready  
12 to use.

13               12. Roads, irrigation, and networks include roads, irrigation, and  
14 networks built by the government and are owned and / or controlled by the  
15 government and in a condition ready for use.

16               13. Fixed assets include assets that can not be classified into the  
17 groups of fixed assets above, obtained and used for government operations  
18 and in a condition ready to be used.

19               14. Construction in progress includes assets that are in the  
20 process construction, but at the date of the financial statements have not  
21 been fully complete.

22               15. Fixed assets that are not used for operational purposes of the  
23 government do not meet the definition of fixed assets and must be presented  
24 in the post other assets in accordance with their carrying amounts.

## 25        **FIXED ASSET RECOGNITION**

26               **16. To be recognized as fixed assets an asset must meet the**  
27 **following criteria:**

- 28        **(a) Has a useful life of more than 12 (twelve) months;**  
29        **(b) The acquisition cost an asset can be measured reliably;**  
30        **(c) Not intended for sale in the normal operation of the entity; and**  
31        **(d) Obtained or constructed with the intention to use.**

32               17. In determining whether an asset continues to have the benefit  
33 of more than 12 (twelve) months, an entity must assess the future economic  
34 benefits that can be provided by the asset, either directly or indirectly, for  
35 government operations. The benefits can be either a stream of income or  
36 expenditure savings for the government. The future economic benefits will  
37 flow to the entity can be ensured if the entity will accept the benefits and  
38 associated risks. Certainty is usually only available if the benefits and risks  
39 have been accepted. Before this happens, the asset cannot be recognized.

40               18. Measurement can be considered reliable if there is an  
41 exchange transaction with proof of purchase for the fixed assets which  
42 identifies cost. In the case where an asset that is constructed by way of self-  
43 management, a reliable measurement of the cost can be obtained from

1 external transactions with such entities for the acquisition of raw materials,  
2 labor and other costs that are used in the construction process.

3 19. The main purpose of the acquisition of fixed assets is that they  
4 are used by the government in support of its operations and are not intended  
5 for sale.

6 **20. Recognition of fixed assets will be very reliable when**  
7 **fixed assets have been received or delivered and ownership rights or**  
8 **when control is transferred.**

9 21. The recognition of an asset will be reliable if there is evidence  
10 that there has been a transfer of ownership and / or control legally, such as  
11 land certificates and proof of vehicle ownership. If the acquisition of a fixed  
12 asset is not supported by legal evidence because the required administrative  
13 process is still underway, such as an unsettled land purchase where the  
14 buying and selling process (deed) and a certificate of ownership is still with  
15 the authorities, then the asset must be recognized when there is evidence  
16 that control of the asset has been transferred, for example where payments  
17 and control over land titles in the name of the previous owner have occurred.

## 18 **FIXED ASSET MEASUREMENT**

19 **22. Fixed assets are valued at acquisition cost. If the valuation**  
20 **of fixed assets using the cost of acquisition is not possible then the**  
21 **value of fixed assets is based on the fair value at the time of acquisition.**

22 23. The cost of fixed assets constructed by way of self-  
23 management includes the direct costs for labor, raw materials, and indirect  
24 costs, including the cost of planning and supervision, equipment, electricity,  
25 equipment rental, and all other costs incurred with respect to the construction  
26 of fixed assets.

## 27 **INITIAL VALUATION OF FIXED ASSETS**

28 **24. Tangible goods that meet the qualifications to be**  
29 **recognized as an asset and classified as a fixed asset should be**  
30 **measured initially at acquisition cost.**

31 **25. If the fixed assets are acquired without value, the cost of**  
32 **the asset is measured at fair value at the time the asset is acquired.**

33 26. A fixed asset may be received by the government as a gift or  
34 donation. For example, land may be awarded to a local government by a  
35 developer without value that enables the local government to build a parking  
36 lot, street, or a place for pedestrians. An asset may also be obtained free of  
37 value through the implementation of government authority. For example, due  
38 to authority and regulations, local governments confiscate land and buildings  
39 that will then be used as a place of government operation. For both of the  
40 above, the fixed assets acquired must be measured at fair value at the time  
41 the asset is acquired.

42 27. For the purposes of this statement, the use of fair value at the  
43 time of acquisition for the conditions in paragraph 25 does not constitute a  
44 process of revaluation and remains consistent with the cost as in paragraph

1 24. Revaluation referred to in paragraph 58 and other related paragraphs only  
2 applies to valuations for the next reporting period, not at the time of the initial  
3 acquisition.

4 **28. For the purposes of the initial balance sheet of an entity,**  
5 **the acquisition cost of fixed assets used is the fair value at the time the**  
6 **initial balance sheet is prepared. For the next period after the initial**  
7 **balance sheet date, for the acquisition of new fixed assets, the entity**  
8 **uses the acquisition cost or fair price if there is no acquisition cost.**

## 9 **Component Costs**

10 **29. The cost of a fixed asset comprises the purchase price or**  
11 **construction, including import duties and any costs directly attributable**  
12 **for bringing the asset to the condition that the asset can be made to**  
13 **work for its intended use.**

14 30. Examples of costs that are directly attributable are:

- 15 (a) the cost of site preparation;
- 16 (b) initial shipping charges (initial delivery), cost savings and handling  
17 costs;
- 18 (c) installation costs;
- 19 (d) professional fees such as architects and engineers; and
- 20 (e) construction costs.

21 31. Land is recognized the first time at acquisition cost. Acquisition  
22 cost includes the purchase price or the cost of land clearance, costs incurred  
23 in order to acquire rights, the cost of maturation, measurement, accumulation,  
24 and other costs incurred as well as those yet to be incurred until the land is  
25 ready for use. The value of land also includes the value of old buildings  
26 located on the land purchased if the old building is intended to be destroyed.

27 32. The acquisition cost of equipment and machinery describes the  
28 amount of expenditure that has been and remains to be conducted to acquire  
29 equipment and machinery until it is ready to use. These costs include the  
30 purchase price, freight costs, installation costs, and other direct costs to  
31 acquire and prepare until the equipment and machinery is ready for use.

32 33. The acquisition cost of buildings and structures describes all  
33 expenses incurred and yet to be incurred to acquire the building and  
34 structures until it is ready to use. These costs include the purchase price or  
35 construction cost, including the cost of IMB administration, notaries and tax.

36 34. The acquisition cost of roads, irrigation, and networks  
37 describes all costs incurred and yet to be incurred to acquire the roads,  
38 irrigation, and networks until they are ready to use. These costs include the  
39 cost of acquisition or construction costs and other costs incurred until the  
40 roads, irrigation and networks are ready to use.

41 35. The acquisition cost of other fixed assets describes all costs  
42 incurred and yet to be incurred to acquire those assets until they are ready to  
43 use.

44 36. Administrative costs and other general costs do not constitute  
45 components of the cost of a fixed asset as long as these costs are not directly

1 attributable to the cost of acquisition of the asset or bringing the assets to  
2 their working condition. Similarly, start-up costs and similar pre-production  
3 costs do not constitute part of the cost of an asset unless they are necessary  
4 to bring the asset to its working condition.

5 37. The acquisition cost of an asset to be constructed by a way of  
6 self-management is determined using the same principles as assets that are  
7 purchased.

8 38. Any trade discounts and rebates are deducted from the  
9 purchase price.

## 10 **Construction In Progress**

11 ***39. If the completion of the construction of a fixed asset***  
12 ***exceeds and or passes one budget year period, the asset remains***  
13 ***unfinished is classified and reported as construction in progress until***  
14 ***the asset is completed and ready for use.***

15 40. The Statement of Government Accounting Standards No. 08  
16 regarding Construction In Progress regulates in detail the treatment of assets  
17 under construction, including the details of the construction cost of a fixed  
18 asset that is carried out by self-management or carried out by a contractor. If  
19 not otherwise stated in this PSAP then the principles and details in PSAP 08  
20 apply.

21 41. Construction In Progress where the construction or  
22 manufacture has been completed and is ready to be used should be  
23 reclassified into one of the appropriate accounts in the post fixed assets.

## 24 **Joint Acquisition**

25 ***42. The acquisition cost of each fixed asset that is acquired***  
26 ***jointly is determined by allocating the combined price based on a***  
27 ***comparison of the fair value of each asset.***

## 28 **Exchanges of Assets**

29 ***43. A fixed asset can be acquired through exchange or partial***  
30 ***exchange of dissimilar assets or other assets. The cost of this kind of***  
31 ***post is measured at the fair value of the acquired assets, i.e. a value***  
32 ***equivalent to the carrying amount of the assets disposed of after***  
33 ***adjusting the amount for any cash or cash equivalents and other***  
34 ***liabilities transferred / delivered.***

35 ***44. A fixed asset can be obtained through the exchange of a***  
36 ***similar asset that has the same benefits and has a similar fair value. A***  
37 ***fixed asset can also be released in exchange for the ownership of a***  
38 ***similar asset. In these circumstances there are no recognized gains and***  
39 ***losses in this transaction. The costs of the newly acquired assets are***  
40 ***recorded at the carrying amount of the assets disposed.***

41 45. The fair value of assets received can provide evidence there is  
42 an impairment of the value of the assets disposed. In these circumstances,

1 assets that are disposed of must written-down and the value after the write-  
2 down represents the value of the assets received. Examples of exchanges of  
3 similar assets include the exchange of buildings, machinery, special  
4 equipment, and aircraft. If there are other assets in exchange, for instance  
5 cash or other liabilities, then it is indicated that the posts being exchanged do  
6 not have the same value.

7 **Asset Donations**

8 ***46. Fixed assets acquired from donations must be recorded at***  
9 ***fair value at the time of acquisition.***

10 47. Donations of property and equipment are defined as the  
11 unconditional transfer of a fixed asset to a single entity, for example a non-  
12 governmental enterprise provides a building to be used by a unit of  
13 government without any condition. The handover of the asset will be very  
14 reliable if supported by evidence of the legal transfer of ownership, such as a  
15 grant deed.

16 48. Excluding asset acquisition via donation, when the transfer of a  
17 fixed asset is connected with another entity's liability to the government, then  
18 the acquisition of the fixed asset should be treated as an acquisition of fixed  
19 assets with exchange. For example, a private company builds a fixed asset  
20 for the government with the requirement that the company's liability to the  
21 government will be deemed to have been settled.

22 49. If the acquisition of a fixed asset meets the criteria of an asset  
23 acquired by donation, then the acquisition is recognized as government  
24 revenue and the same amount is reconized as capital expenditure in the  
25 budget realization report.

26 **SUBSEQUENT EXPENDITURES**

27 ***50. Expenditures after the initial acquisition of a fixed asset***  
28 ***that extends the useful life or likely future economic benefits in the form***  
29 ***of capacity, production quality, or standard of performance, must be***  
30 ***added to the carrying amount of the asset.***

31 51. Capitalization of costs referred to in paragraph 50 should be  
32 set out in the accounting policies of an entity, such as the criteria in  
33 paragraphs 50 and / or the particular capitalization thresholds to be used in  
34 the determination of whether an expenditure should be capitalized or not.

35 52. Because government organizations vary greatly in the amount  
36 and use of fixed assets, the capitalization thresholds cannot be uniform for all  
37 existing entities. Each entity should set limits on the amount of capitalization  
38 by considering their financial condition and operations. When it is established,  
39 the capitalization thresholds must be applied consistently and disclosed in the  
40 Notes to the Financial Statements.

1       **SUBSEQUENT MEASUREMENT TO INITIAL**  
2       **RECOGNITION**

3               ***53. Fixed assets are presented at the acquisition cost of the***  
4       ***fixed assets less accumulated depreciation. In the event of conditions***  
5       ***that allow for revaluation, the asset will still be presented with an***  
6       ***adjustment to the accounts Fixed Assets and Investments in Fixed***  
7       ***Assets respectively.***

8       **Depreciation**

9               54. Adjustments to the value of fixed assets are carried out by  
10       various methods, systematically and in accordance with the benefits. The  
11       depreciation method used must be able to describe the economic benefits or  
12       potential service that will flow to the government. Depreciation for each period  
13       is recognized as a reduction in the carrying amount of fixed assets and  
14       Investments in Fixed Assets.

15              55. The useful life of depreciable fixed assets must be reviewed  
16       periodically and if there is a major difference from previous estimates, the  
17       depreciation period now and in the future must be adjusted.

18              56. The depreciation methods that can be be used include, among  
19       others:  
20       (a)   The straight line method; or  
21       (b)   The double declining balance method; or  
22       (c)   The unit of production method.

23              ***57. Besides land and construction in progress, all fixed assets***  
24       ***are depreciated according to the nature and characteristics of the***  
25       ***assets.***

26       **Revaluation of Fixed Assets**

27              ***58. Reappraisal or revaluation of fixed assets is generally not***  
28       ***allowed because the Government Accounting Standards adopt asset***  
29       ***valuation at cost or the price of exchange. Deviations from this***  
30       ***provision may be performed under government provisions that apply***  
31       ***nationally.***

32              59. In this case, the financial statements should explain the  
33       deviation from the historical cost basis in the presentation of fixed assets and  
34       the effect of such deviations on an entity's financial picture. The difference  
35       between the revaluation with the carrying amount of fixed assets is recorded  
36       in account Investments in Fixed Asset.

37       **ACCOUNTING FOR LAND**

38              ***60. Land owned and / or controlled by the government is not***  
39       ***treated specially, and in principle follows the provisions as set out in***  
40       ***the statement on accounting for fixed assets.***

1                   61. Unlike non-governmental institutions, the government is not  
2 limited to a specific period for ownership and / or control of land that can be in  
3 the form of use rights, management rights, and other land rights made  
4 possible by applicable laws and regulations. Therefore, after the initial  
5 acquisition of land, the government does not require to pay a fee to maintain  
6 the rights to the land. Land meets the definition of a fixed asset and should be  
7 treated in accordance with the principles that exist in this Standard.

8                   **62. Recognition of overseas land as a fixed asset is possible**  
9 **only if the acquisition agreement and the applicable laws and**  
10 **regulations in the country where the Mission of the Republic of**  
11 **Indonesia is located indicate permanent control.**

12                   63. Land owned or controlled by government agencies abroad, for  
13 example land used for Missions of the Republic of Indonesia abroad, should  
14 pay attention to the content of the acquisition agreement and the applicable  
15 laws and regulations in force in the country the Mission of the Republic of  
16 Indonesia is located. This is necessary to determine whether the acquisition  
17 of the land is permanent or temporary. Land tenure rights are considered  
18 permanent if the land right constitutes a strong right among the land rights of  
19 the country with no time limit.

20                   **HERITAGE ASSETS**

21                   **64. This Standard does not require the government to present**  
22 **heritage assets on the balance sheet, but the assets must be disclosed**  
23 **in the Notes to the Financial Statements.**

24                   65. Some assets are described as heritage assets because  
25 cultural, environmental, and historical significance. Examples of heritage  
26 assets are historic buildings, monuments, archaeological sites such as  
27 temples, and works of art. Some of the following characteristics are often  
28 regarded as hallmarks of heritage assets:

- 29                   (a) The cultural, environmental, educational, and historical value may not  
30 be fully represented by the financial value based on the market price;  
31                   (b) The applicable laws and regulations prohibit or strictly limit the release  
32 for sale;  
33                   (c) It is not easy to be replaced and its value will continue to rise over time  
34 even though the physical condition has declined;  
35                   (d) It is difficult to estimate the useful life. In some cases it can reach  
36 hundreds of years.

37                   66. Heritage assets are normally expected to be maintained for an  
38 unlimited time. Heritage assets are usually evidenced by laws and  
39 regulations.

40                   67. The government may have a many historic assets acquired  
41 over the years and by various methods including purchase, donation,  
42 inheritance, booty, or confiscation. These assets are rarely controlled due to  
43 the reason of the ability to generate cash inflows, and will have social and  
44 legal problems when used for such purposes.

- 1           68. Heritage assets should be presented in the form of units, such  
2 as the number of units owned in a collection or the number of units of  
3 monuments, in the Notes to the Financial Statements with no value.
- 4           69. Costs for the acquisition, construction, improvement and  
5 reconstruction must be charged as expenses in the statement of operations in  
6 the year the expenditures are incurred. Expenses include all expenses that  
7 occur to render the heritage asset to its existing condition and location in the  
8 current period.
- 9           **70. Some heritage assets also provide other potential benefits**  
10 **to the government other than historical value, for example historical**  
11 **buildings used for office space. For such cases, the assets will apply**  
12 **the same principles as other fixed assets.**
- 13           71. For other historical assets, the potential benefits are limited to  
14 the historical characteristics, for example, monuments and ruins.

## 15       **INFRASTRUCTURE ASSETS**

- 16           72. Some assets are usually considered as infrastructure assets.  
17 Although there is no universal definition used, these assets usually have the  
18 following characteristics:
- 19       (a) Represents a portion of a system or network;  
20       (b) Its special and there are no other alternative uses;  
21       (c) Not able to be moved; and  
22       (d) There are limits to its disposal.
- 23           **73. Although ownership of infrastructure assets is not only by**  
24 **the government, significant infrastructure assets are often found to be**  
25 **an asset of government. Infrastructure assets meet the definition of a**  
26 **fixed asset and should be treated in accordance with the principles that**  
27 **exist in this Standard.**
- 28           74. Examples of infrastructure assets are networks, roads and  
29 bridges, drainage systems, and communication networks.

## 30       **MILITARY ASSETS**

- 31           **75. Military equipment, whether general or particular, meets**  
32 **the definition of a fixed asset and should be treated in accordance with**  
33 **the principles that exist in this Standard.**

## 34       **RETIREMENT AND DISPOSAL**

- 35           **76. A fixed asset is eliminated from the balance sheet when it**  
36 **is disposed of or when the asset's use is permanently retired and there**  
37 **no future economic benefits.**
- 38           **77. Fixed assets that are permanently retired or disposed of**  
39 **should be eliminated from the balance sheet and disclosed in the Notes**  
40 **to the Financial Statements.**



1                    **78. Fixed assets that are retired from active use by**  
2 **government do not meet the definition of fixed assets and must be**  
3 **transferred to the post other assets in accordance with the carrying**  
4 **amount.**

## 5                    **DISCLOSURE**

6                    **79. The financial statements must disclose, for each type of**  
7 **fixed asset, the following:**

- 8                    **(a) The basis of valuation used to determine the carrying amount;**  
9                    **(b) Reconciliation of carrying amounts at the beginning and end of the**  
10 **period showing:**  
11                    **(1) Additions;**  
12                    **(2) Disposals;**  
13                    **(3) Accumulated depreciation and changes in value, if any;**  
14                    **(4) Movements to other fixed assets.**  
15                    **(c) Depreciation information includes:**  
16                    **(1) The depreciation value;**  
17                    **(2) The depreciation method used;**  
18                    **(3) The useful life or the depreciation rates used;**  
19                    **(4) the gross carrying amount and accumulated depreciation at**  
20 **the beginning and end of the period;**

21                    **80. The financial statements should also disclose:**

- 22                    **(a) The existence and ownership limits of fixed assets;**  
23                    **(b) The accounting policies related to the capitalization of fixed**  
24 **assets;**  
25                    **(c) Total expenditure in the post fixed assets under construction; and**  
26 **(d) The number of commitments for the acquisition of fixed assets.**

27                    **81. If the fixed assets are recorded at revalued amounts, the**  
28 **following matters should be disclosed:**

- 29                    **(a) Basic rules for revaluing fixed assets;**  
30                    **(b) The effective date of the revaluation;**  
31                    **(c) The name of an independent appraiser, if any;**  
32                    **(d) The nature of any instructions used to determine replacement cost;**  
33                    **(e) The carrying amount of each type of fixed asset;**

## 34                    **DATE OF EFFECT**

35                    **82. This Statement of Government Accounting Standards can**  
36 **be applied to financial reports of the budget up to budget year 2014.**

ATTACHMENT II.09  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 08**

**ACCOUNTING FOR CONSTRUCTION IN  
PROGRESS**

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **STATEMENT NO. 08**  
3       **ACCOUNTING FOR CONSTRUCTION IN PROGRESS**

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

8       **INTRODUCTION**

9       **OBJECTIVE**

- 10               1. The objective of the Construction in Progress Standard is to  
11       prescribe the accounting treatment for construction in progress using the  
12       historical value method. The main problem in accounting for Construction In  
13       Progress is the amount of cost to be recognized as an asset that must be  
14       recorded until the construction is completed.
- 15               2. This Standard provides guidance for:
- 16       (a) identification of the work that can be classified as the Construction In  
17       Progress;
- 18       (b) determining the amount costs that are capitalized and presented in the  
19       balance sheet;
- 20       (c) determining the basis for recognition and disclosure for the cost of  
21       construction.

22       **SCOPE**

- 23               3. ***An accounting entity that undertakes the construction of***  
24       ***fixed assets to be used in the implementation of government and / or***  
25       ***community activities within a certain time period, both for the***  
26       ***implementation of self-managed construction as well as construction***  
27       ***performed by third parties, is required to implement this standard.***
- 28               4. The nature of construction activities is generally long-term, so  
29       that the start date of activity implementation and the date of activity  
30       completion usually fall into different accounting periods.

31       **DEFINITIONS**

- 32               5. ***The following are terms used in this Standard:***
- 33       **Construction in progress are fixed assets under construction.**
- 34       **Construction contract is a commitment made specifically for the**  
35       **construction of an asset or a combination of assets closely related to**

1 *each other or interdependent in terms of design, technology and*  
2 *function or purpose or primary use.*

3 ***Contractor** is an entity that holds a contract to build assets or provide*  
4 *construction services for the benefit of other entities in accordance with*  
5 *the specifications set forth in the construction contract.*

6 ***Advances** are amounts received by the contractor before the work is*  
7 *done in the context of a construction contract.*

8 ***Claims** are amounts requested by the contractor from the employer as*  
9 *reimbursement of costs that were not included in the contract value.*

10 ***Employer** is the entity that enters into a construction contract with a*  
11 *third party to build or provide construction services.*

12 ***Retention** is the number of terms (progress billing) that have not been*  
13 *paid to the fulfillment of the conditions specified in the contract for the*  
14 *payment of the amount.*

15 ***Installment (progress billing)** is the amount charged for work done*  
16 *under a contract, whether already paid or has not been paid by the*  
17 *employer.*

## 18 **CONSTRUCTION IN PROGRESS**

19 6. Construction In Progress includes land, equipment and  
20 machinery, buildings and construction, roads, irrigation and networks, as well  
21 as other fixed assets that the acquisition and / or construction of which  
22 requires a certain period of time and has not been completed. Acquisition  
23 through construction contracts generally requires a certain period of time. The  
24 time period of acquisition could be more or less than one accounting period.

25 7. Acquisition of assets can be performed by construction through  
26 self-management or through a third party with a construction contract.

## 27 **CONSTRUCTION CONTRACT**

28 8. Construction contracts can be associated with the acquisition  
29 of a number of assets that are closely related or mutually dependent on each  
30 other in terms of design, technology, function or purpose, and main use.  
31 Contracts such as this are, for example, the construction of irrigation  
32 networks.

33 9. Construction contracts may include:

- 34 (a) contracts for the acquisition of services directly related to the planning  
35 and construction of an asset, such as architectural services;
- 36 (b) contracts for the acquisition or construction of assets;
- 37 (c) contracts for the acquisition of services directly related to the  
38 supervision of the construction of assets which includes construction  
39 management and value engineering;

1 (d) contracts to dismantle or restore assets and environmental restoration.

2 **UNIFICATION AND SEGMENTATION OF CONSTRUCTION**  
3 **CONTRACTS**

4 10. The provisions of this standard apply separately to each  
5 construction contract. However, in certain circumstances, it is necessary to  
6 apply this statement to a single construction contract component which can  
7 be separately identified, or to a group of construction contracts jointly in order  
8 to reflect the nature of a construction contract or group of construction  
9 contracts.

10 ***11. If a construction contract covers a number of assets, the***  
11 ***construction of each asset is treated as a separate construction***  
12 ***contract when all the following conditions are met:***

- 13 (a) ***Separate proposals have been submitted for each asset;***  
14 (b) ***Each asset has been the subject of separate negotiation and the***  
15 ***contractor and the employer can accept or reject that part of***  
16 ***contract relating to each asset;***  
17 (c) ***The costs of each asset can be identified.***

18 12. A contract may provide for the construction of an  
19 additional asset at the request of the employer or can be modified so  
20 that construction of additional assets can be incorporated into the  
21 contract. The additional construction is treated as a separate  
22 construction contract when:

- 23 (a) ***The additional asset differs significantly in design, technology or***  
24 ***function with the assets covered by the original contract; or***  
25 (b) ***The price of the additional asset is determined without regard to***  
26 ***the original contract price.***

27 **RECOGNITION OF CONSTRUCTION IN PROGRESS**

28 13. A tangible object must be recognized as Construction In  
29 Progress if:

- 30 (a) ***it is probable that the future economic benefits related the assets***  
31 ***will be obtained;***  
32 (b) ***the acquisition cost can be measured reliably; and***  
33 (c) ***the asset is still under construction.***

34 14. Construction In Progress usually forms an asset which is  
35 intended for use in the operations of government or used by the public  
36 in the long term and is therefore classified as a fixed asset.

37 15. Construction In Progress is transferred to the relevant  
38 fixed assets post if the following criteria are met:

- 39 (a) ***Construction is substantially completed; and***

1       **(b) Can provide benefits / services in accordance with purpose of the**  
2       **acquisition.**

3               16. Construction In Progress is transferred to the relevant fixed  
4       asset account after the construction work is declared complete and ready for  
5       use in accordance with the purpose of acquisition.

## 6       **MEASUREMENT**

7               **17. Construction In Progress is recorded at the cost of**  
8       **acquisition.**

### 9       **Construction Cost**

10              **18. The value of construction which is self-managed includes,**  
11       **among others:**

12       **(a) costs directly related to construction activity;**

13       **(b) costs that are attributable to the activity generally and can be**  
14       **allocated to the construction; and**

15       **(c) any other costs specifically charged in connection with the**  
16       **construction concerned.**

17              19. Costs directly related to the construction activity include,  
18       among others, the:

19       (a) cost of field workers including supervisors;

20       (b) cost of materials used in construction;

21       (c) cost of removal of facilities, equipment, and materials to and from the  
22       construction site;

23       (d) cost of hiring plant and equipment;

24       (e) cost of design and technical assistance that is directly related to the  
25       construction.

26              20. The costs that can be attributed to the construction activity  
27       generally and can be allocated to a particular construction include:

28       (a) Insurance;

29       (b) The cost of design and technical assistance that are not directly related  
30       to the particular construction;

31       (c) Other costs that can be identified for the relevant construction activity  
32       such as inspection fees.

33       Such costs are allocated using methods that are systematic and rational and  
34       are applied consistently to all costs that have similar characteristics. The cost  
35       allocation method that is recommended is the weighted average based on the  
36       proportion of direct costs method.

37              **21. The value of construction carried out by a contractor**  
38       **through construction contracts includes:**

- 1       **(a) Installments that has been paid to the contractor in connection**  
2       **with the level of completion of work;**
- 3       **(b) Liabilities which are still to be paid to the contractor in connection**  
4       **with the work that has been received but not yet paid at the**  
5       **reporting date;**
- 6       **(c) Claim payments to the contractor or a third party in connection**  
7       **with the execution of the construction contract.**
- 8               22. Contractor includes the prime contractor and subcontractors.
- 9               23. Payment for the construction contract is generally done in  
10       stages (installments) based on the level of completion specified in the  
11       construction contract. Any payments made are recorded as an addition to the  
12       value of Construction In Progress.
- 13              24. Claims can arise, for instance, from delays caused by the  
14       employer, errors in specifications or design and disputes over irregularities in  
15       the contract.
- 16              **25. If the construction is financed from a loan then the**  
17       **borrowing costs incurred during construction are capitalized and**  
18       **increase the cost of the construction, as long as the costs can be**  
19       **reliably identified and assigned.**
- 20              26. Borrowing costs include interest charges and other costs  
21       incurred in connection with the loans used to finance the construction.
- 22              **27. The amount of borrowing costs capitalized must not**  
23       **exceed the total cost of interest paid and accrued in the period in**  
24       **question.**
- 25              **28. If a loan is used to finance several of the assets acquired**  
26       **in a given period, the cost of borrowing for the period is allocated to**  
27       **each construction with the weighted average method to the total**  
28       **construction cost expenditure.**
- 29              **29. If the construction activities are temporarily suspended**  
30       **not because of force majeure events then the borrowing costs paid**  
31       **during the period of construction suspension are capitalized.**
- 32              30. Suspension of construction contract work can occur for several  
33       reasons, such as force majeure conditions or any interference from the  
34       employer or the authorities for various reasons. If the termination is due to the  
35       interference of the employer or the authorities, borrowing costs are capitalized  
36       during the suspension. Conversely, if a suspension is due to force majeure  
37       conditions, the borrowing costs are not capitalized but are recorded as  
38       interest expense in the period in question.
- 39              **31. A construction contract that includes several types of jobs**  
40       **which are completed at different times, then the type of job that has**  
41       **been completed does not take into account the cost of borrowing.**  
42       **Borrowing costs are capitalized only for the type of work that is still in**  
43       **progress.**



1                   32. Suatu kontrak konstruksi dapat mencakup beberapa jenis aset  
2 yang masing-masing dapat diidentifikasi sebagaimana dimaksud dalam  
3 paragraf 12. Jika jenis-jenis pekerjaan tersebut diselesaikan pada titik waktu  
4 yang berlainan maka biaya pinjaman yang dikapitalisasi hanya biaya  
5 pinjaman untuk bagian kontrak konstruksi atau jenis pekerjaan yang belum  
6 selesai. Bagian pekerjaan yang telah diselesaikan tidak diperhitungkan lagi  
7 biaya pinjaman.

8                   **DISCLOSURE**

9                   **33. An entity must disclose information about Construction In**  
10 **Progress at the end of the accounting period:**

- 11                   **(a) Details of construction contracts in progress follow the completion**  
12 **rate and period of completion;**  
13                   **(b) The value of construction contracts and funding sources;**  
14                   **(c) Total costs incurred and accrued;**  
15                   **(d) Advances provided;**  
16                   **(e) Retention.**

17                   34. Construction contracts generally contain provisions concerning  
18 retention, for example, installment payments withheld by the employer during  
19 the maintenance period. Retention amounts are disclosed in the Notes to the  
20 Financial Statements.

21                   35. Assets can be financed from a particular source of funding.  
22 Inclusion of the source of funds is intended to give an overview of funds and  
23 the absorption until a specific date.

24                   **DATE OF EFFECT**

25                   **36. This Statement of Government Accounting Standards can**  
26 **be applied to financial reports of the budget up to budget year 2014.**

ATTACHMENT II.10  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 09**

**ACCOUNTING FOR LIABILITIES**

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1       **GOVERNMENT ACCOUNTING STANDARD**  
2       **STATEMENT NUMBER 09**  
3       **LIABILITIES**

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

8       **INTRODUCTION**

9       **Objective**

- 10       1. The objective of this Standard is to regulate the accounting treatment  
11       of liabilities including current recognition, the determination of the  
12       carrying amount, amortization, and borrowing costs charged against  
13       the liability.

14       **Scope**

- 15       2. *This Standard applies to all government units that present*  
16       *general purpose financial statements and regulates accounting*  
17       *treatments, including recognition, measurement, presentation*  
18       *and required disclosures.*

- 19       3. *This Standard regulates:*

- 20       (a) *Accounting for Government Liabilities, including short-term*  
21       *liabilities and long-term liabilities arising from Domestic Debt and*  
22       *Foreign Debt.*  
23       (b) *The accounting treatment for transactions in foreign currency*  
24       *loans.*  
25       (c) *The accounting treatment for transactions in foreign currency*  
26       *loans.*  
27       (d) *The accounting treatment for the costs arising from government*  
28       *debt.*

29       *Subparagraphs (b), (c) and (d) above prevail to the extent there are no*  
30       *special regulations in a separate standard concerning such matters.*

- 31       4. This Standard does not regulate:

- 32       (a) Accounting for Estimated Liabilities and Contingent Liabilities.  
33       (b) Accounting for Derivative Instruments and Hedging Activities.  
34       (c) Transactions in foreign currencies arising from transactions other than  
35       lending transactions denominated in a foreign currency as in paragraph  
36       3 (b).

37       Subparagraphs (a) and (b) are regulated in this standard statement  
38       separately.

1           **DEFINITION**

2           5. The following are terms used in this Standard:

3           ***Amortization** is the systematic allocation of the premium or discount*  
4           *over the life of the government debt.*

5           ***Qualifying Assets** are assets that require considerable time to be*  
6           *prepared for use or sale in accordance with its purpose.*

7           ***Borrowing costs** are interest and other costs that must be borne by the*  
8           *government in connection with the borrowing of funds.*

9           ***Debtor** is a party that receives loans from creditors.*

10          ***Discount rate** is the amount of the difference between the present value*  
11          *of a liability with the maturity value of liability due to the nominal*  
12          *interest rate being lower than the effective interest rate.*

13          ***Reporting entity** is a government unit consisting of one or more*  
14          *accounting entities or reporting entities which in accordance with the*  
15          *provisions of laws and regulations are required to submit an*  
16          *accountability report in the form of financial statements.*

17          ***Liabilities** are debts arising from past events the settlement of which*  
18          *results in outflows of economic resources of the government.*

19          ***Creditor** is the party that provides the debt to the debtor.*

20          ***Estimated liability** is a liability where the amount and time is uncertain.*

21          ***Contingent liabilities** are:*

- 22          (a) *potential liabilities arising from past events and the existence of*  
23             *which becomes certain with the occurrence or non-occurrence of*  
24             *one or more events in the future that are not entirely within the*  
25             *control of an entity, or*  
26          (b) *present liabilities arising as a result of the past, but are not*  
27             *recognized because:*  
28             (1) *it is not probable that an entity will expend resources*  
29                *containing economic benefits to settle the liability, or*  
30             (2) *the amount of liability cannot be measured reliably.*

31          ***Exchange rate** is the ratio of the exchange of two currencies.*

32          ***Straight-line method** is the method of allocation of a premium or*  
33          *discount with the same amount for government debt securities*  
34          *throughout the period.*

35          ***Nominal value** is the value of government liabilities the first time the*  
36          *transaction took place, as marked on the value of government debt.*  
37          *Subsequent economic flows, such as payment transactions, valuation*  
38          *changes due to changes in foreign exchange rates, and other changes*  
39          *in addition to changes in market value, are taken into account by*  
40          *adjusting the carrying amount of the liability.*

41          ***Carrying amount** of a liability is the book value of a liability which is*  
42          *calculated from the nominal value after deduction or addition of a*  
43          *discount or unamortized premium.*

1 **Bonds are Government Securities with a maturity of more than 12**  
2 **(twelve) months with a coupon and / or with a discounted interest**  
3 **payment.**

4 **Third Party Calculation, hereinafter referred to PFK, is government debt**  
5 **to another party caused by the position of the government cutting taxes**  
6 **or other charges, such as the Income Tax, Value Added Tax, Askes fees,**  
7 **Taspen, and Taperum.**

8 **Premium is the amount of the excess of the present value of the liability**  
9 **with the maturity value of liability because the nominal interest rate is**  
10 **higher than the effective interest rate.**

11 **Debt restructuring is an agreement between the creditor and the debtor**  
12 **to modify the terms of a debt agreement with or without a reduction in**  
13 **the amount of debt, in the form of:**

- 14 (a) Refinancing, that is, replacing old debt with new debt, ***including***  
15 ***arrears; or***
- 16 (b) Rescheduling or modification of debt terms that change the terms  
17 and conditions of the existing contract. Debt rescheduling may  
18 take the form of:
- 19 (1) ***Changes in the payment schedule,***  
20 (2) ***Additions to the grace period, or***  
21 (3) ***Schedule a back up payment plan of principal and interest***  
22 ***due and / or delinquent.***

23 **Government debt securities are securities in the form of government**  
24 **debt instruments that can be traded and have a maturity value or**  
25 **redemption value at the time of issue, such as Government Bonds.**

26 **Treasury Bills are Government Securities with a maturity of up to 12**  
27 **(twelve) months with discounted interest payment.**

28 **Government Bonds are securities in the form of debt instruments**  
29 **denominated in rupiah or foreign currency where the debt principal and**  
30 **interest payments are guaranteed by the Republic of Indonesia,**  
31 **according to the period of validity.**

32 **Arrears are liability amounts owed due to the inability of the entity to**  
33 **pay debt principal and / or interest according to schedule.**

## 34 **GENERAL**

- 35 6. The main characteristic of a liability is that the government has a  
36 present obligation the settlement of which results in the sacrifice of  
37 economic resources in the future.
- 38 7. Liabilities generally arise due to the consequences of the  
39 implementation of duties or responsibilities to act in the past. In the  
40 context of the government, liabilities arise partly because of the use of  
41 loan funding sources from the public, financial institutions, government  
42 entities, or international agencies. Government liabilities may also  
43 occur due to the engagement of employees who work for the  
44 government, liabilities to the wider community, i.e. benefit liabilities,

- 1 compensation, damages, excess deposits of tax from taxpayers, the  
2 allocation / reallocation of revenue to other entities, or liabilities with  
3 other service providers.
- 4 8. Every liability can be imposed by law as a consequence of a binding  
5 contract or laws and regulations.

6 **CLASSIFICATION OF LIABILITIES**

- 7 **9. Every reporting entity discloses any item of liability including**  
8 **amounts expected to be settled in 12 (twelve) months and more**  
9 **than 12 (twelve) months after the reporting date.**
- 10 10. Information on the due date of a financial liability is useful for  
11 assessing the liquidity and solvency of a reporting entity. Information  
12 about the date of settlement of a liability such as debt to third parties  
13 and debt interest is also useful to determine the whether the liability is  
14 classified as a short-term or long-term liability.
- 15 **11. A liability is classified as a short-term liability if it is expected to**  
16 **be paid within 12 (twelve) months after the reporting date. All**  
17 **other liabilities are classified as long-term liabilities.**
- 18 12. Short-term liabilities can be categorized in the same way as current  
19 assets. Short-term liabilities, such as government debt transfers or  
20 debts to employees, are the liabilities that will absorb current assets in  
21 the following reporting year.
- 22 13. Other short-term liabilities are liabilities due within 12 (twelve) months  
23 after the date of reporting, such as interest on loans, short-term debt to  
24 a third party, Third Party Calculation (PFK), and the current portion of  
25 long-term debt.
- 26 **14. A reporting entity continues to classify a liability as long-term,**  
27 **even though the liability is due and will be finalized within 12**  
28 **(twelve) months after the reporting date if:**
- 29 (a) **the original term was for a period of more than 12 (twelve) months,**  
30 **and;**
- 31 (b) **the entity intends to refinance the obligation on a long-term basis;**  
32 **and**
- 33 (c) **this intention is supported by the existence of a refinancing**  
34 **agreement, or the rescheduling of the payment, which was**  
35 **finalized before the financial statements were approved.**
- 36 15. The amount of any liability incurred from short-term liabilities in  
37 accordance with the preceding paragraph, together with information  
38 supporting this presentation, is disclosed in the Notes to the Financial  
39 Statements.
- 40 16. Some liabilities which are due to be repaid in the next year may be  
41 expected to be refinanced or rolled over based on the policy of the  
42 reporting entity and is expected this will not immediately absorb the  
43 entity's funding. Such liabilities are considered to be a part of long-term  
44 funding and classified as long-term liabilities. But in situations where

- 1            refinancing is not in the entity (as in the case of an absence of funding  
2            approval), refinancing can not be considered automatic and the  
3            liabilities are classified as short-term unless settlement of the  
4            refinancing agreement before the approval of financial statements  
5            proves that the substance of the liability at the reporting date is long-  
6            term.
- 7            17. Some loan agreements include certain requirements (covenants) that  
8            cause long-term liabilities to become current liabilities (payable on  
9            demand) if certain requirements relating to the financial position of the  
10           borrower are violated. In such circumstances, the liabilities can be  
11           classified as long-term liabilities only if:
- 12           (a) the lender has agreed not to seek repayment as a consequence of the  
13           breach, and,  
14           (b) there is a guarantee that there will be no subsequent violations within 12  
15           (twelve) months after the reporting date.

## 16            **RECOGNITION OF LIABILITIES**

- 17            **18. Liabilities are recognized when it is probable that expenditure of**  
18            **economic resources will be made to settle existing liabilities until**  
19            **the time of reporting, and changes to the liability has a settlement**  
20            **value that can be measured reliably.**
- 21            19. The existence of past events (in this case including transactions) is  
22            very important in the recognition of liabilities. An event is an  
23            occurrence with a financial consequence to an entity. An event may  
24            include an internal event within an entity, such as the transformation of  
25            raw materials into a product, or may be an external event that involves  
26            interaction between an entity with its environment, such as  
27            transactions with other entities, natural disasters, theft, vandalism, and  
28            damage due to an accident.
- 29            20. A transaction involves the transfer of something that has value. The  
30            transaction may be a transaction with an exchange or without an  
31            exchange. The distinction between transactions with exchange or  
32            without exchange is very important for determining the time of liability  
33            recognition.
- 34            **21. Liabilities are recognized when loan funds are received by the**  
35            **government and / or at the time the liabilities arise.**
- 36            22. Liabilities can arise from:
- 37            (a) exchange transactions;  
38            (b) non-exchange transactions, according to applicable laws and policies  
39            that apply, and which have not been paid in full up to the date of  
40            reporting;  
41            (c) government-related events;  
42            (d) government-acknowledged events.
- 43            **23. An exchange transaction arises when each party to the**  
44            **transaction sacrifices and receives something of value in return.**



1       ***There are two reciprocal flows of resources or promises to***  
2       ***provide the resources. In a transaction with exchange, liabilities***  
3       ***are recognized when one party receives goods or services in***  
4       ***exchange for a promise to give money or other resources in the***  
5       ***future.***

6       24. An example of an exchange transaction is when government  
7       employees provide services in exchange for obtaining compensation  
8       consisting of salaries and other employee benefits. An exchange  
9       transaction arises because both parties (employer and the recipient of  
10      work) receive and sacrifice value. Compensation liabilities include  
11      unpaid wages, services that have been delivered and other employee  
12      benefits costs associated with the service period.

13      ***25. A transaction without exchange arises when one party in a***  
14      ***transaction receives value without directly giving or promising***  
15      ***value in return. In this case, there is only one direction of the flow***  
16      ***of resources or promises. For transactions without exchange, a***  
17      ***liability should be recognized for the outstanding amount unpaid***  
18      ***at the reporting date.***

19      26. Some types of grants and public assistance programs and others  
20      specific to the reporting entity form transactions without exchange.  
21      When the central government transfers ownership of a program or  
22      provides grants or allocate funds to local governments, the payment  
23      terms are determined by the existing laws and regulations and not by  
24      the exchange transaction.

25      ***27. A government-related event is an event that is not based on the***  
26      ***transaction but by the interaction between the government and***  
27      ***the environment. These events may be beyond the control of the***  
28      ***government. In general, a liability is recognized in relation to***  
29      ***events associated with the Government, on an equal basis with***  
30      ***events that arise from exchange transactions.***

31      28. When the government inadvertently causes damage to private  
32      property, the event creates a liability, as long as applicable laws and  
33      policies allow the government to pay for the damage, and as long as  
34      the payment amount can be estimated reliably. An example of this  
35      event is accidental damage to private property caused by the  
36      implementation of government activities.

37      ***29. Government-recognized events are events not based on a***  
38      ***transaction, but have financial consequences for the government***  
39      ***because the government has decided to respond to the event.***  
40      ***The government has broad responsibility for providing public***  
41      ***welfare. To that end, the Government is often assumed to be***  
42      ***responsible for events that are not regulated in formal***  
43      ***regulations. Consequently, the costs of the various events, which***  
44      ***are caused by non-governmental entities and natural disasters,***  
45      ***are ultimately the responsibility of the government. However,***  
46      ***these costs can not meet the definition of a liability until the***  
47      ***government formally recognizes it as the government's financial***

- 1                    ***responsibility, and a transaction for the costs incurred in***  
2                    ***connection with the event has occurred with exchange for without***  
3                    ***exchange.***
- 4                    30. In other words, the government should recognize a liability and  
5                    expense for the conditions in paragraph 29 when they meet the  
6                    following two criteria: (1) the Legislature has approved or authorized  
7                    the resources that will be used, (2) exchange transactions arise (eg,  
8                    when a contractor perform repairs) or there are unpaid amounts from  
9                    non-exchange transactions still owed at the reporting date (eg direct  
10                    payments to victims of the disaster).
- 11                    31. The following example illustrates the recognition of liability of a  
12                    government recognized event. A natural disaster damages cities in  
13                    Indonesia and the DPR authorizes expenditures to cope with the  
14                    disaster. This incident has consequences for the government's  
15                    finances since it has decided to provide disaster relief to those cities.  
16                    Transactions related with it, including the contribution of the  
17                    government to individuals and the work of contractors who are paid by  
18                    the government, are recognized as transactions with exchange or  
19                    without exchange. In the case of exchange transactions, the amounts  
20                    owed for goods and services provided to the government are  
21                    recognized when the goods are delivered or the work is completed. In  
22                    the case of non-exchange transactions, a liability should be recognized  
23                    for unpaid amounts still owed at the reporting date. Such liabilities  
24                    include the amounts charged to the government to pay benefits and  
25                    goods or services that have been provided according to the  
26                    requirements of the existing program at the government reporting date.

27                    **MEASUREMENT OF LIABILITIES**

- 28                    ***32. Liabilities are recorded at nominal value. Liabilities denominated***  
29                    ***in foreign currencies are translated and expressed in rupiah.***  
30                    ***Foreign currency translation is performed using the central bank***  
31                    ***middle rate at the balance sheet date.***
- 32                    33. The nominal value of a liability reflects the value of the government  
33                    liability at the first time the transaction took place, such as the value  
34                    marked on the government debt security. Subsequent economic flows,  
35                    such as payment transactions, valuation changes due to changes in  
36                    foreign exchange rates, and other changes other than changes in  
37                    market value, are calculated by adjusting the carrying amount of the  
38                    liability.
- 39                    34. The use of the nominal value in assessing liabilities follows the  
40                    characteristics of each post. The following paragraphs outline the  
41                    application of the nominal value for each liability post in the financial  
42                    statements.

- 1                   **Debts to Third Parties (Accounts Payable)**
- 2                   ***35. At the moment the government receives the right to goods,***
- 3                   ***including goods in transit to which the government has a right,***
- 4                   ***the government must recognize the liability for unpaid amounts***
- 5                   ***for the goods.***
- 6                   ***36. If the contractor building the facility or equipment in accordance with***
- 7                   ***the existing specifications in the contract agreement with the***
- 8                   ***government, the amount recorded should be based on the physical***
- 9                   ***realization of the progress of the work in accordance with the work in***
- 10                  ***progress official report.***
- 11                  ***37. The amounts for liabilities due to transactions between***
- 12                  ***government units must be separated from liabilities to non-***
- 13                  ***governmental units.***

- 14                  **Debt Interest (Accrued Interest)**
- 15                  ***38. Debt interest on government debt must be recorded at cost of the***
- 16                  ***interest that has occurred and has not been paid. Interest can***
- 17                  ***arise from government debt both from within and outside the***
- 18                  ***country. Unpaid debt interest on government debt must be***
- 19                  ***recognized at the end of each reporting period as part of the***
- 20                  ***related liability.***
- 21                  ***39. Measurement and presentation of debt interest as above also***
- 22                  ***applies to securities issued by the central government in the form of***
- 23                  ***Government Bonds (GB) and instruments similar in form and***
- 24                  ***substance to GB issued by local governments (provinces, cities, and***
- 25                  ***counties) in the same form and substance yang as GB.***

- 26                  **Third Party Debt Calculation (PFK)**
- 27                  ***40. At the end of the reporting period, the balance of charges /***
- 28                  ***deductions in the form of PFK that have not been paid to the other***
- 29                  ***parties should be recorded in the financial statements at the***
- 30                  ***amount still to be deposited.***
- 31                  ***41. Total PFK charges / deductions of the government must be assigned***
- 32                  ***to other parties at an amount equal to the amount charged / deducted.***
- 33                  ***At the end of the reporting period there is usually a balance for charges***
- 34                  ***/ deductions that have not been paid to the other parties. Total***
- 35                  ***outstanding charges / deductions are to be recorded in the financial***
- 36                  ***statements at the amount still to be deposited.***

- 37                  **Current Part of Long Term Debt**
- 38                  ***42. Values that are included in the financial statements for the current***
- 39                  ***part of long-term debt is the amount that will be due within 12***
- 40                  ***(twelve) months after the reporting date.***
- 41                  ***43. Included in the category of Current Part of Long-Term Debt is the sum***
- 42                  ***of long-term debt that is due and must be paid within 12 (twelve)***
- 43                  ***months after the reporting date.***

1           **Other Current Liabilities**

2           44. Other current liabilities are liabilities that are not included in the existing  
3           category. Included in other non-current liabilities are costs accrued at  
4           the time the financial statements are prepared. Measurements for each  
5           item tailored to the characteristics of each item, such as debt payment  
6           of salaries to employees judged by the amount of accrued salaries  
7           paid for services that have been delivered by the employee. Another  
8           example is the receipt of payments in advance for supply of goods or  
9           services by the government to other parties.

10           **Traded and Non-Traded Debt**

11           45. The valuation of government debt is adjusted to the characteristics of  
12           debt that can have the form:  
13           (a) Non-traded Government Debt  
14           (b) Traded Government Debt

15           **Non-Traded Government Debt**

16           46. *The nominal value of non-traded government debt is a liability of*  
17           *the entity to creditors for debt principal and interest as set out in*  
18           *the contract agreement and not yet settled on the reporting*  
19           *date.*  
20           47. Examples of non-traded government debt are bilateral and multilateral  
21           loans, and loans from international financial institutions like the IMF,  
22           World Bank, ADB and others. The legal form of the loan is usually in  
23           the form of a loan agreement.  
24           48. For government debt with a fixed interest rate, the valuation can refer  
25           to the payment schedule using a fixed interest rate. For government  
26           debt with variable interest rates, such as interest rates associated with  
27           the financial instrument or with other indices, the valuation of  
28           government debt uses the same principles as with a fixed interest rate,  
29           but the interest rate estimated fairly based on previous data and  
30           observations of existing financial instruments.

31           **Traded Government Debt**

32           49. Accounting for tradable government debt should be able to identify the  
33           amount of residual liabilities of the government at any given time and  
34           the interest for each accounting period. This requires an initial  
35           valuation of securities on the selling price or the sale proceeds, an  
36           assessment on the due date of the amount to be paid to the holder,  
37           and evaluation of the period so as to fairly describe the government's  
38           liabilities.  
39           50. Tradable government debt is normally in the form of government debt  
40           securities which may contain provisions regarding the value of debt at  
41           maturity.

- 1           **51. Types of government debt securities must be rated at par value**  
2           **(original face value) taking into account discounts or unamortized**  
3           **premiums. Government debt securities sold at par value with no**  
4           **discount or premium should be valued at par value. Securities**  
5           **sold at a discount price will increase in value over a period of**  
6           **sales and maturities, while the securities sold at a premium price**  
7           **will reduce in value.**
- 8           52. Government debt securities having a value at maturity or redemption,  
9           such as Government Securities (GS) in the form of Treasury Bills and  
10          Bonds, should be rated based on the value to be paid at maturity if  
11          sold at par value. If at the time of the initial transaction, the traded  
12          government debt instruments are sold above or below par, then further  
13          valuation takes into account the amortization of the discount or  
14          premium that exist.
- 15          53. Amortization of the discount or premium is to use the straight-line  
16          method.

17           **Changes in Foreign Exchange**

- 18           **54. Government debt in foreign currencies is recorded at the central**  
19           **bank middle exchange rate at the time of the transaction.**
- 20          55. The exchange rate on the date of the transaction is often called the  
21          spot rate. For practical reasons, a rate that approximates the actual  
22          rate at the date of the transaction is often used, for example, the  
23          average middle rate of the central bank for a week or a month is used  
24          for all transactions in the period. However, if exchange rates fluctuate  
25          significantly, the use of the average rate for a period is unreliable.
- 26           **56. At each balance sheet date the posting of government debt in a**  
27           **foreign currency is reported in rupiah using the central bank**  
28           **middle exchange rate at the balance sheet date.**
- 29           **57. Differences arising from translation of government debt into a**  
30           **foreign currency between the transaction date and the balance**  
31           **sheet date are recorded as an increase or decrease in equity.**
- 32          58. Consequences of the recording and reporting liabilities in foreign  
33          currencies will affect posts on the Balance Sheet for liabilities and  
34          associated equity of the reporting entity.
- 35          59. If a transaction in a foreign currency arises and is settled in the same  
36          period, all the foreign exchange differences are recognized in that  
37          period. However, if the transaction arises and is settled in different  
38          accounting periods, then the foreign exchange differences are  
39          recognized for each accounting period to take into account changes in  
40          exchange rates for each period.

41           **SETTLEMENT OF LIABILITIES BEFORE**  
42           **MATURITY**

- 43           **60. For government debt securities that are settled prior to maturity**  
44           **because of call features by the issuer of those securities or so as**

- 1                    ***to meet the requirements for settlement by holders' demands, the***  
2                    ***difference between the reacquisition price and the net carrying***  
3                    ***amount should be disclosed in the Notes to the Financial***  
4                    ***Statements as part of the posts related to the liabilities.***
- 5                    61.If the reacquisition price is equal to the carrying value then the  
6                    settlement of liabilities before maturity is regarded as normal, i.e. by  
7                    adjusting the amount of liabilities and related assets.
- 8                    62.If the reacquisition price does not equal recovery of the carrying value  
9                    then, other than the adjustment to the related assets and liabilities, the  
10                   amount of difference is disclosed in the Notes to the Financial  
11                   Statements.

12                   **ARREARS**

- 13                   ***63.Outstanding amounts of government loans should be presented***  
14                   ***in the form of a Creditor Aging Schedule in the Notes to the***  
15                   ***Financial Statements as part of the disclosure of liabilities.***
- 16                   64.Arrears are defined as amounts that have expired, but the government  
17                   can not afford to pay the amount of principal and / or interest on  
18                   schedule. Some types of government debt may have a maturity  
19                   schedule at a date or serial date when the debtor is required to make  
20                   payments to creditors.
- 21                   65.Accounting practices generally do not separate the amount of arrears  
22                   of of debt on the face of the financial statements. But information on  
23                   the government's arrears is information of interest to readers of the  
24                   financial statements as material for analysis of the policy and solvency  
25                   of an entity.
- 26                   66.For this purpose, the information on arrears must be disclosed in the  
27                   Notes to the Financial Statements in the form of a Debts Age List.

28                   **DEBT RESTRUCTURING**

- 29                   ***67.In restructuring debt through a modification of the terms of debt,***  
30                   ***the debtor must record the effects of the restructuring***  
31                   ***prospectively from the time of restructuring and should not***  
32                   ***change the carrying value of the debt at the time of the***  
33                   ***restructuring unless the carrying amount exceeds the amount of***  
34                   ***future cash payments specified by the new terms. Information***  
35                   ***should be disclosed regarding the restructuring in the Notes to***  
36                   ***Financial Statements as part of the disclosure of the relevant***  
37                   ***liability posts.***
- 38                   68.The amount of interest should be calculated using the effective interest  
39                   rate constant multiplied by the carrying value of the debt at the  
40                   beginning of each period between the time of the restructuring until  
41                   maturity. The new effective interest rate is equal to the discount rate to  
42                   equate the present value of future cash payments as specified by the  
43                   new terms (not including the contingent debt) to the carrying value.  
44                   Based on the new effective interest rate, a new payment schedule can  
45                   be produced starting from the time of restructuring to maturity.

69. Information regarding the old and new effective interest rate must be presented in the Notes to the Financial Statements.

**70. If the amount of future cash payments as specified by the new terms for the debt including payment of interest and principal on the debt is lower than the carrying value, then the debtor must reduce the carrying value of the debt to an amount equal to the amount of future cash payments as specified by the new terms. It must be disclosed in the Notes to the Financial Statements as part of the disclosure of the relevant liability posts.**

**71. An entity may not change the carrying value of debt as a result of debt restructuring involving future cash payments that can not be determined, as long as future cash payments do not exceed the maximum carrying value of debt.**

72. Amounts of interest or debt principal under the new terms can be contingent, depending on events or circumstances. For example, the debtor may be required to pay a certain amount if their financial condition improves to a certain level in a certain period. To determine this amount the entity should follow the principles set out in accounting for contingencies not provided for in this statement. The same principle applies to future cash payments which frequently must be estimated.

## Debt Elimination

73. Debt elimination is the cancellation of charges by the creditor to the debtor, in part or the entire amount of the debtor's debt in the form of a formal agreement between the two.

74. The elimination of the debt may be settled by the debtor to the creditor through the delivery of cash or non-cash assets with a value below the carrying value of debt.

**75. If the settlement of the debt with a settlement value below the carrying value is made with cash assets, then the provisions of paragraph 70 apply.**

**76. If the settlement of a debt with a settlement value below its carrying value is performed with non-cash assets then the entity as a debtor must revalue non-cash assets to fair value and then apply paragraph 70, as well as disclosing in the Notes to the Financial Statements as part of the liability and non-cash asset related posts.**

77. Information in the Notes to the Financial Statements must disclose the amount of the difference arising from the restructuring of such liabilities which is the excess of the:

- (a) Carrying value of the settled debt (reduced or nominal amount plus unpaid interest and premium, discount, finance charges or unamortized issuance costs), with
- (b) The fair value of the assets transferred to the creditor.

78. The revaluation of assets in paragraph 76 will produce a difference between the fair value and the value of the assets

1 transferred to the creditor for a debt settlement. Such differences must  
2 be disclosed in the Notes to the Financial Statements.

3 **COSTS ASSOCIATED WITH GOVERNMENT**  
4 **DEBT**

5 79. Costs associated with government debt are interest expense and other  
6 costs incurred in connection with the borrowing of funds. These costs  
7 may include:

- 8 (a) Interest and fees on the use of loan funds, both short-term and long-  
9 term borrowings;  
10 (b) Amortization of discounts or premiums relating to loans,  
11 (c) Amortization of capitalized costs associated with the loan acquisition  
12 costs such as consultants, lawyers, *commitment fee* and so forth.  
13 (d) The difference in exchange rates in foreign currency loans to the extent  
14 it is treated as an adjustment to interest expense.

15 ***80. Borrowing costs which are directly attributable to the acquisition***  
16 ***or production of a particular asset (qualifying asset) must be***  
17 ***capitalized as part of the cost of the particular asset.***

18 81. If interest rates are directly attributable to a particular asset, the  
19 borrowing costs must be capitalized against that particular asset. If the  
20 cost of borrowing are not directly attributable to a particular asset, the  
21 capitalization of borrowing costs is determined based on the  
22 explanation in paragraph 82

23 82. In certain circumstances, it is difficult to identify a direct link between a  
24 particular loan with the acquisition of a specific asset and to determine  
25 that a particular loan need not exist if the acquisition of certain assets  
26 did not occur. For example, in the case of centralized funding of more  
27 than one government activity / project. Difficulties can also occur when  
28 an entity uses several types of financing with an interest rate that is  
29 different. In this case, it is difficult to determine the amount of  
30 borrowing costs that are directly attributable, thus requiring  
31 professional judgment to determine the attribution.

32 ***83. If funds from loans are not directly attributable to the acquisition***  
33 ***of an asset then the borrowing costs that must be capitalized to a***  
34 ***particular asset should be calculated based on the weighted***  
35 ***average of the accumulated cost of all assets relating to the***  
36 ***reporting period.***

37 **PRESENTATION AND DISCLOSURE**

38 ***84. Government debt should be disclosed in detail in the form of a***  
39 ***debt schedule list to provide better information to the users.***

40 ***85. To increase the usefulness of analysis, the information that must***  
41 ***be presented in the Notes to the Financial Statements is:***

- 42 (a) ***The amount outstanding on short-term and long-term liabilities***  
43 ***classified by lender;***



- 1       **(b) Total outstanding liabilities in the form of government debt**  
2       **securities by government debt type and maturity;**
- 3       **(c) Interest on loans payable in the current period and the prevailing**  
4       **interest rate;**
- 5       **(d) The consequences of undertaking the settlement of liabilities prior**  
6       **to maturity;**
- 7       **(e) A debt restructuring agreement covering:**
- 8               **(3) The loan reduction;**
- 9               **(4) Modification of debt terms;**
- 10              **(5) The interest rate reduction;**
- 11              **(6) Postponement of the debt maturity;**
- 12              **(7) The reduction the loan maturity value; and**
- 13              **(8) The reduction in the amount of interest payable up to the**  
14              **reporting period.**
- 15       **(f) The amount of loan arrears is presented as debt aging schedule by**  
16       **creditor.**
- 17       **(g) Borrowing costs:**
- 18              **(1) Treatment of borrowing costs;**
- 19              **(2) The amount of borrowing costs capitalized during the period**  
20              **in question, and**
- 21              **(3) The capitalization rate used.**

22       **DATE OF EFFECT**

23       **86.** *This Statement of Government Accounting Standards can be*  
24       *applied to financial reports of the budget up to budget year*  
25       *2014.*

ATTACHMENT II.11  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 10**

**CORRECTING ERRORS,  
CHANGES IN ACCOUNTING POLICIES,  
AND EXTRAORDINARY EVENTS**

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1       **GOVERNMENT ACCOUNTING STANDARD**

2       **STATEMENT NO. 10**

3       **CORRECTING ERRORS, CHANGES IN ACCOUNTING**  
4       **POLICIES, AND EXTRAORDINARY ITEMS**

5       *The Standards, which have been set in bold italic type, should be read*  
6       *in the context of the explanatory paragraphs, which are in plain type,*  
7       *and in the context of the Conceptual Framework of the Government*  
8       *Accounting Standards.*

9       **INTRODUCTION**

10      **Objective**

11               1. The objective of this Standard is to prescribe the accounting  
12      treatment for the correction of accounting errors, changes in accounting  
13      policies and extraordinary events.

14      **Scope**

15               2. *In preparing and presenting financial statements an entity*  
16      *must apply this Standard to report the effect of errors, changes in*  
17      *accounting policies and extraordinary events.*

18               3. *This Statement applies to reporting entities in preparing*  
19      *financial statements including the financial statements of all accounting*  
20      *entities, including Public Service Agencies, which are under central /*  
21      *local governments.*

22      **DEFINITIONS**

23               4. The following are terms used in this Standard:

24      Accounting policies *are the principles, fundamentals, conventions,*  
25      *rules, and specific practices employed by a reporting entity in the*  
26      *preparation and presentation of financial statements.*

27      Errors *are the presentation of accounts / posts that are significantly*  
28      *inappropriate which affect the financial statements of the current period*  
29      *or prior periods.*

30      Corrections *are the accounting for corrective actions in order to ensure*  
31      *the account / post presented in the entity's financial statements is in*  
32      *accordance with how it should be.*

1        ***Extraordinary events are events or transactions that are clearly distinct***  
2        ***from the ordinary activities of the entity and are therefore unexpected,***  
3        ***are beyond the control or influence of the entity, and that have a***  
4        ***significant impact on budget realization or the asset / liability position.***

5        **CORRECTING ERRORS**

6                5. Errors in the preparation of the financial statements of one or  
7        more prior periods may be discovered in the current period. Errors may arise  
8        due to the late submission of evidence of transactions by budget users,  
9        arithmetic errors, misapplication of accounting standards and policies,  
10       misinterpretation of facts, fraud or negligence.

11               6. In certain situations, an error has a significant influence on one  
12       or more prior period financial statements so that the financial statements are  
13       no longer reliable.

14               7. Errors are reviewed from the nature of events and grouped into  
15       two (2) types:

- 16       (a) Non-recurring errors;  
17       (b) Recurring and systematic errors;

18               8. Non-recurring errors are errors that do not occur again,  
19       grouped into 2 (two) types:

- 20       (a) Non-recurring errors that occur in the current period;  
21       (b) Non-recurring errors that occur in the previous period;

22               9. Recurring and systemic errors are errors caused by the nature  
23       of certain types of transactions which are expected to occur repeatedly. An  
24       example is tax revenue from taxpayers which requires correction due to  
25       taxpayers who require refunds or need to make additional tax payments.

26               ***10. Each error must be corrected immediately upon discovery.***

27               ***11. Correction of recurring errors in the current period,***  
28       ***whether affecting the cash position or not, is made with a correction to***  
29       ***the account in question in the current period.***

30               ***12. Corrections to non-recurring errors that occur in prior***  
31       ***periods and affect the cash position, if the financial statements have not***  
32       ***been published, are performed with a correction to the to the revenue***  
33       ***account or expenditure account from the period in question.***

34               ***13. Error correction for expenditure (expenditure resulting in***  
35       ***readmission) that is non-recurring, occurred in previous periods and***  
36       ***affected the cash position, as well as materially affecting the position of***  
37       ***assets other than cash, and if the financial statements are issued, is***  
38       ***performed with a correction to the other revenue account, the asset***  
39       ***account, and the related equity funds account.***

1                   **14. Error correction for expenditure (expenditure resulting in**  
2 **readmission) that is non-recurring, that occurred in previous periods and**  
3 **affected the cash position but did not materially affect the position of**  
4 **assets other than cash, if the financial statements are issued, is**  
5 **performed with a correction to the other revenue account.**

6                   **15. Error correction for non-recurring revenues that occurred**  
7 **in prior periods and affect the cash position, if the financial statements**  
8 **are issued, is conducted with a correction to current equity funds.**

9                   16. The financial statements are considered issued when it is  
10 determined by law or local regulations.

11                   17. Error correction referred to in paragraphs 13, 14, and 15 does  
12 not by itself affect the budget ceiling or expenditure of the entity in the period  
13 to correct the error. Corerections to revenue and expenditure accounts in the  
14 previous period are presented separately in the Budget Realization Report.  
15 The result of the error correction is further disclosed in the Notes to the  
16 Financial Statements.

17                   18. The correction of expenditure errors as described in  
18 paragraphs 13 and 14 can be divided into two: corrections that add to the  
19 cash balance and corrections which reduce the cash balance. An example of  
20 an expenditure error correction that increases the cash balance is where  
21 there is a return of employee expenditure from the previous year due to a  
22 miscalculation of salary, which is corrected by increasing the cash balance  
23 and adding to the other revenue account. A correction that reduces the cash  
24 balance is where an employee expenditure transaction from the previous year  
25 that was not reported, is corrected by reducing other current equity funds and  
26 reducing the cash balance. For the correction of errors relating to expenditure  
27 that generates an asset, in addition to correcting the cash balance and other  
28 revenue, it is also necessary to correct the relevant asset account and the  
29 equity funds invested account. For example, in the case where expenditure  
30 on a fixed asset has been marked-up and after inspection, the excess  
31 expenditure is returned, the correction is performed by increasing cash and  
32 other revenues, and reducing the fixed asset post and the equity funds  
33 invested post.

34                   19. Correction of revenue errors as described in paragraph 15 can  
35 be divided into two: corrections that add to the cash balance and corrections  
36 that reduce the cash balance. An example of a revenue error correction that  
37 adds to the cash balance is a transaction relating to the deposit of profit  
38 shares from a state enterprise that had not been reported. In such a case, the  
39 correction is performed by increasing the cash balance and current equity  
40 funds. An example of a revenue error correction that reduces the cash  
41 balance is where general allocation fund revenue is returned due to an  
42 excess transfer. In this case, the correction is performed by reducing the cash  
43 balance and current equity funds.

44                   **20. Corrections of non-recurring errors that occurred in prior**  
45 **periods and do not affect the cash position, both before and after the**

1        *financial statements were issued, is performed by correcting the*  
2        *related balance sheet items in the period of the discovery of the error.*

3                21. An example of an error that does not affect the cash position,  
4        as described in paragraph 20, is where expenditure to purchase office  
5        furniture (fixed assets) is reported as official travel expenditure. In such a  
6        case, the correction is performed by debiting the fixed asset account and  
7        crediting the equity funds invested in fixed assets account.

8                22. Recurring and systemic errors, such as those referred to in  
9        paragraph 9, do not require a correction, but rather are recorded at the time of  
10       they occur.

11               **23. The cumulative effect of error corrections relating to prior**  
12       **periods on the cash position is reported in a separate line in the**  
13       **Statement of Cash Flows of the current year.**

14

## 15        **CHANGES IN ACCOUNTING POLICIES**

16                24. Users of financial reports need to compare the financial reports  
17        of a reporting entity over time to identify the direction of trends in financial  
18        position, performance and cash flows. Therefore, the accounting policies  
19        used should be applied consistently to all periods.

20                25. Changes in treatment, recognition or accounting measurement  
21        as a result of a change in the basis of accounting, the capitalization criteria,  
22        methods, and estimates, are examples of changes in accounting policies.

23                **26. A change in accounting policy should be made only where**  
24       **the application of a different accounting policy is required by the**  
25       **applicable laws, regulations or Government Accounting Standards, or**  
26       **where it is estimated that these changes will yield information on the**  
27       **financial position, financial performance, or cash flows that is more**  
28       **relevant and more reliable in preparing the financial statements of the**  
29       **entity.**

30                27. Changes in accounting policy do not include the following:

31        (a) the adoption of an accounting policy on the occurrence or event that is  
32        substantially different from the previous occurrence or event; and

33        (b) the adoption of a new accounting policy for events or transactions that  
34        previously did not exist or that are not material.

35                28. The emergence of a policy to revalue assets is a change in  
36        accounting policy. However, such changes must be in accordance with the  
37        relevant accounting standards that apply conditions in relation to revaluation.

38                **29. Changes in accounting policies and its effect should be**  
39       **disclosed in the Notes to the Financial Statements.**

## EXTRAORDINARY EVENTS

30. Extraordinary events describe an event or transaction that is clearly distinct from ordinary activities. Natural or social disaster management recur in the ordinary activities of government entities. Thus, extraordinary events only include events that rarely occur or are unprecedented.

31. The events that are beyond the control or influence of the entity is an event that is difficult to anticipate and therefore not reflected in the budget. An event or transaction that is beyond the control or influence of the entity is an extraordinary event for a particular entity or level of government, but the same event is not classified as extraordinary for other entities or levels of government.

32. There is a significant impact on the budget realization because of extraordinary events if the event is a sole cause of the absorption of most of the unexpected or emergency fund budget expenditure, so that it requires a fundamental change / shift in the budget.

33. The amounts for unexpected budget expenditure or other expenditure intended for emergency purposes is usually determined based on estimates that utilize information on emergency events in past years. If during the current budget year an emergency, disaster etc. event occurs that leads to the absorption funds from these budget line items, the event is not necessarily included in other extraordinary events, particularly if the event does not absorb a significant portion of the available budget. But when a sole event absorbs 50% (fifty percent) or more of the annual budget, then the event is classified as a genuine extraordinary event. As a guide, as a result of absorbing large amounts of funds, the entity requires a change or shift in the budget to fund the extraordinary event or any other event that is supposed to be funded through the unexpected budget line item or other budget for emergency needs.

34. There is a significant impact on the position of assets / liabilities as a result of extraordinary events if the event or transaction causes a fundamental change in the existence or value of assets / liabilities.

**35. Extraordinary events must meet all the following requirements:**

- (a) Is not a normal activity of the entity;**
- (b) Is not expected to occur and is not expected to happen again;**
- (c) Is outside the control or influence of the entity;**
- (d) Has a significant impact on the budget realization or the position of assets / liabilities.**

**36. The nature, amount and influence caused by extraordinary events must be disclosed separately in the Notes to the Financial Statements.**



1       **DATE OF EFFECT**

2                       ***37. This Statement of Government Accounting Standards can***  
3       ***be applied to financial reports of the budget up to budget year 2014.***

ATTACHMENT II.12  
REPUBLIC OF INDONESIA GOVERNMENT  
REGULATION  
NUMBER 71 YEAR 2010  
DATE 22 OCTOBER 2010

**GOVERNMENT ACCOUNTING STANDARD  
STATEMENT NO. 11**

**CONSOLIDATED FINANCIAL REPORTS**

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1 **GOVERNMENT ACCOUNTING STANDARD**  
2 **STATEMENT NO. 11**  
3 **CONSOLIDATED FINANCIAL REPORTS**

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

8 **INTRODUCTION**

9 **Objective**

10 1. The objective of this Standard is to prescribe the preparation of  
11 consolidated financial statements of government units in order to present  
12 general purpose financial statements in the interest of improving the quality  
13 and completeness of the financial statements in question. In this standard,  
14 general purpose financial statements are financial statements that are  
15 intended to fulfill the common needs of most report users, including  
16 legislatures, as stipulated in the provisions of laws and regulations.

17 **Scope**

18 2. *General purpose financial reports of government units*  
19 *designated as reporting entities are presented in a consolidated manner*  
20 *under this Statement so as to reflect one unified entity.*

21 3. *The consolidated financial statements of the central*  
22 *government as the reporting entity include the financial statements of*  
23 *all reporting entities, including the financial statements of public service*  
24 *agencies.*

25 4. This Standard does not regulate:  
26 (a) The consolidated financial reports of State/Local enterprises;  
27 (b) Accounting for investments in associated companies;  
28 (c) Accounting for investments in joint ventures; and  
29 (d) The combined statistical reports of the central and local governments.

30 **DEFINITION**

31 5. *The following are terms used in this Standard:*

1     **Public Service Agency (BLU)/Local Public Service Agency (BLUD)** is an  
2     **agency within the government that was formed to provide services to**  
3     **the community in the form of supplying goods and / or services being**  
4     **sold without a priority for profit and in performing activities based on**  
5     **the principles of efficiency and productivity.**

6     **Accounting entity** is a budget user / user of goods government unit and  
7     **therefore obligated to conduct accounting and compile financial**  
8     **statements for the combined reporting entity.**

9     **Reporting entity** is a government unit consisting of one or more  
10    **accounting or reporting entities which in accordance with the**  
11    **provisions of laws and regulations are required to submit an**  
12    **accountability report in the form of financial statements.**

13    **Consolidation** is the process of merging between accounts held by a  
14    **reporting entity by other reporting entities, an accounting entity with**  
15    **other accounting entities, with the elimination of reciprocal accounts in**  
16    **order to be present a single consolidated reporting entity.**

17    **Consolidated financial statement** is a financial statement that is a  
18    **combination of the entire reporting entity's financial statements, or**  
19    **accounting entity, presented as a single entity.**

## 20     **CONSOLIDATED FINANCIAL REPORT** 21     **PRESENTATION**

22             **6. The consolidated financial statements comprise the**  
23     **Budget Realization Report, the Balance Sheet and the Notes to the**  
24     **Financial Statements.**

25             **7. The consolidated financial statements are presented for**  
26     **the same reporting period as the reporting entity's financial reporting**  
27     **period and contains comparative amounts for the prior period.**

28             8. The Central Government submits the consolidated financial  
29     statements of all state ministries / agencies to the legislature.

30             **9. In this standard the process of consolidation is followed**  
31     **by elimination of reciprocal accounts. However, if elimination is not**  
32     **possible, then it is disclosed in the Notes to the Financial Statements.**

33             10. Examples of reciprocal accounts include, among others, the  
34     remaining stock of money that has not been accounted for by the expenditure  
35     treasurer until the end of the accounting period.

1       **REPORTING ENTITIES**

2               11. A reporting entity is defined in laws and regulations, and is  
3 generally characterized by:

- 4       (a) The entity is funded by the APBN or funded by the APBD or obtains  
5 separate wealth from the budget,
- 6       (b) The entity was formed by laws and regulations,
- 7       (c) The head of the entity is a government official or an appointed  
8 state official or elected by the people, and
- 9       (d) The entity is made accountable, either directly or indirectly, to the  
10 legislators as the party that approves the budget.

11       **ACCOUNTING ENTITIES**

12               ***12. An accounting entity conducts accounting and submits***  
13 ***financial statements with respect to the budget / goods it manages***  
14 ***which are directed to the reporting entity.***

15               13. Each unit of government receiving a budget or administering  
16 goods is an accounting entity which is obligated to conduct accounting and  
17 prepare periodic financial statements according to the Government  
18 Accounting Standards. The financial statements are presented internally and  
19 tiered to a higher unit in the context of incorporation with the reporting entity's  
20 financial statements.

21               14. State / Local enterprises are essentially accounting entities, but  
22 the accounting and presentation of their reports do not use the government  
23 accounting standards.

24               15. With a determination according to applicable laws and  
25 regulations a particular accounting entity that is deemed to have a significant  
26 influence in achieving the government's program can be defined as a  
27 reporting entity.

28       **PUBLIC SERVICE AGENCIES**

29               16. A Public Service Agency (BLU) performs public services,  
30 collects and receives, as well as expend, public funds that are received in  
31 connection with the services provided, but do not form a separate legal entity  
32 from the wealth of the state. Included in BLU are, among others, hospitals,  
33 universities, and authorities.

1                   **CONSOLIDATION PROCEDURES**

2                   ***17. The consolidation referred to by this Standard is***  
3 ***implemented by combining and aggregating accounts held by a***  
4 ***reporting entity with other reporting entities, with or without the***  
5 ***elimination of reciprocal accounts.***

6                   18. Reporting entities prepare financial statements by  
7 incorporating the financial statements of all accounting entities that are  
8 organizationally subordinate.

9                   19. Consolidation can be performed with or without the elimination  
10 of reciprocal accounts.

11                  20. In the case of consolidation without elimination of the  
12 reciprocal accounts, the reciprocal account names and the estimated amount  
13 in the reciprocal accounts are listed in the Notes to Financial Statements.

14                  21. *The financial statements of public service agencies (BLU)*  
15 *are combined with the technical state ministries / agencies of the*  
16 *central/local government which organizationally supervise the BLU with*  
17 *the following provisions:*

18                  (a) *The Budget Realization Report of the BLU is combined in gross*  
19 *terms with the Budget Realization Report of the technical state*  
20 *ministry/ agency of the central/local government which*  
21 *organizationally supervises the BLU.*

22                  (b) *The BLU's Balance Sheet is combined with the Balance Sheet of the*  
23 *technical state ministry/ agency of the central/local government*  
24 *which organizationally supervises the BLU.*

25                   **DATE OF EFFECT**

26                   ***22. This Statement of Government Accounting Standards can***  
27 ***be applied to financial reports of the budget up to budget year 2014.***

PRESIDEN REPUBLIK INDONESIA,  
  
ttd.

DR. H. SUSILO BAMBANG YUDHOYONO

Salinan sesuai dengan aslinya  
SEKRETARIAT NEGARA REPUBLIK INDONESIA  
Kepala Biro Peraturan Perundang-undangan  
Bidang Perekonomian dan Industri,



# **ATTACHMENT III**

PREPARATION PROCESS  
GOVERNMENT  
ACCOUNTING  
STANDARDS ACCRUAL  
BASIS



## **PREPARATION PROCESS**

### **ACCRUAL BASIS GOVERNMENT ACCOUNTING STANDARDS**

In order to improve the quality of government financial reporting information and to produce better performance measurement, as well as facilitate more transparent and accountable financial/asset management, it is necessary to implement international best practice accrual-based accounting.

This introduction further elaborates the background and the position and role of the duties of the Governmental Accounting Standards Committee (GASC), followed by an explanation of: the scope of the process for preparing accrual-basis GAS (hereafter referred to as accrual basis GAS); the importance its principal contents; the fundamental differences between the accrual-basis GAS and the cash-towards accrual basis GAS in accordance with Government Regulation No. 24 of 2005 (hereafter referred to as cash towards accrual basis GAS); and accrual-basis SAP implementation. The content of this introduction can be used as a reference for understanding and implementing Accrual Basis GAS.

## **BACKGROUND**

1. Article 32 paragraph (1) of Law No. 17 Year 2003 on State Finances states that the form and content of accountability reports of the APBN / APBD be prepared and presented in accordance with the Government Accounting Standards set by government regulation.

2. Article 36 of Law No. 17 of 2003 on State Finances, asserts the provisions regarding the accrual based recognition and measurement of revenue and expenditure be implemented at the latest within 5 (five) years.
3. Article 70 paragraph (2) of Law No. 1 of 2004, reaffirmed the provisions on the recognition and measurement of accrual based revenue and expenditure be implemented no later than the Budget Year 2008 and where the recognition and measurement of revenue and expenditure on an accrual basis had not been implemented, the recognition and measurement is to use the cash basis.
4. The SAP contain government accounting principles applied in preparing and presenting government financial reports. The SGAS are the GAS that are titled, numbered, with an effective date set by Government Regulations, so as to have the force of law.

#### **POSITION AND ROLE OF THE GASC**

5. Law Number 17 of 2003 on State Finances and Law No. 1 of 2004 on State Treasury mandate that the preparation of the GAS is the task of an independent standard committee.
6. Article 57 of Law No. 1 of 2004 on State Treasury established the Government Accounting Standards Committee (GASC), which was first determined by Presidential Decree No. 84 Year 2004 on the GASC Membership, and has been amended several times, most recently by Presidential Decision of the Republic of Indonesia No. 3 of 2009.
7. GASC was formed with the aim of enhancing transparency and accountability of government accounting through the preparation and development of government accounting standards, including supporting the implementation of these standards.

8. The GASC consists of the Governmental Accounting Standards Consultative Committee and the Government Accounting Standards Working Committee.

### **GASC DUTIES**

9. The Consultative Committee is tasked with providing counsel and / or opinions in the formulation of the concept of the Draft Government Regulations of Government Accounting Standards.
10. The Working Committee is tasked with the preparation, formulation and drafting of Draft Government Regulations on the Government Accounting Standards. GASC submits draft Government Regulations on the GAS to the Minister of Finance to be set as Government Regulations.
11. In addition to preparing the GAS, the GASC is tasked with preparing, reviewing, conducting limited research and issuing a variety of publications relating to the standards, including the Interpretation of Statements of Government Accounting Standards (ISGAS) and Technical Bulletins. ISGAS and Technical Bulletins are guidelines and information published by the GASC to facilitate the understanding and implementation of the GAS, as well as to address issues of accounting and financial reporting.

### **STANDARD PREPARATION PROCESS (*Due Process*) ACCRUAL BASIS GAS**

12. The process for the preparation of Accrual-Basis GAS is performed through procedures which include activity stages (due process) which is conducted in the preparation of the Statements of Government Accounting Standards (SGAS) by the GASC. Due process includes the following steps:
  - a. Identify the topics for development to become standards.

This stage is the process of identifying financial accounting and reporting topics that require regulation in the form of a statement of government accounting standards.

b. Establishment of the Working Group (WG) in GASC

The GASC may establish and assign WGs to address approved topics. Membership of the WGs is drawn from various agencies competent in their field.

c. Limited Research by the Working Group

For a discussion of a topic, the WG conducts limited research on the literature, the accounting standards applicable in the various countries, best accounting practices, regulations, and other resources related to the topics to be discussed.

d. Drafting the draft GAS by the Working Group

Based on the limited research and other references, the WG prepares the draft GAS. The draft is then discussed further by the WG.

e. Discussion of the draft by the Working Committee

The draft prepared by WG is discussed by the Working Committee. Discussion is prioritized to the substance and implications of the implementation of the standards. With this approach, the draft is expected to become a quality accounting standard. This discussion does not cover possible changes to the initial draft proposed by the WG. At this stage, the Working Committee also holds discussions with the State Audit Board (BPK) to synchronize perceptions.

f. Taking the Decision on the Draft for Publication

The Working Committee in consultation with the Consultative Committee take the decision to launch the draft GAS for publication.

g. Launching the Draft GAS (*Exposure Draft*)

The GASC launches the draft GAS by sending the draft GAS to stakeholders, including, among others, the public, legislators, audit agencies, and other relevant agencies to obtain feedback.

h. Limited Public Hearings and Public Hearings

Hearings are conducted in two stages, that is, limited public hearings and public hearings. Limited public hearings conducted by inviting parties from academia, practitioners, observers of government accounting, and the public who have an interest in the GAS to get feedback and input in order to improve the published draft.

Public hearings form a process of public hearings with the community who have an interest in the GAS. This stage is intended to ask the public for responses to the draft GAS.

i. Discussion on the Feedback and Input on the draft GAS

The GASC holds discussions on the responses / feedback obtained from the limited public hearings, public hearings and other inputs from various stakeholders to refine the draft GAS.

j. Finalization of the Standard

In order to finalize the draft the GAS, the GASC considers the opinion of the BPK. In addition, this stage is the final stage for the refinement of the substance, consistency, coherence and language. Every SGAS is finalized with the signing of the draft by all members GASC.

13. The Accrual-Basis GAS have been prepared with the stages of the preparation process (due process), as mentioned above.

14. In preparing the Accrual-Basis GAS, the GASC uses materials and references issued by the:

- a. The Indonesian Government, being the Government Regulation Number 24 Year 2005 on the GAS;
  - b. *International Federation of Accountants*;
  - c. *International Accounting Standards Committee/International Accounting Standards Board*;
  - d. *International Monetary Fund*;
  - e. Indonesian Institute of Accountants;
  - f. *Financial Accounting Standards Board – USA*;
  - g. *Governmental Accounting Standards Board – USA*;
  - h. *Federal Accounting Standards Advisory Board – USA*;
  - i. Other professional organizations in various countries that oversee financial reporting, accounting, auditing and governance.
15. The steps taken in the preparation of the Accrual Basis GAS are as follows:
- a. Accrual-Basis GAS are developed from the GAS PP 24/2005 with reference to the International Public Sector Accounting Standards (IPSAS) and consideration of applicable laws and regulations.
  - b. Accrual-Basis GAS is GAS PP 24/2005 which has been developed in accordance with the accrual basis.
  - c. Operational reports - which in GAS PP 24/2005 are referred to as the Statement of Financial Performance and is optional – the Accrual Basis GAS becomes one of the SGAS for the reporting of revenues earned from economic resources and expenses for government service activities.
  - d. The conceptual framework in GAS PP 24/2005 has been modified and updated so that it becomes the conceptual framework for the accrual-basis SGAS.

16. These steps are performed with the consideration that the SGAS PP 24/2005 already largely refers to accrual based accounting practices, and that users familiar with SAP PP 24/2005 will still be able to see the continuity with the Accrual Basis GAS.

#### **FUNDAMENTAL CONTENTS OF THE ACCRUAL BASIS GAS AND THE DIFFERENCES WITH CASH TOWARDS ACCRUAL BASIS GAS**

17. Article 12 and Article 13 of Law No. 1 of 2004, as referred to in Article 70 paragraph (2), stipulates that the recognition of revenue and expenditure in the APBN / APBD uses the accrual basis. On the other hand, budget and execution reporting practices in most countries, including Indonesia, use the cash basis. For that the GASC prepares the Accrual-Basis GAS that includes the cash-based SGAS for budget execution reporting (budgetary reports), as stipulated in SGAS 2, and the Accrual Basis SGAS for financial reporting, which in SGAS 12 facilitates the recording of revenue and expenses on an accrual basis.
18. Budget execution reports comprise the cash basis Budget Realization Report and the Statement of Changes in the Excess Budget Balance (for government reporting entities).  
Accrual-based financial statements consist of the Balance Sheet, Statement of Operations, Statement of Cash Flows, and Statement of Changes in Equity.
19. The fundamental difference of the Cash Toward Accrual Basis GAS with the Accrual Basis GAS is located in SGAS 12 on the Statement of Operations. Entities report transparently the amount of economic resources obtained, and the magnitude of the expenses to run government activities. The surplus /

deficit from operations is the addition or deduction from equity / net assets of the relevant government entity.

### **IMPLEMENTATION OF ACCRUAL BASIS GAS**

20. After the determination of the Government Regulation, the Accrual Basis GAS is published and distributed to the public.
21. Subsequently the GASC socializes the Accrual-Basis GAS to stakeholders. The socialization is in the form of seminars / dissemination / discussions with the users, continuing professional education programs, training of trainers (TOT) and related technical consultancy to facilitate the implementation of Accrual Basis GAS (help desk).
22. Accrual-Basis GAS is applied within the scope of government, that is, the central government, local governments, and organizational units within the central / local government, if according to laws and regulations the organizational unit is required to present financial reports.
23. Accrual-Basis GAS implementation must be accompanied by efforts to synchronize the various regulations both in the central and local governments with the Accrual-Basis GAS.
24. The limitations of the application of Accrual-Basis GAS are explicitly stated in each published SGAS.

### **LANGUAGE**

25. All drafts, SGAS, ISGAS and technical bulletins issued by GASC are in Indonesian. The translation into other languages in order to be informed to KSAP.



PRESIDEN REPUBLIK INDONESIA

ttd.

DR. H. SUSILO BAMBANG YUDHOYONO

**Salinan sesuai dengan aslinya**  
SEKRETARIAT NEGARA REPUBLIK INDONESIA  
Kepala Biro Peraturan Perundang-undangan  
Bidang Perekonomian dan Industri,

SETIO SAPTO NUGROHO

