REPUBLIC OF INDONESIA

GOVERNMENT REGULATION
NUMBER 71 YEAR 2010

GOVERNMENT ACCOUNTING STANDARDS

KOMITE STANDAR AKUNTANSI PEMERINTAHAN

GOVERNMENT ACCOUNTING STANDARDS COMMITTEE

KSAP

REPUBLIC OF INDONESIA

GOVERNMENT ACCOUNTING STANDARDS

GOVERNMENT REGULATION NUMBER 71 YEAR 2010

Komite Standar Akuntansi Pemerintahan
Sekretariat :
Gedung Prijadi Praptosuhardjo III, Lantai 2
Jl. Budi Utomo No. 6 Jakarta 10710, Indonesia
Telepon/Faksimile : +62 21 3524551
http://www.ksap.org
e-mail : sekretariat.ksap@gmail.com

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Komite Standar Akuntansi Pemerintahan (KSAP).

Gedung Prijadi Praptosuhardjo III, Lt. 2

Jl. Budi Utomo No. 6 Jakarta 10710, Indonesia

Website: http://www.ksap.org

Email: webmaster@ksap.org

Phone/Fax: +62213524551

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

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta
on 22 October 2010

MINSTER 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
Figure1
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.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 5165

ATTACHMENT I

GOVERNMENT
ACCOUNTING STANDARDS

ACCRUAL BASIS

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ACCRUAL BASIS

ATTACHMENT I.01

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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Paragraph

INTRODUCTION

OBJECTIVE

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

(a) government accounting standard setters in performing their duties;

(b) compilers of financial reports in addressing accounting issues which have yet to regulated in the standards;

(c) auditors in providing an opinion as to whether the financial reports have been prepared in accordance with the governmental accounting standards; and

(d) users of financial reports in interpreting the information presented in the financial reports that have been prepared in accordance with the Governmental Accounting Standards.

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

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

SCOPE

4. This conceptual framework discusses the:

(a) purpose of the conceptual framework;

(b) government accounting environment;

(c) user and the information needs of users;

(d) accounting entities and reporting entities;

(e) role and purpose of financial reporting, financial reporting components as well as the legal basis;

(f) basic assumptions, the qualitative characteristics that determine the usefulness of the information in the financial reports, the principles, as well as the constraints of accounting information; and

(g) elements which form the financial reports, recognition and measurement.

5. This conceptual framework applies to the central and local 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 amonst 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

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

FIXED ASSET DEPRECIATION

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

USERS AND USER INFORMATION NEEDS

FINANCIAL REPORT USERS

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

(a) The public;

(b) representatives of the people, regulatory agencies, and agency inspectors;

(c) parties that give or play a role in the process of donations, investments, and loans, and;

(d) governments.

FINANCIAL REPORT USERS' INFORMATION NEEDS

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

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

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

ACCOUNTING AND REPORTING ENTITIES

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

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

(a) The central government;

(b) The local government;

(c) Each state ministry or agency within the central government;

(d) Organizational units within the central / local government or other organizations, which according to laws and regulations are required to present financial reports.

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

ROLE AND OBJECTIVES OF FINANCIAL REPORTING

ROLE OF FINANCIAL REPORTING

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

25.Each reporting entity has an obligation to report on the efforts 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

Accountablity 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;

(e) Providing information on the financial position and condition of the reporting entity associated with the sources of revenues, both short and long term, including those derived from taxation and loans;

(f) Providing information on changes in the financial position of the reporting entity, whether an increase or decrease, as a result of activities undertaken during the reporting period.

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

FINANCIAL REPORT COMPONENTS

28.The principal financial reports consist of the:

(a) Budget Realization Report (LRA);

(b) Statement of Changes in the Excess Budget Balance;

(c) Balance Sheet;

(d) Statement of Operations (LO);

(e) Statement of Cash Flows (LAK);

(f) Statement of Changes in Equity (LPE);

(g) Notes to the Financial Statements (CaLK).

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

LEGAL BASIS FOR FINANCIAL REPORTING

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

(a) the Constitution of the Republic of Indonesia 1945, particularly the section that governs state finances;

(b) Laws in the field of state finance;

(c) Laws on the State Budget and local government regulations regarding local government budgets;

(d) laws and regulations governing local government, particularly local finances;

(e) laws and regulations governing the fiscal balance between central and local governments;

(f) laws and regulations on the implementation of the State / Local Bugdet; and

(g) other laws and regulations governing central and local government finances.

BASIC ASSUMPTIONS

31.the basic assumptions in government financial reporting that are presumed to be true and do not need to be proven in order to implement the accounting standards consist of the:

(a) Assumption of entity independence;

(b) Assumption of entity continuity; dan

(c) Assumption of monetary measurement.

ENTITY INDEPENDENCE

32.The assumption of entity independence means that each unit of the organization is considered as an independent unit and has the obligation to present financial statements so as to avoid chaos among government units in financial reporting. One indication of the fulfillment of this assumption is the existence an entity 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 benefit of their main duty jurisdiction, including any loss or damage to assets and resources in question, debts arising from an entity's decision, as well as the performance or non-performance of programs that have been established.

ENTITY CONTINUITY

33.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 reporting entity in the short term.

MONETARY MEASUREMENT

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

QUALITATIVE CHARACTERISTICS OF FINANCIAL REPORTS

35.Qualitative characteristics of financial statements are 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,

Information describing transactions honestly and other events that should be presented or that may reasonably be expected to be presented.

(b) Verifiability

The information presented in the financial statements is testable, and where testing is done more than once by different parties, the results still show that the conclusions do not differ greatly.

(c) Neutrality

Information is directed to the needs of the public and does not favor the needs of a particular party.

COMPARABLE

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

UNDERSTANDABLE

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

PRINCIPLES OF ACCOUNTING AND FINANCIAL REPORTING

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

(a) Accounting basis;

(b) Historical value principle;

(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.

REALIZATION

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

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

SUBSTANCE OVER FORM

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

PERIODICITY

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

CONSISTENCY

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

FULL DISCLOSURE

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

FAIR PRESENTATION

54.Financial statements provide a fair presention 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. Threr 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.

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

BALANCE BETWEEN QUALITATIVE CHARACTERISTICS

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

ELEMENTS OF FINANCIAL STATEMENTS

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

BUDGET REALIZATION REPORT

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

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

(a) Revenue-LRA is a receipt by the State General Treasurer / Local General Treasurer or by other government entities that adds to the Excess Budget Balance in the corresponding period of the fiscal year and becomes the right of the government, and does not need to be repaid.

(b) Expenditure is all spending by the the State General Treasurer / Local General Treasurer which reduces the Excess Budget Balance in the period corresponding to the fiscal year, and will not be paid back to the government.

(c) Transfers are receipts or expenditures of money by a reporting entity from / to other reporting entities, including the balance funds and the revenue sharing fund.

(d) Financing is any receipt / expenditure that has no effect on the net assets of the entity and that needs to be paid back and / or will be received again, either in the relevant fiscal year as well as subsequent fiscal years, which in government budgeting is mainly intended to cover or utilize a budget surplus or deficit. Financing receipts, among others, can come from loans and the proceeds from divestment. Financing expenditure, among others, is used for the repayment of the loan principal, lending to other entities, and equity investment by the government.

STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE

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

BALANCE SHEET

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

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

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

(b) Liabilities are debts arising from past events the settlement of which results in outflows of the government's economic resources.

(c) Equity is the net worth of the government which represents the difference between government's assets and liabilities.

Assets

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

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

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

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

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

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

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

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

Liabilities

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

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

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

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

Equity

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

OPERATING STATEMENT

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

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

(a) Revenue-LO is the right of a government recognized as an addition to net worth bersih.

(b) Expenses are government obligations recorded as a reduction of net worth.

(c) Transfers refer to the right to receive or obligation to pay money of a reporting entity from / to other reporting entities, including the balance funds and the revenue sharing fund.

(d) Extraordinary Item is extraordinary revenue or expense arising from extraordinary events or transactions that do not form normal operations, are not expected to occur frequently or regularly and are outside the control or influence of the entity concerned.

CASH FLOW STATEMENT

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

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

(a) Cash receipts are all cash flows into the State / Local General Treasury.

(b) Cash Expenditures are all cash flows from the State / Local General Treasury.

STATEMENT OF CHANGES IN EQUITY

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

NOTES TO FINANCIAL STATEMENTS

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

(a) General information about the Reporting and Accounting Entities;

(b) Information on the fiscal / financial and macro-economic policies;

(c) An overview of the achievement of financial targets for the reporting year and the constraints and obstacles encountered in achieving the targets;

(d) Information about the basis of preparation of the financial statements and accounting policies chosen to be applied to the selected transactions and other significant events;

(e) The details and explanation of each item presented on the face of the financial statements;

(f) Information required by the Governmental Accounting Standards that has not been presented on the face of financial statements;

(g) Other information necessary for a fair presentation, which is not presented on the face of the financial statements;

RECOGNITION OF FINANCIAL STATEMENTS ELEMENTS

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

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

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

(a) it is probable that the economic benefits associated with the event or occurance will flow out of or into the relevant reporting entity;

(b) the event or the occurance has a value or a cost that can be measured or can be estimated reliably.

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

POSSIBILTIY OF FUTURE ECONOMICS BENEFITS

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

RELIABILITY OF MEASUREMENT

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

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

ASSET RECOGNITION

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

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

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

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

RECOGNITION OF LIABILITIES

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

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

REVENUE RECOGNITION

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

RECOGNITION OF EXPENSES AND EXPENDITURE

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

97. Expenditures are recognized based on expenditure from the State / Local Treasury Single Account or from the reporting entity. Recogntion of special expenditures through the expenditure treasurer occurs when the responsibility for such expenditures is authorized by the 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 ACCOUTNING 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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GOVERNMENT ACCOUNTING STANDARD

ACCRUAL BASIS

STATEMENT NO. 01

FINANCIAL STATEMENT PRESENTATION

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

INTRODUCTION

OBJECTIVE

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

SCOPE

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

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

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

ACCOUNTING BASIS

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Local General Treasury Account</u> is a local depository account determined by the governor / regent / mayor to hold all local receipts and pay all local expenditures in a specified bank.

<u>Excess Budget Balance</u> is the total amount derived from accumulated SiLPA / SiKPA balances from previous budget years and the current year as well as other permitted adjustments.

<u>Exchange rate differences</u> are differences arising from the translation of foreign currencies to rupiah at different exchange rates.

<u>Cash equivalents</u> are short-term investments that are highly liquid and ready to be converted into cash, and are free from a significant risk of changes in value.

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

<u>Surplus/deficit-LO</u> is the difference between revenue-LO and expenses during one reporting period, after taking into account the surplus/deficit from non-operational actvities dan extraordinary items.

<u>Surplus/deficit-LRA</u> is the excess/shortfall difference between revenue-LRA and expenditures during one reporting period.

<u>Reporting date</u> is the date of the last day of the reporting period.

<u>Transfers</u> are revenues / expenditures of money of a reporting entity from / to other reporting entities, including the balance funds and revenue sharing funds.

<u>Debt transfers</u> are obligations of a reporting entity to make payments to other entities as a result of statutory provisions.

OBJECTIVES OF FINANCIAL REPORTING

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

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

b) information on the changes in the position of the government's economic resources, liabilties and equity;

c) information about the source, allocation and use of economic resources;

d) information on conformity of the realization to the budget;

e) information about the way thereporting entity funds its activities and meets its cash requirements;

f) information on the government's potential to finance the implementation of government activities;

g) useful information for evaluating the ability of the reporting entity to finance its activities.

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

a) been obtained and used in accordance with the budget; and

b) been obtained and used in accordance with the relevant provisions, including the budget limits set by the DPR / DPRD.

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

a. assets;
b. liabilities;
c. equity;
d. revenue-LRA;
e. expenditure;
f. transfers;
g. financing;
h. excess budget balance
i. revenue-LO;
j. expenses; and
k. cash flows.

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

RESPONSIBILITY FOR FINANCIAL REPORTING

13.Responsibility for the preparation and presentation of financial 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 accounting period and the balance of cash and cash equivalents at the reporting date.

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

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

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

STRUCTURE AND CONTENTS

INTRODUCTION

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

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

Identification of Financial Statements

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

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

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

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

c) the reporting date or the period covered by the financial report, in accordance with the components of the financial report;

d) the reporting currency; and

e) the level of precision used in the presentation of the figures in financial reports.

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

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

Reporting Period

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

a) the reasons for not reporting a period of one year,

b) the fact that comparative amounts for certain reports such as cash flows and related notes are not comparable.

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

Timeliness

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

BUDGET REALIZATION REPORT

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

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

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

a. revenue-LRA;

b. expenditure;

c. transfers;

d. surplus/deficit-LRA;

e. financing;

f. budget financing surplus / deficit balance.

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

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

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

STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE

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

a) Opening Excess Budget Balance;

b) Use of the Excess Budget Balance;

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

d) Accounting error correction in the previous year; and

e) Others;

f) Closing Excess Budget Balance.

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

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

BALANCE SHEET

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

Classification

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

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

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

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

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

a) ***cash and cash equivalents;***

b) ***short-term investments;***

c) ***tax and non-tax receivables;***

d) ***inventories;***

e) ***long-term investments;***

f) ***fixed assets;***

g) ***short-term liabilities;***

h) ***long-term liabilities;***

i) ***equity.***

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

51.Examples of the balance sheet format are presented in 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 activitiesor 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.***

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

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

a) Investments in Government Securities;

b) Capital investment in development projects that can be transferred to third parties; and

c) Other non-permanent investments.

62.***Permanent Investments consist of:***

a) Government Equity Participation in state / local enterprises, state financial institutions, state-owned legal entities, international organizations and other legal entities that do not belong to the state.

b) Other permanent investments.

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

64.***Fixed assets consist of:***

a) Land;

b) Equipment and machinery;

c) Building and construction;

d) Roads, irrigation, and networks;

e) Other fixed assets; and

f) Construction in progress.

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

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

Asset Recognition

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

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

Asset Measurement

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

a) Cash is recorded at nominal value;

b) Short-term investments are recorded at the value of acquisition;

c) Accounts receivable recorded at nominal value;

d) Inventories are recorded at:

(1) Acquisition cost if acquired by purchase;

(2) The Standard Cost if obtained through self-production;

(3) The fair value if obtained by other means such as donations / booty.

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

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

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

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

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

Short-term Liabilities

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

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

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

Long-term Liabilities

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

a) the original term is for a period of more than 12 (twelve) months;

b) the entity intends to refinance the liability on a long-term basis; and

c) this intention is supported by the existence of a refinancing agreement, or the rescheduling of the payment, which was completed before the financial reports were approved.

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

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

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

a) the lender has agreed not to seek repayment as a consequence of the breach; and

b) it is unlikely that subsequent violations will occur within 12 (twelve) months after the reporting date.

Liability Recognition

81. ***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.***

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

Liability Measurement

83. ***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

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

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

INFORMATION PRESENTED IN THE BALANCE SHEET OR IN THE NOTES TO THE FINANCIAL STATEMENTS

86. ***A reporting entity discloses, either within the Balance Sheet or in the Notes to the Financial Reports, 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.***

87. 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. The factors mentioned in paragraph 86 may be used in determining the basis for the subclassification.

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

(a) accounts receivable are specified according to amounts for taxes receivable, levies, sales, related parties, advances and other amounts; transfers receivable are specified according to source;

(b) inventories are further detailed in accordance with the standards governing the accounting for inventories;

(c) fixed assets are classified by group in accordance with the standards set for fixed assets;

(d) debt transfers are analyzed according to receiving entity;

(e) reserve funds are classified in accordance with their purpose;

(f) disclosure of the interests of the government in state / local / other enterprises is subclassified into the amount of the investment provided, the level of control and valuation methods.

STATEMENT OF CASH FLOWS

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

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

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

STATEMENT OF OPERATIONS

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

a) ***Revenue-LO from operational activities;***

b) ***Expenses from operational activities ;***

c) ***Surplus/deficit from Non Operational Activities, if any;***

d) ***Extraordinary Items, if any;***

e) ***Surplus/deficit-LO.***

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

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

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

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

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

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

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

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

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

STATEMENT OF CHANGES IN EQUITY

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

a) Opening equity;

b) Surplus/deficit-LO in the relevant period;

c) Corrections that directly increase / decrease equity, which, among others, are derived from the cumulative impacts caused by changes in accounting policies and the correction fundamental errors, such as:

   1. ***correction of fundamental errors to inventories that occurred in prior periods;***

   2. ***changes in the value of fixed assets due to revaluations.***

d) Closing equity.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Structure

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

a) ***General Information about the Reporting Entity and the Accounting Entity;***

b) ***Information on fiscal / financial policies and macroeconomy;***

c) ***Summary of achievement of financial targets during the reporting year together with the constraints and obstacles encountered in achieving the target;***

d) ***Information about the basis of preparation of the financial statements and accounting policies selected to be applied to transactions and other significant events;***

e) ***Details and explanation of each item presented on the face of the financial statements;***

f) ***The information required by the Governmental Accounting Standards that have not been presented on the face of the financial statements;***

g) ***Other information necessary for a fair presentation, which is not presented on the face of the financial statements.***

105. ***The Notes to the Financial Statements are presented systematically. Each item in 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 should have cross-references to the related information in the Notes to the Financial Statements.***

106. ***The Notes to the Financial Statements include an explanation or a detailed list or analysis of the value of the items presented in 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. Included also in the Notes to the Financial Statements is the presentation of information required and recommended by the Government Accounting Standards and other disclosures necessary for a fair presentation of the financial statements, such as contingent liabilities and other commitments.***

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

Presentation of Acccounting Policies

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

(a) the measurement basis used in the preparation of the financial statements;

(b) the extent to which the accounting policies related to the transition provisions of the Government Accounting Standards have been applied by the reporting entity, and

(c) each specific accounting policy that is necessary to understand the financial statements.

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

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

(a) Recognition of revenue-LRA and revenue-LO;

(b) Recognition of expenditure;

(c) Recognition of expenses;

(d) Principles for the preparation of the consolidated statements;

(e) Investments;

(f) Recognition of termination / disposal of tangible and intangible assets;

(g) Construction contracts;

(h) Expenditure capitalization policy;

(i) Partnerships with third parties;

(j) Research and development costs;

(k) Inventories, whether for sale or for their own use;

(l) Reserve funds;

(m) Foreign currency translation and hedging.

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

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

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

Other Disclosures

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

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

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

c. statutory provisions that underlie its operations.

DATE OF EFFECT

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

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

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**

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 02

BUDGET REALIZATION REPORT CASH BASIS

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

INTRODUCTION

OBJECTIVE

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

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

SCOPE

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

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

BENEFITS OF BUDGET REALIZATION INFORMATION

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

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

(b). providing information about the realization of budget as a whole that is useful in evaluating the government's performance in terms of efficiency and effectiveness of the use of budget.

6. The Budget Realization Report provides information that is useful in predicting the economic resources that will be received to finance the activities of central and local governments in the coming period by presenting a comparative report. The Budget Realization Report can provide information to the report users indicating that the acquisition and use of economic resources:

(a). has been carried out in an efficient, effective, and efficient;

(b). has been implemented in accordance with the budget (APBN / APBD),

(c). has been implemented in accordance with laws and regulations.

DEFINITIONS

7. The following are terms used in this Standard:

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

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

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

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

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

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

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

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

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

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

<u>Local Treasury</u> is the depository for local government monies that is determined by the Local Treasurer to accommodate all local government receipts and expenditures.

<u>State Treasury</u> is the depository of state monies as determined by the Minister of Finance as the General Treasurer of the State to accommodate all the central government receipts and expenditures.

<u>Accounting Policies</u> are the principles, foundations, conventions, rules, and specific practices chosen by a reporting entity in the preparation and presentation of financial statements.

<u>Exchange rate</u> is the ratio of exchange of two currencies.

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

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

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

<u>Local enterprise</u> is a business entity wholly or partially owned by the Local Government.

<u>State enterprise</u> is a business entity wholly or partially owned by the Central Government.

<u>State General Treasury Account</u> is a depository account of State funds prescribed by the Minister of Finance as General Treasurer of the State to accommodate all State receipts and pay all State expenditures in the central bank..

<u>Local General Treasury Account</u> is a local depository account determined by the governor / regent / mayor to hold all local receipts and pay all local expenditures in a specified bank.

<u>Excess Budget Balance</u> is the total amount derived from accumulated SiLPA / SiKPA balances from previous budget years and the current year as well as other permitted adjustments.

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

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

<u>Surplus/deficit-LRA</u> is the excess/shortfall difference between revenue-LRA and expenditures during one reporting period.

<u>Transfers</u> are revenues / expenditures of money of a reporting entity from / to other reporting entities, including the balance funds and revenue sharing funds.

BUDGET REALIZATION REPORT STRUCTURE

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

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

(a). the name of the reporting entity or other means of identification;

(b). the scope of the reporting entity;

(c). the period covered;

(d). the reporting currency, and;

(e). units of the figures used.

REPORTING PERIOD

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

(a). reasons for not reporting for a period of one year;

(b). the fact that comparative amounts in the Budget Realization Report and related notes are not comparable.

TIMELINESS

11. The benefits of the Budget Realization Report are reduced if the report is not available on time. Factors such as the complexity of government operations cannot justify the inability of the reporting entity to present its financial statements on time. A reporting entity must present the Budget 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

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

BUDGET ACCOUNTING

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

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

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

REVENUE-LRA ACCOUNTING

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

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

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

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

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

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

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

28. Corrections and refunds that are non-recurring for revenue-LRA receipts that occur in the period of revenue-LRA receipt are 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 indispensible 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

- Goods Expenditure	xxx
- Interest	xxx
- Subsidies	xxx
- Grants	xxx
- Social Assistance	xxx
Capital Expenditures	
- Fixed Assets Expenditures	xxx
- Other Assets Expenditures	xxx
Other/Unexpected Expenditures	xxx
Transfers	xxx

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

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

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

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

Expenditures :	
- General Services	xxx
- Defense	xxx
- Order and Security	xxx
- Economy	xxx
- Environmental Protection	xxx
- Housing and Settlement	xxx
- Health	xxx
- Tourism and Culture	xxx

- Religion	xxx
- Education	xxx
- Social protection	xxx

44. Budget expenditure realization is reported in accordance with the classification set out in the budget document.

45. Corrections to expenditure (refund receipts) that occur in the period of expenditure are recorded as a reduction of expenditures in the same period. If received in a subsequent period, corrections to expenditures are recorded in revenue-LRA in the post other revenue-LRA.

46. Structured expenditure accounting, in addition to fulfilling accountability requirements in accordance with regulations, can also be developed for the purposes of control of management to measure the effectiveness and efficiency of public spending.

SURPLUS/DEFICIT-LRA ACCOUNTING

47. The difference between the revenue-LRA and expenditure during a reporting period is recorded in the post Surplus / Deficit-LRA.

48. Surplus-LRA is the excess of revenue-LRA and expenditure during one reporting period.

49. Deficit-LRA is the shortfall between revenue-LRA and expenditure during one reporting period.

ACCOUNTING FOR FINANCING

50. Financing is all government financial transactions, both receipts and expenditures, to be paid or to be received back, which in government budgeting is primarily intended to cover the deficit or utilize a budget surplus. Financing receipts can come from, among others, loans and the proceeds of divestment. Meanwhile, financing expenditures is used, among others, for the repayment of loan principal, lending to other entities, and equity investments by the government.

ACCOUNTING FOR FINANCING RECEIPTS

51. Financing receipts are all the receipts into State / Local General Treasury Accounts which derive from, among others, loans receipts, the sale of government bonds, the proceeds from the privatization of State / Local owned enterprises, repayments of loans provided to third parties, the sale of other permanent investments, and disbursements of reserve funds.

52. Financing receipts are recognized at the time of receipt into the State / Local General Treasury Account.

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

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

ACCOUNTING FOR FINANCING EXPENDITURES

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

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

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

ACCOUNTING FOR NET FINANCING

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

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

ACCOUNTING FOR THE SURPLUS / DEFICIT AFTER BUDGET FINANCING (SILPA/SIKPA)

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

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

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

FOREIGN CURRENCY TRANSACTIONS

63. Transactions in foreign currencies are recognized in rupiah.

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

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

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

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

DATE OF EFFECT

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

68. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 03

STATEMENT OF CASH FLOWS

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

INTRODUCTION

PURPOSE

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

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

SCOPE

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

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

BENEFITS OF CASH FLOW INFORMATION

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

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

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

DEFINITIONS

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

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

<u>Cash flows</u> are inflows and outflows of cash and cash equivalents in the State / Local General Treasury.

<u>Operating activities</u> are cash receipt and disbursement activities intended for government operational activities during an accounting period.

<u>Investing activities</u> are cash receipt and expenditure activities intended for the acquisition and disposal of fixed assets and other investments not included in cash equivalents.

<u>Financing activities</u> are activities relating to cash receipts that will be repaid and / or disbursements of cash that will be returned that result in changes in the amount and composition of debt and long-term receivables.

<u>Non-budget activities</u> are activities relating to cash receipts or disbursements that do not affect budget revenues, expenditures, transfers, and government financing.

<u>Transitory Activities</u> are activities relating to cash receipts or disbursements that are not included in operating, investing, and financing activities.

<u>Accrual basis</u> is the basis of accounting that recognizes the effects of transactions and other events at the time the transaction and event occurred, regardless of when cash or its equivalent is received or paid.

<u>Expenses</u> are decreases in economic benefits or service potential in the reporting period which decreases equity, which may include expenditure or consumption of an asset or the incurrence of liabilities.

<u>Transfers Expenses</u> are expenses forming cash expenditures or liabilities to spend money from a reporting entity to another reporting entity as required by laws and regulations.

<u>Reserve Funds</u> are funds set aside to accommodate needs requiring relatively large funds that cannot be met within one budget year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

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

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

CASH FLOW REPORTING ENTITY

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

(a) The central government;

(b) Local governments;

(c) Each state ministry or agency in the central government, and;

(d) Organizational units within the central / local governments or any other organization, if, according to laws and regulations, the organizational unit is required to present financial reports.

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

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

PRESENTATION OF THE STATEMENT OF CASH FLOWS

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

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

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

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

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

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

OPERATING ACTIVITIES

21. ***Operating activities are cash receipt and expenditure activities intended for government operational activities during an 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;

(b) Sales of Other Assets;
(c) Disbursement of Reserve Funds;
(d) Proceeds from divestments;
(e) Sale of Investments in Securities.

30. Cash outflows from investing activities consist of:

(a) Acquisition of Fixed Assets;
(b) Acquisition of other assets;
(c) Establishment of Reserve Funds;
(d) Government Equity participation;
(e) Purchases of Investments in the form of Securities.

FINANCING ACTIVITIES

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

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

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

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

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

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

TRANSITORY ACTIVITIES

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

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

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

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

REPORTING CASH FLOWS FROM OPERATING, INVESTMENTS, FINANCING, AND TRANSITORY ACTIVITIES

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

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

(a) Direct method

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

(b) Indirect method

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

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

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

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

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

REPORTING CASH FLOWS ON THE BASIS OF NET CASH FLOWS

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

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

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

FOREIGN CURRENCY CASH FLOWS

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

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

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

INTEREST AND SHARES OF PROFITS

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

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

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

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

ACQUISITION AND DISPOSAL OF INVESTMENTS IN THE STATE / LOCAL / PARTNERSHIP ENTERPRISES AND OTHER OPERATING UNITS

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

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

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

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

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

(a) Total purchase or disposal price;

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

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

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

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

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

NON CASH TRANSACTIONS

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

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

COMPONENTS OF CASH AND CASH EQUIVALENTS

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

OTHER DISCLOSURES

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

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

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

DATE OF EFFECT

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

63. ***For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 04

NOTES TO THE FINANCIAL STATEMENTS

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

INTRODUCTION

PURPOSE

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

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

SCOPE

3. This Standard must be applied to:

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

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

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

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

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

DEFINITIONS

7. The following are terms used in this Standard:

<u>Budget</u> is an action guide to be implemented by government covering planned revenues, expenditures, transfers, and financing which is measured in rupiah, and arranged systematically according to a specific classification for one period.

<u>Local Expenditure and Revenue Budget (APBD)</u> is the local government annual financial plan agreed by local legislatures.

<u>National Expenditure and Revenue Budget (APBN)</u> is the central government annual financial plan agreed by the House of Representatives (DPR).

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

<u>Accrual basis</u> is the basis of accounting that recognizes the effects of transactions and other events at the time the transaction and event occurred, regardless of when cash or its equivalent is received or paid.

<u>Cash basis</u> is the basis of accounting that recognizes the effects of transactions and other events when cash or cash equivalents are received or paid.

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

<u>Expenses</u> are decreases in economic benefits or service potential in the reporting period which decreases equity, which may include expenditure or consumption of an asset or the incurrence of liabilities.

<u>Equity</u> is the government's net worth and is the difference between the government's assets and liabilities.

<u>Reporting Entity</u> is a unit of government consisting of one or more accounting entities in accordance with the accounting provisions of legislation and are required to submit accountability reports in the form of financial statements.

<u>Accounting Policies</u> are the principles, foundations, conventions, rules, and specific practices chosen by a reporting entity in the preparation and presentation of financial statements.

<u>Liabilities</u> are debts arising from past events whose settlement results in outflows of government economic resources.

<u>Materiality</u> is a condition that arises if unpresented or misstated information influences the decisions or assessments of users made on the basis of financial reports. Materiality depends on the nature or magnitude

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

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

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

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

<u>Post</u> is a collection of similar accounts that appear on the face of the financial statements.

<u>Excess Budget Balance</u> is the total amount derived from accumulated SiLPA / SiKPA balances from previous budget years and the current year as well as other permitted adjustments.

GENERAL PROVISIONS

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

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

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

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

STRUCTURE AND CONTENTS

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

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

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

(a) General information about Reporting Entities and Accounting Entities;

(b) Information on fiscal / financial and macroeconomic policy;

(c) A summary of the achievement of financial targets for the reporting year together with constraints and obstacles encountered in achieving the target;

(d) Information on the basic presentation of the financial statements and the selected accounting policies applied to transactions and other significant events;

(e) Details and explanations of each item presented on the face of the financial statements;

(f) Information required by the Government Accounting Standards that has not been presented on the face of the financial statements, and;

(g) Other information necessary for a fair presentation, that is not presented on the face of the financial statements.

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

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

PRESENTATION OF GENERAL INFORMATION REGARDING REPORTING ENTITIES AND ACOUTNING ENTITIES

17. The Notes to the Financial Statements must disclose information that constitues a general description of an entity.

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

(a) the domicile and legal form of the entity and the jurisdiction where the entity is located;

(b) an explanation of the nature of the entity's operations and principal activities, and;

(c) the statutory provisions that underlie its operations..

PRESENTATION OF INFORMATION ON FISCAL / FINANCIAL POLICIES AND THE MACROECONOMY

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

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

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

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

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

PRESENTATION OF THE SUMMARY OF FINANCIAL TARGET ACHIEVEMENT DURING THE CURRENT REPORTING YEAR AND CONSTRAINTS AND OBSTACLES ENCOUNTERED IN TARGET ACHIEVEMENT

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

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

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

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

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

(a) total target value;

(b) total realization value;

(c) percentage ratio between the target and realization, and

(d) The main reason for the difference between the target and the realization.

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

BASIC PRESENTATION OF THE FINANCIAL STATEMENTS AND DISCLOSURE OF FINANCIAL ACCOUNTING POLICIES

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

BASIC ACCOUNTING ASSUMPTIONS

31. The basic assumption or the particular basic accounting concepts that underlie the preparation of the financial reports, usually do 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 asumption 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) Materilaity

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.

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

44. 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.

45. 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.

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

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

47. Each entity needs to consider the type of activities and policies 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 accouting errors, and the Excess Budget Balance in the final period with thefollowing structure:

(a) Comparision with the previous period;

(b) The explanation of the difference between the current period and the previous period;

(c) Necessary details; and

(d) Explanation of important matters required.

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

(a) Comparision with the previous period;

(b) Explanation of the difference between the current period and the previous period;

(c) Further details of revenue-LO according to source of revenue;

(d) Further details of expenses by economic classification, organization, and functions, and

(e) Explanation of important matters required.

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

(a) Comparision with the previous period;

(b) Explanation of the difference between the current period and the previous period;

(c) Further details on each account in current assets, long-term investments, fixed assets, other assets, short-term liabilities, long-term liabilities, and equity, and;

(d) Explanation of important matters required.

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

(a) Comparision with the previous period;

(b) Explanation of the difference between the current period and the previous period;

(c) Further details of each account in each activity; and

(d) Explanation of important matters required.

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

(a) Comparision with the previous period;

(b) Explanation of the difference between the current period and the previous period;

(c) Necessary details; and

(d) Explanation of important matters required.

DISCLOSURE OF INFORMATION REQUIRED BY THE GOVERNMENT ACCOUNTING STANDARDS NOT PRESENTED ON THE FACE OF THE FINANCIAL STATEMENTS

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

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

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

OTHER DISCLOSURES

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

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

(a) Replacement of government management during the current year;

(b) Errors of the previous management corrected by the new management;

(c) Commitments or contingencies that can not be presented in the the Balance Sheet;

(d) Merger or division of the entity during the current year; and

(e) An event that has a social impact, such as a strike that must be addressed by the government.

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

COMPOSITION

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

(a) General information about the reporting entity and accounting entities;

(b) Fiscal / financial and macroeconomic policies;

(c) Summary of financial target achievement together with obstacles and contraints;

(d) Significant accounting policies:

   i. The reporting entity;

   ii. The accounting basis underlying the preparation of financial statements;

   iii. The measurement bases used in the preparation of financial statements;

   iv. Compliance of the accounting policies applied with the provisions of the Statements of Government Accounting Standards by a reporting entity;

   v. Each specific accounting policy necessary to understand the financial statements.

(e) Explanation of the items in the Financial Report:

   i. Details and an explanation of each item in the Financial Report;

   ii. Disclosure of information required by the Governmental Accounting Standards that is not presented on the face of Financial Report.

(f) any additional information required.

DATE OF EFFECT

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

66. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual Basis 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

ACCOUTNING FOR INVENTORIES

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GOVERNMENT ACCOUTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 05

ACCOUNTING FOR INVENTORIES

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

INTRODUCTION

OBJECTIVE

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

SCOPE

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

3. This Standard does not regulate:

   a. Inventories of raw materials and supplies owned by self-managed projects and charged to the account construction in progress, and;

   b. Financial instruments.

DEFINITIONS

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

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

<u>Fair value</u> is the exchange value of assets or settlement of liabilities between parties who understand and are willing to make a fair deal.

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

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

GENERAL

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

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

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

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

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

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

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

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

9. Inventories can consist of:

a. Consumables;
b. Ammunition;
c. Materials for maintenance;
d. Spare parts;
e. Inventories for strategic / precautionary objectives;
f. Excise stamps and certification fee;
g. Raw materials;
h. Goods in process / progress;
i. Land / buildings to be sold or delivered to the public;
j. Animals and plants, to be sold or delivered to the public.

10. 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.

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

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

RECOGNITION

13. ***Inventories are recognized (a) 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, (b) upon receipt or the right of ownership and / or control is transferred.***

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

MEASUREMENT

15. ***Inventories are stated at their:***

a. Acquisition cost, if acquired through purchase;

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

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

16. 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.

17. ***Inventories can be valued using:***

a. A systematic method such as FIFO or weighted average

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

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

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

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

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

INVENTORIES EXPENSES

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

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

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

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

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

DISCLOSURE

26. ***The financial statements disclose:***

a. The accounting policies adopted in measuring inventories;

b. Further explanation of inventories, such as goods or supplies used in public services, goods or supplies used in the production process, goods kept for sale or delivered to the public, and goods still in the production process that are intended to be sold or delivered to the public, and

c. The type, number, and value of inventory in damaged or worn condition.

DATE OF EFFECT

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

28. ***For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual Basis 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

ACCOUTING FOR INVESTMENTS

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GOVERNMENT ACCOUTNING STANDARD
ACCRUAL BASIS
STATEMENT NO. 06

ACCOUTING FOR INVESTMENTS

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

INTRODUCTION

OBJECTIVE

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

SCOPE

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

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

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

5. This Standard does not regulate:

(a) The placement of money included in the scope of cash equivalents;

(b) Investments in associated companies;

(c) Operating partnerships; dan

(d) Investments in property.

DEFINITIONS

6. The following are terms used in this Standard:

<u>Investment cost</u> are all costs incurred by the investor entity in the acquisition of an investment such as broker commissions, banking services, legal fees and other charges from the capital market.

***Investments* are assets that are intended to obtain economic benefits such as dividends, interest and royalties, or social benefits, thus increasing the ability of the government to provide services to the community.**

***Short-term investments* are investments that can be quickly liquidated and are intended to be held for 12 (twelve) months or less.**

***Long-term investments* are investments intended to be held for more than 12 (twelve) months.**

***Non-permanent investments* are long-term investments that are not included in permanent investments, i.e. are not intended to be held continuously.**

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

***Social benefits* are defined in this standard as a benefit that can not be measured directly in units of money but by effect on the improvement in government services to the public or a particular community group.**

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

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

***Historical value* are amounts of cash or cash equivalents paid / issued or the fair value based on certain considerations to acquire an investment asset at the time of acquisition.**

***Face value* is the value specified in a security such as the value stated in share and bond certificates.**

***Market value* is the amount obtainable from the sale of an investment in an active market between independent parties.**

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

***Associate company* is a company in which the investor has significant influence and is not a subsidiary or joint venture of the investor.**

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

FORMS OF INVESTMENTS

7. Government undertakes investments with the intention, among others, to earn income in the long term or to utilize unused funds for short-term investments in the context of cash management.

8. There are several types of investments that can be verified by a certificate or other similar document. The nature of an investments bond purchases may include both short and long term, and equity instruments.

INVESTMENT CLASSIFICATION

9. Government investment is classified into two groups, namely short-term investments and long-term investments. Short-term investments are a group of current assets whereas long-term investments are a group of non-current assets.

10. Short-term investments must meet the following characteristics:

(a) Can be immediately sold / liquidated;

(b) The investment is intended in the context of cash management, which means that the government can sell such investments when cash needs arises;

(c) Low risk.

11. Having regard to the criteria in paragraph 10, the purchase of securities is high risk for the government, because it is influenced by fluctuations in the market price of the securities, excluding short-term investments. The types of investments that not included in the group short-term investments include:

(a) Securities purchased by the government in order to control a business entity, for example the purchase of securities to increase the equity ownership stake in a business entity;

(b) Securities purchased by the government for the purpose of maintaining good institutional relations with other parties, such as the purchase of securities issued by an agency both domestically and abroad to demonstrate the participation of the government; or

(c) Securities that are not intended to be liquidated in meeting short-term cash needs.

12. Investments that can be classified as short-term investments, consist of, among others:

(a) Deposits with terms of three to twelve months and / or which can be automatically extended (revolving deposits);

(b) Purchases of short-term Government Securities both by central and local governments and purchases of Bank Indonesia Certificates .

13. Long-term investments are divided according to investment properties of investment, i.e. permanent and non-permanent. Permanent investments are long-term investments which are held on an continuous basis, whereas non-permanent investments are long-term investments which are not intended to held on a continuous basis.

14. The definition of continuous refers to investments intended to be held continuously and without any intention to trade or redeem. Whereas the definition of non-continous refers to the ownership of investments with a

maturity of more than 12 (twelve) months, but are not intended to be owned continuously or there is an intention to trade or redeem.

15. A permanent investment conducted by the government are investments that are not intended for sale, but to obtain dividends and / or have a significant influence in the long term and / or maintain institutional relations. Permanent investments can be:

(a) Government Equity Participation in state / local enterprises, international agencies and other entities that are not owned by the state;

(b) other permanent investments owned by the government to generate revenue or improve public services.

16. Non-permanent investments conducted by the government, among others, can be:

(a) The purchase of bonds or long-term debt securities intended to be held until the maturity date by the government;

(b) Equity investments in development projects that can be transferred to a third party;

(c) Funds set aside by the government in the context of community services as revolving working capital assistance to community groups;

(d) Other non-permanent investments, that are not intended for continuous government-ownership, such as equity investments aimed at restructuring / rescuing the economy.

17. Government equity participation can include securities (shares) in a limited liability company and non-marketable securities, that is equity ownership not in the form of shares in an unlimited liability company.

18. Other permanent investments are investments that cannot be included equity participation, long-term bonds purchased by the government, and capital investments in development projects that can be transferred to a third party, for example investments in properties that are not covered by this statement.

19. Accounting for government investments in property and joint operations will be regulated in individual accounting standards.

RECOGNITION OF INVESTMENT

20. Disbursements of cash and / or assets, grant receipts in the form of investments and changes to accounts receivable can recognized as investments if they meet the following criteria:

(a) There is the possibility of economic benefits and social benefits or service potential in the future that can be obtained from investments by the government;

(b) The acquisition value or fair value of the investments can be measured appropriately (reliable).

21. In determining whether an expenditure of cash and / or assets, grant receipts in the form of investments and changes to accounts receivable

meet the criteria for recognizing investments for the first time, the entity needs to assess the degree of certainty of the flow of economic benefits, social benefits or service potential in the future based on evidence available at the time the investment is first recognized. The existence of sufficient certainty that the future economic benefits or service potential will be obtained requires an assurance that the entity will benefit from these assets and will bear the risks that may arise.

22. The criteria for the recognition of investments as stated in paragraph 20 item b, can usually be met because the exchange or purchase transaction is supported by evidence that states / identifies the acquisition cost. In certain circumstances, an investment may be obtained not based on the acquisition cost, or the fair value at the date of acquisition. In such cases, the use of appropriate value estimates may be used.

MEASUREMENT OF INVESTMENTS

23. For some types of investments, there is an active market that can shape the market value. In terms of such investments, the market value is used as the basis for the application of fair value. As for the investments that do not have an active market, the nominal value, the carrying amount or other fair value may be used.

24. Short-term investments in marketable securities, such as stocks and short-term bonds, are recorded at acquisition cost. The acquisition cost of an investment includes the investment transaction price itself plus brokerage, banking services, and other costs incurred in the context of the acquisition.

25. If the investment in the form of securities was obtained without cost, then the investment is measured at fair value at the date of the acquisition at the market price. If there is no fair value, then the investment is valued based on the fair value of other assets that were surrendered for the investment.

26. Non-share short-term investments, for example, short-term deposits, are recorded at the nominal value of these deposits.

27. Permanent long-term investments, for example, government equity participation, are recorded at acquisition cost including the price of the investment transaction itself plus other costs incurred in the context of the investment acquisition.

28. Non-permanent investments in the form of long-term bond purchases and investments that are not intended to be owned continuously, are valued at the acquisition value.

29. Non-permanent investments aimed at restructuring / rescuing the economy, are valued at the net realizable value.

30. An example of a non-permanent investment for restructuring / rescuing the economy is a bailout in the context of restructuring the banking sector.

31. Non-permanent investments in the form of investments in government development projects (such as PIR) are valued at the cost of construction, including costs incurred for planning and other costs incurred in the context of the completion of the project until the project is transferred to a third party.

32. If long-term investments are acquired through the exchange of government assets, the value of the investment obtained by the government is the acquisition cost, or the fair value of the investment if the acquisition price does not exist.

33. The acquisition price of a foreign currency investment paid with the same foreign currency must be stated in rupiah using the exchange rate (middle rate of the central bank) in effect at the transaction date.

34. A discount or premium on the purchase of an investment is amortized over the period from purchase to maturity so that a constant return is derived from the investment.

35. The discount or premium that is amortized is credited or debited to interest revenue, so it is an addition or reduction of the carrying value of the investment.

INVESTMENT VALUATION METHODS

36. Government investment valuation is performed using three methods, namely:

(a) Cost method;

By using the cost method, the investment is carried at the acquisition cost. Earnings on investments are recognized at the proceeds received and do not affect the size of the investment in the related business / legal entity.

(b) Equity method;

By using the government equity method the initial investment is recorded at the acquisition cost and increased or decreased by the government's share of profits or losses after the date of acquisition. Shares of profit except for dividends in the form of shares received by the government will reduce the value of the government's investment. Adjustments to the value of the investment are also required to change the ownership share of government's investment, for example changes brought about by the influence of foreign exchange and revaluation.

(c) Net realizable value method;

The net realizable value method is used primarily for ownership that will be disposed of / sold in the near term.

37. The use of the method in paragraph 36 is based on the following criteria:

(a) Ownership of less than 20% of the cost method;

(b) Ownership of 20% to 50%, or less than 20% ownership but has a significant influence using the equity method;

(c) Ownership of more than 50% of the equity method;

(d) Non-permanent ownership using the net realizable value method.

38. Under certain conditions, the criteria for the percentage of ownership of shares is not a determining factor in the selection of investment valuation methods, but more a decisive factor is the degree of influence or control over the investee. The characteristics of the influence or control over investee companies, includes, among others:

(a) The ability to influence the composition of the board of commissioners;

(b) The ability to appoint or replace directors;

(c) The ability to determine and change the board of directors of the investee company;

(d) The ability to control the majority of votes in a meeting / board meeting.

REGONTION OF INVESTMENT PROCEEDS

39. Investment returns earned from short-term investments, which include interest on deposits, bonds, and cash dividends, are recognized when earned and recorded as revenue.

40. Investment returns in the form of cash dividends earned from government equity participation are accounted for using the cost method, recorded as investment revenue. Whereas when using the equity method, the share of profit in the form of cash dividends earned by government is recorded as investment revenue and reduces the value of government's investment. Dividends received in the form of shares will not increase the value of government's investment.

DISPOSAL AND TRANSFER OF INVESTMENTS

41. The disposal of government investment can occur due to sale, waiver because of government regulations, and so forth.

42. The difference between the investment disposal proceeds with the carrying amount investments must be charged or credited to gains / losses on disposal of investments. Gains / losses on disposal of investments are presented in the statement of operations.

DISCLOSURE

43. Other things that should be disclosed in the financial statements related to government investments, include, among others:

(a) The accounting policies for the determination of investment values;

(b) The types of investments, permanent and non-permanent;

(c) Changes in the market price of investments both for short term and long term investments;

(d) ***A significant decline in the value of investments and the cause of the decline;***

(e) ***Investments carried at fair value and the reason for its application;***

(f) ***Changes in investment posts.***

DATE OF EFFECT

44. This Statement of Governmental Accounting Standards is effective for financial statements from Budget Year 2010.

45. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
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The standards, which have been set in bold italic type, should be read in the context of the explanatory paragraphs, which are in plain type, and in the context of the Conceptual Framework of the Government Accounting Standards.

INTRODUCTION

PURPOSE

1. The objective of this Standard is to prescribe the accounting treatment of fixed assets including the recognition, the determination of the carrying value, as well as the determination and the accounting treatment of revaluations and impairments in the value recorded (carrying amount) for fixed assets.

SCOPE

2. ***This Standard is applied to all units of government that present general purpose financial statements and regulates the accounting treatment, including the recognition, valuation, presentation, and the disclosures required.***

3. This Standard does not apply to:

(a) Forests and natural resources that can be renewed (regenerative natural resources), and

(b) Authorization of mining, exploration and extraction of minerals, oil, natural gas, and natural resources and the like which are non-renewable (non-regenerative natural resources).

However, this Standard applies to fixed assets that are used to develop or maintain activities or assets covered in (a) and (b) above, and can be separated from the activity or asset.

DEFINITIONS

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

<u>Assets</u> are economic resources controlled and / or owned by the government as a result of past events and from which future economic and / or social benefits are expected to be obtained, either by the government or the public, and can be measured in terms of money, including non-financial resources required for the provision of public

services and resources that are maintained for reasons of history and culture.

<u>Fixed assets</u> are tangible assets with a useful life of more than 12 (twelve) months for use, or are intended for use, in government activities by the general public.

<u>Acquisition cost</u> is the amount of cash or cash equivalents that have been and are still required to be paid or the fair value of other benefits that have been and are still required to be given to acquire an asset at the time of acquisition or construction until the asset is in a condition and place ready to be used.

<u>Useful life</u> is:

(a) the period the asset is expected to be used for the activities of the government and / or public service; or

(b) the amount of production or similar units expected to be obtained from the assets of government activities and / or public service.

<u>Residual value</u> is the net amount expected to be obtained by the end of the useful life of the asset after deducting the estimated costs of disposal.

<u>Carrying amount</u> of assets is the book value of assets, which is calculated from the cost of acquisition of an asset less accumulated depreciation.

<u>Fair value</u> is the exchange value of assets or settlement of liabilities between parties who understand and are willing to make a fair deal.

<u>Depreciation</u> is the systematic allocation of the value of a fixed asset that can be depreciated (depreciable assets) over the useful life of the asset.

GENERAL

5. Fixed assets are often a major part of government assets, and therefore significant in the presentation of the balance sheet. Included in the fixed assets of the government are:

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

(b) Land rights.

6. Not included in the definition of fixed assets are assets held for consumption in government operations, such materials and supplies.

FIXED ASSET CLASSIFICATION

7. ***Fixed assets are classified based on similarities in the nature or function in an entity operating activities. Classification of fixed assets is as follows:***

(a) Land;

(b) Equipment and Machinery;

(c) Buildings and Structures;

(d) Roads, Irrigation, and Networks;

(e) Other Fixed Assets, and;

(f) Construction in Progress.

8. Land classified as fixed assets is land obtained with the intent to be used in the operations of government and in a condition ready for use.

9. Buildings and structures covers all buildings and sstructures obtained that are intended to be used in the operations of government and in a condition ready for use.

10. Equipment and machinery includes machinery and motor vehicles, electronic equipment, office equipment, and other equipment of significant value and useful life of more than 12 (twelve) months and is ready to use.

11. Roads, irrigation, and networks include roads, irrigation, and networks built by the government and are owned and / or controlled by the government and in a condition ready for use.

12. Fixed assets include assets that can not be classified into the groups of fixed assets above, obtained and used for government operations and in a condition ready to be used.

13. Construction in progress includes assets that are in the process construction, but at the date of the financial statements have not been fully complete.

14. Fixed assets that are not used for operational purposes of the government do not meet the definition of fixed assets and must be presented in the post other assets in accordance with their carrying values.

FIXED ASSETS RECOGNITION

15. ***Fixed assets are recognized when the future economic benefits can be obtained and their values can be measured reliably. To be recognized as fixed assets an asset must meet the following criteria:***

(a) Tangible;

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

(c) The acquisition cost an asset can be measured reliably;

(d) Not intended for sale in the normal operation of the entity; and

(e) Obtained or constructed with the intention to use.

16. In determining whether an asset continues to have the benefit of more than 12 (twelve) months, an entity must assess the future economic benefits that can be provided by the asset, either directly or indirectly, for government operations. The benefits can be either a stream of income or expenditure savings for the government. The future economic benefits will flow to the entity can be ensured if the entity will accept the benefits and associated risks. Certainty is usually only available if the benefits and risks have been accepted. Before this happens, the asset cannot be recognized.

17. The main purpose of the acquisition of fixed assets is that they are used by the government in support of its operations and are not intended for sale.

18. Recognition of fixed assets will be reliable when fixed assets have been received or delivered and ownership rights or when control is transferred.

19. The recognition of an asset will be reliable if there is evidence that there has been a transfer of ownership and / or control legally, such as land certificates and proof of vehicle ownership. If the acquisition of a fixed asset is not supported by legal evidence because the required administrative process is still underway, such as an unsettled land purchase where the buying and selling process (deed) and a certificate of ownership is still with the authorities, then the asset must be recognized when there is evidence that control of the asset has been transferred, for example where payments and control over land titles in the name of the previous owner have occurred.

MEASUREMENT OF FIXED ASSETS

20. ***Fixed assets are valued at acquisition cost. If the valuation of fixed assets using the cost of acquisition is not possible then the value of fixed assets is based on the fair value at the time of acquisition.***-

21. Measurement can be considered reliable if there is an exchange transaction with proof of purchase for the fixed assets which identifies cost. In the case where an asset that is constructed by way of self-management, a reliable measurement of the cost can be obtained from external transactions with such entities for the acquisition of raw materials, labor and other costs that are used in the construction process.konstruksi.

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

INITIAL VALUATION OF FIXED ASSETS

23. ***Tangible goods that meet the qualifications to be recognized as an asset and classified as a fixed asset should be measured initially at cost.***

24. ***If the fixed assets are acquired without value, the cost of the asset is measured at fair value at the time the asset is acquired.***

25. A fixed asset may be received by the government as a gift or donation. For example, land may be awarded to a local government by a developer without value that enables the local government to build a parking lot, street, or a place for pedestrians. An asset may also be obtained free of value through the implementation of government authority. For example, due to authority and regulations, local governments confiscate land and buildings that will then be used as a place of government operation. For both of the above,

the fixed assets acquired must be measured at fair value at the time the asset is acquired.

26. For the purposes of this statement, the use of fair value at the time of acquisition for the conditions in paragraph 24 does not constitute a process of revaluation and remains consistent with the cost as in paragraph 23. Revaluation referred to in paragraph 59 and other related paragraphs only applies to valuations for the next reporting period, not at the tiem of the initial acquisition.

27. ***For the purposes of the initial balance sheet of an entity, the acquisition cost of fixed assets used is the fair value at the time the initial balance sheet is prepared. For the next period after the intial balance sheet date, for the acquisition of new fixed assets, the entity uses the acquisition cost or fair price if there is no acquisition cost.***

COMPONENT COSTS

28. ***The cost of a fixed asset comprises the purchase price or construction, including import duties and any costs directly attributable to bringing the asset to the condition that the asset can be made to work for its intended use.***

29. Examples of costs that are directly attributable are:

(a) the cost of site preparation;

(b) initial shipping charges (initial delivery), cost savings and handling costs;

(c) installation costs;

(d) professional fees such as architects and engineers, and;

(e) construction costs.

30. Land is recognized the first time at acquisition cost. Acquisition cost includes the purchase price or the cost of land clearance, costs incurred in order to acquire rights, the cost of maturation, measurement, accumulation, and other costs incurred as well as those yet to be incurred until the land is ready for use. The value of land also includes the value of old buildings located on the land purchased if the old building is intended to be destroyed.

31. The acquisition cost of equipment and machinery describes the amount of expenditure that has been and remains to be conducted to acquire equipment and machinery until it is ready to use. These costs include the purchase price, freight costs, installation costs, and other direct costs to acquire and prepare until the equipment and machinery is ready for use.

32. The acquisition cost of buildings and structures describes all expenses incurred and yet to be incurred to acquire the building and structures until it is ready to use. These costs include the purchase price or construction cost, including the cost of IMB administration, notaries and tax.

33. The acquisition cost of roads, irrigation, and networks describes all costs incurred and yet to be incurred to acquire the roads, irrigation, and networks until they are ready to use. These costs include the cost of acquisition

or construction costs and other costs incurred until the roads, irrigation and networks are ready to use.

34. The acquisition cost of other fixed assets describes all costs incurred and yet to be incurred to acquire those assets until they are ready to use.

35. Administrative costs and other general costs do not constitute components of the cost of a fixed asset as long as these costs are not directly attributable to the cost of acquisition of the asset or bringing the assets to their working condition. Similarly, start-up costs and similar pre-production costs do not constitute part of the cost of an asset unless they are necessary to bring the asset to its working condition.

36. The acquisition cost of an asset to be constructed by a way of self-management is determined using the same principles as assets that are purchased.

37. Any trade discounts and rebates are deducted from the purchase price.

CONSTRUCTION IN PROGRESS

38. ***If the completion of the construction of a fixed asset exceeds and or passes one budget year period, the asset remains unfinished is classified and reported as construction in progress until the asset is completed and ready for use.***

39. The Statement of Government Accounting Standards No. 08 regarding Construction In Progress regulates in detail the treatment of assets under construction, including the details of the construction cost of a fixed asset that is carried out by self-management or carried out by a contractor. If not otherwise stated in this PSAP then the principles and details in PSAP 08 apply.

40. Construction In Progress where the construction or manufacture has been completed and is ready to be used should be reclassified into one of the appropriate accounts in the post fixed assets.

JOINT ACQUISITION

41. ***The acquisition cost of each fixed asset that is acquired jointly is determined by allocating the combined price based on a comparison of the fair value of each asset.***

EXCHANGES OF ASSETS

42. ***A fixed asset can be acquired through exchange or partial exchange of dissimilar assets or other assets. The cost of this kind of post is measured at the fair value of the acquired assets, i.e. a value equivalent to the carrying value of the assets disposed of after adjusting the amount for any cash or cash equivalents and other liabilities transferred / delivered.***

43. ***A fixed asset can be obtained through the exchange of a similar asset that has the same benefits and has a similar fair value. A fixed asset can also be released in exchange for the ownership of a similar asset. In these circumstances there are no recognized gains and losses in this transaction. The costs of the newly acquired assets are recorded at the carrying amount of the assets disposed.***

44. The fair value of assets received can provide evidence there is an impairment of the value of the assets disposed. In these circumstances, assets that are disposed of must written-down and the value after the write-down represents the value of the assets received. Examples of exchanges of similar assets include the exchange of buildings, machinery, special equipment, and aircraft. If there are other assets in exchange, for instance cash or other liabilities, then it is indicated that the posts being exchanged do not have the same value.

ASSET DONATIONS

45. ***Fixed assets acquired from donations must be recorded at fair value at the time of acquisition.***

46. Donations of property and equipment are defined as the unconditional transfer of a fixed asset to a single entity, for example a non-governmental enterprise provides a building to be used by a unit of government without any condition. The handover of the asset will be very reliable if supported by evidence of the legal transfer of ownership, such as a grant deed.

47. Excluding asset acquisition via donation, when the transfer of a fixed asset is connected with another entity's liability to the government, then the acquisition of the fixed asset should be treated as an acquisition of fixed assets with exchange. For example, a private company builds a fixed asset for the government with the requirement that the company's liability to the government will be deemed to have been settled.

48. If the acquisition of a fixed asset meets the criteria of an asset acquired by donation, then the acquisition is recognized as operating revenue.

SUBSEQUENT EXPENDITURES

49. ***Expenditures after the initial acquisition of a fixed asset that extends the useful life or likely future economic benefits in the form of capacity, production quality, or standard of performance, must be added to the carrying amount of the asset.***

50. Capitalization of costs referred to in paragraph 49 should be set out in the accounting policies of an entity, such as the criteria in paragraphs 49 and / or the particular capitalization thresholds to be used in the determination of whether an expenditure should be capitalized or not.

51. Because government organizations vary greatly in the amount and use of fixed assets, the capitalization thresholds cannot be uniform for all existing entities. Each entity should set limits on the amount of capitalization by

considering their financial condition and operations. When it is established, the capitalization thresholds must be applied consistently and disclosed in the Notes to the Financial Statements.

SUBSEQUENT MEASUREMENT TO INITIAL RECOGNITION

52. ***Fixed assets are presented at the acquisition cost of the fixed assets less accumulated depreciation. In the event of conditions that allow for revaluation, the asset will still be presented with an adjustment to the accounts fixed assets and equity respectively.***

DEPRECIATION

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

54. ***Depreciation for each period is recognized as a reduction of the carrying value of fixed assets in the balance sheet and depreciation expense in the statement of operations.***

55. The adjustment to fixed assets is performed by various systematic methods in accordance with the useful life. Depreciation methods used must be able to describe the economic benefits service potential that will flow to the government.

56. The useful life of tdepreciable fixed assets must be reviewed periodically and if there is a major difference from previous estimates, the depreciation period now and in the future must be adjusted.

57. The depreciation methods that can be be used include, among others:

(a) The straight line method; or

(b) The double declining balance method; or

(c) The unit of production method

58. ***Besides land and construction in progress, all fixed assets are depreciated according to the nature and characteristics of the assets.***

REVALUATION OF FIXED ASSETS

59. ***Reappraisal or revaluation of fixed assets is generally not allowed because the Government Accounting Standards adopt asset valuation at cost or the price of exchange. Deviations from this provision may be performed under government provisions that apply nationally.***

60. In this case, the financial statements should explain the deviation from the historical cost basis in the presentation of fixed assets and the effect of such deviations on an entity's financial picture. The difference between the revaluation with the carrying value of fixed assets is recorded in equity.

ACCOUTNING 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.

68. The government may have a many historic assets acquired over the years and by various methods including purchase, donation, inheritance, booty, or confiscation. These assets are rarely controlled due to the reason of the ability to generate cash inflows, and will have social and legal problems when used for such purposes.

69. Heritage assets should be presented in the form of units, such as the number of units owned in a collection or the number of units of monuments, in the Notes to the Financial Statements with no value.

70. Costs for the acquisition, construction, improvement and reconstruction must be charged as expenses in the statement of operations in the year the expenditures are incurred. Expenses include all expenses that occur to render the heritage asset to its existing condition and location in the current period.

71. ***Some heritage assets also provide other potential benefits to the government other than historical value, for example historical buildings used for office space. For such cases, the assets will apply the same principles as other fixed assets.***

72. For other historical assets, the potential benefits are limited to the historical characteristics, for example, monuments and ruins.

INFRASTRUCTURE ASSETS

73. Some assets are usually considered as infrastructure assets. Although there is no universal definition used, these assets usually have the following characteristics:

(a) Represents a portion of a system or network;

(b) Its special and there is no other alternative uses;

(c) Not able to be moved; and

(d) There are limits to its disposal.

74. ***Although ownership of infrastructure assets is not only by the government, significant infrastructure assets are often found to be an asset of government. Infrastructure assets meet the definition of a fixed asset and should be treated in accordance with the principles that exist in this Statement.***

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

MILITARY ASSETS

76. ***Military equipment, whether general or particular, meets the definition of a fixed asset and should be treated in accordance with the 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;

(e) The carrying amount of each type of fixed asset.

83. ***Heritage assets are disclosed in detail, including the name, type, condition and location of the asset.***

DATE OF EFFECT

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

85. ***For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 08

ACCOUNTING FOR CONSTRUCTION IN PROGRESS

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

INTRODUCTION

OBJECTIVE

1. The objective of the Construction in Progress Standard is to prescribe the accounting treatment for construction in progress.

2. This Standard provides guidelines for:

(a) identification of the work that can be classified as the Construction In Progress;

(b) determining the amount costs that are capitalized and presented in the balance sheet;

(c) determining the basis for recognition and disclosure of the cost of construction.

SCOPE

3. An accounting entity that undertakes the construction of fixed assets to be used in the implementation of the activities of government and / or community in a certain time period, both the implementation of self-managed construction as well as construction performed by third parties, are required to implement this standard.

4. The nature of construction activities is generally long-term, so that the start date of activity implementation and the date of activity completion usually fall into different accounting periods.

5. The main problem with accounting for Construction In Progress is the cost amounts to be recognized as fixed assets that must be recorded until the construction is completed.

DEFINITIONS

6. The following are terms used in this Standard:

<u>Budget</u> is an action guide to be implemented by government covering planned revenues, expenditures, transfers, and financing which is

measured in rupiah, and arranged systematically according to a specific classification for one period.

Fixed assets are tangible assets with a useful life of more than 12 (twelve) months for use, or are intended for use, in government activities by the general public.

Construction in progress are fixed assets under construction.

Construction contract is a commitment made specifically for the construction of an asset or a combination of assets closely related to each other or interdependent in terms of design, technology and function or purpose or primary use.

Contractor is an entity that holds a contract to build assets or provide construction services for the benefit of other entities in accordance with the specifications set forth in the construction contract.

Advances are amounts received by the contractor before the work is done in the context of a construction contract.

Claims are amounts requested by the contractor from the employer as reimbursement of costs that were not included in the contract value.

Employer is the entity that enters into a construction contract with a third party to build or provide construction services.

Retention is the number of terms (progress billing) that have not been paid to the fulfillment of the conditions specified in the contract for the payment of the amount.

Installment (progress billing) is the amount charged for work done under a contract, whether already paid or has not been paid by the employer.

CONSTRUCTION IN PROGRESS

7. Construction In Progress includes the construction of land, equipment and machinery, buildings, roads, irrigation and networks, as well as other fixed assets that the acquisition and / or construction of requires a certain period of time and has not been completed. Acquisition through construction contracts generally requires a certain period of time. The time period of acquisition could be more or less than one accounting period.

8. Acquisition of assets can performed by construction through self-management or through a third party with a construction contract.

CONSTRUCTION CONTRACTS

9. Construction contracts can be associated with the acquisition of a number of assets that are closely related or mutually dependent on each other in terms of design, technology, function or purpose, and main use. Contracts such as this are, for example, the construction of irrigation networks.

10. Construction contracts may include:

(a) contracts for the acquisition of services directly related to the planning and construction of an asset, such as architectural services;

(b) contracts for the acquisition or construction of assets;

(c) contracts for the acquisition of services directly related to the supervision of the construction of assets which includes construction management and value engineering;

(d) contracts to dismantle or restore assets and environmental restoration.

UNIFICATION AND SEGMENTATION OF CONSTRUCTION CONTRACTS

11. The provisions of this standard apply separately to each construction contract. However, in certain circumstances, it is necessary to apply this statement to a single construction contract component which can be separately identified, or to a group of construction contracts together in order to reflect the nature of a construction contract or group of construction contracts.

12. If a construction contract covers a number of assets, the construction of each asset is treated as a separate construction contract when all the following conditions are met:

(a) Separate proposals have been submitted for each asset;

(b) Each asset has been the subject of separate negotiation and the contractor and the employer can accept or reject that part of contract relating to each asset;

(c) The cost of each asset can be identified.

13. A contract may provide for the construction of an additional asset at the request of the employer or can be modified so that construction of additional assets can be incorporated into the contract. Additional construction is treated as a separate construction contract when:

(a) The additional asset differs significantly in design, technology or function with the assets covered by the original contract, or

(b) The additional asset price is determined without regard to the original contract price.

CONSTRUCTION IN PROGRESS RECOGNITION

14. A tangible object must be recognized as Construction In Progress if:

(a) it is probable that the future economic benefits related the assets will be obtained;

(b) the acquisition cost can be measured reliably, and;

(c) the asset is still under construction.

15. Construction In Progress usually forms an asset which is intended for use in the operations of government or used by the public in the long term and is therefore classified as a fixed asset.

16. Construction In Progress is transferred to the relevant fixed assets post if the following criteria are met:

(a) ***Construction is substantially completed, and;***

(b) ***Can provide benefits / services in accordance with purpose of the acquistion.***

17. Construction In Progress is transferred to fixed assets (land; equipment and machinery; building and construction; roads, irrigation, and networking; other fixed assets) after the construction work is declared complete and ready for use in accordance with the purpose of acquisition.

MEASUREMENT

18. Construction In Progress is recorded at the cost of acquisition.

CONSTRUCTION COST

19. The value of construction which is self-managed:

(a) ***costs directly related to construction activity;***

(b) ***costs that are attributable to the activity generally and can be allocated to construction, and;***

(c) ***any other fees specifically charged in connection with the construction concerned.***

20. Costs directly related to the construction activity include, among others, the:

(a) cost of field workers including supervisors;

(b) cost of materials used in construction;

(c) cost of removal of facilities, equipment, and materials to and from the construction site;

(d) cost of hiring plant and equipment;

(e) cost of design and technical assistance that is directly related to the construction.

21. The costs that can be attributed to the construction activity generally and can be allocated to a particular construction include:

(a) Insurance;

(b) The cost of design and technical assistance that are not directly related to the particular construction;

(c) Other costs that can be identified for the relevant construction activity 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.

32. A construction contract that includes several types of jobs which are completed at different times, then the type of job that has been completed does not take into account the cost of borrowing. Borrowing costs are capitalized only for the type of work that is still in progress.

33. A construction contract can include several types of assets that can be identified respectively as referred to in paragraph 12. If the various types of jobs are completed at different points in time, then the borrowing costs that are capitalized are only those borrowing costs for the part of the construction contract or the type of job that is not yet completed. The cost of borrowing for the part of the job that has been completed is no longer calculated.

DISCLOSURE

34. An entity must disclose information about Construction In Progress at the end of the accounting period:

(a) Details of construction contracts in progress follow the completion rate and period of completion;

(b) The value of construction contracts and funding sources.

(c) Total costs incurred and accrued;

(d) Advances provided;

(e) Retention.

35. Construction contracts generally contain provisions concerning retention, for example, final installment payments still held by the employer during the maintenance period. Retention amounts are disclosed in the Notes to the Financial Statements.

36. Assets can be financed from a particular source of funding. Inclusion of the source of funds is intended to give an overview of funds and absorption until a specific date.

DATE OF EFFECT

37. This Statement of Governmental Accounting Standards is effective for financial statements from Budget Year 2010.

38. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 09

LIABILITIES

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

INTRODUCTION

OBJECTIVE

1. The objective of this Standard is to regulate the accounting treatment of liabilities including current recognition, the determination of the carrying amount, amortization, and borrowing costs charged against the liability.

SCOPE

2. This Standard applies to all government units that present general purpose financial statements and regulates accounting treatments, including recognition, measurement, presentation and required disclosures.

3. This Standard regulates:

(a) Accounting for Government Liabilities, including short-term liabilities and long-term liabilities arising from Domestic Debt and Foreign Debt.

(b) The accounting treatment for transactions in foreign currency loans.

(c) The accounting treatment for transactions arising from debt restructuring.

(d) The accounting treatment for the costs arising from government debt. Subparagraphs (b), (c) and (d) above prevail to the extent there are no special regulations in a separate statement concerning such matters.

4. This Standard does not regulate:

(a) Accounting for Estimated Liabilities and Contingent Liabilities.

(b) Accounting for Derivative Instruments and Hedging Activities.

(c) Transactions in foreign currencies arising from transactions other than lending transactions denominated in a foreign currency as in paragraph 3 (b).

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.*

***Third Party Calculation*, hereinafter referred to PFK, is government debt to another party caused by the position of the government cutting taxes or other charges, such as the Income Tax, Value Added Tax, Askes fees, Taspen, and Taperum.**

***Premium* is the amount of the excess of the present value of the liability with the maturity value of liability because the nominal interest rate is higher than the effective interest rate.**

***Debt restructuring* is an agreement between the creditor and the debtor to modify the terms of a debt agreement with or without a reduction in the amount of debt.**

***Government debt securities* are securities in the form of government debt instruments that can be traded and have a maturity value or redemption value at the time of issue, such as Government Bonds (GB).**

***Treasury Bills* are Government Securities with a maturity of up to 12 (twelve) months with discounted interest payment.**

***Government Bonds* are securities in the form of debt instruments denominated in rupiah or foreign currency where the debt principal and interest payments are guaranteed by the Republic of Indonesia, according to the period of validity.**

***Arrears* are liability amounts owed due to the inability of the entity to pay debt principal and / or interest according to schedule.**

GENERAL

6. The main characteristic of a liability is that the government has a present obligation the settlement of which results in the sacrifice of economic resources in the future.
7. Liabilities generally arise due to the consequences of the implementation of duties or responsibilities to act in the past. In the context of the government, liabilities arise partly because of the use of loan funding sources from the public, financial institutions, government entities, or international agencies. Government liabilities may also occur due to the engagement of employees who work for the government, liabilities to the wider community, i.e. benefit liabilities, compensation, damages, excess deposits of tax from taxpayers, the allocation / reallocation of revenue to other entities, or liabilities with other service providers.
8. Every liability can be imposed by law as a consequence of a binding contract or laws and regulations.

CLASSIFICATION OF LIABILITIES

9. ***Every reporting entity disclose any item of liability including amounts expected to be finalized after the reporting date.***
10. Information on the due date of a financial liability is useful for assessing the liquidity and solvency of a reporting entity. Information about the date

of settlement of a liability such as debt to third parties and debt interest is also useful to determine the whether the liability is classified as a short-term or long-term liability.

11. A liability is classified as a short-term liability if it is expected to be paid within 12 (twelve) months after the reporting date. All other liabilities are classified as long-term liabilities.

12. Short-term liabilities can be categorized in the same way as current assets. Short-term liabilities, such as government debt transfers or debts to employees, are the liabilities that will absorb current assets in the following reporting year.

13. Other short-term liabilities are liabilities due within 12 (twelve) months after the date of reporting, such as interest on loans, short-term debt to a third party, Third Party Calculation (PFK), and the current portion of long-term debt.

14. A reporting entity continues to classify a liability as long-term, even though the liability is due and will be finalized within 12 (twelve) months after the reporting date if:

(a) the original term was for a period of more than 12 (twelve) months, and;

(b) the entity intends to refinance the obligation on a long-term basis; and

(c) this intention is supported by the existence of a refinancing agreement, or the rescheduling of the payment, which was finalized before the financial statements were approved.

15. The amount of any liability incurred from short-term liabilities in accordance with the preceding paragraph, together with information supporting this presentation, is disclosed in the Notes to the Financial Statements.

16. Some liabilities which are due to be repaid in the next year may be expected to be refinanced or rolled over based on the policy of the reporting entity and is expected this will not immediately absorb the entity's funding. Such liabilities are considered to be a part of long-term funding and classified as long-term liabilities. But in situations where refinancing is not in the entity (as in the case of an absence of funding approval), refinancing can not be considered automatic and the liabilities are classified as short-term unless settlement of the refinancing agreement before the approval of financial statements proves that the substance of the liability at the reporting date is long-term.

17. Some loan agreements include certain requirements (covenants) that cause long-term liabilities to become current liabilities (payable on demand) if certain requirements relating to the financial position of the borrower are violated. In such circumstances, the liabilities can be classified as long-term liabilities only if:

(a) the lender has agreed not to seek repayment as a consequence of the breach, and,

(b) there is a guarantee that there will be no subsequent violations within 12 (twelve) months after the reporting date.

RECOGNITION OF LIABILITIES

18. Liabilities are recognized when it is probable that expenditure of economic resources will be made to settle existing liabilities until the time of reporting, and changes to the liability has a settlement value that can be measured reliably.

19. The existence of past events (in this case including transactions) is very important in the recognition of liabilities. An event is an occurrence with a financial consequence to an entity. An event may include an internal event within an entity, such as the transformation of raw materials into a product, or may be an external event that involves interaction between an entity with its environment, such as transactions with other entities, natural disasters, theft, vandalism, and damage due to an accident.

20. A transaction involves the transfer of something that has value. The transaction may be a transaction with an exchange or without an exchange. The distinction between transactions with exchange or without exchange is very important for determining the time of liability recognition.

21. Liabilities are recognized when loan funds are received by the government or released by creditors in accordance with the agreement, and / or at the time the liabilities arise.

22. Liabilities can arise from:

(a) exchange transactions;

(b) non-exchange transactions, according to applicable laws and policies that apply, and which have not been paid in full up to the date of reporting;

(c) government-related events;

(d) government-acknowledged events.

23. An exchange transaction arises when each party to the transaction sacrifices and receives something of value in return. There are two reciprocal flows of resources or promises to provide the resources. In a transaction with exchange, liabilities are recognized when one party receives goods or services in exchange for a promise to give money or other resources in the future.

24. One example of an exchange transaction is when government employees provide services in exchange for obtaining compensation consisting of salaries and other employee benefits. An exchange transaction arises because both parties (employer and the recipient of work) receive and sacrifice value. Compensation liabilities include unpaid

wages, services that have been delivered and other employee benefits costs associated with the service period.

25. A transactions without exchange arises when one party in a transaction receives value without directly giving or promising value in return. In this case, there is only one direction of the flow of resources or promises. For transactions without exchange, a liability should be recognized for the outstanding amount unpaid at the reporting date.

26. Some types of grants and public assistance programs and others specific to the reporting entity form transactions without exchange. When the central government transfers ownership of a program or provides grants or allocate funds to local governments, the payment terms are determined by the existing laws and regulations and not by the exchange transaction.

27. A government-related event is an event that is not based on the transaction but by the interaction between the government and the environment. These events may be beyond the control of the government. In general, a liability is recognized in relation to events associated with the Government, on an equal basis with events that arise from exchange transactions.

28. When the government inadvertently causes damage to private property, the event creates a liability, as along as applicable laws and policies allow the government to pay for the damage, and as long as the payment amount can be estimated reliably. An example of this event is accidental damage to private property caused by the implementation of government activities.

29. Government-recognized events are events not based on a transaction, but have financial consequences for the government because the government has decided to respond to the event. The government has broad responsibility for providing public welfare. To that end, the Government is often assumed to be responsible for events that are not regulated in formal regulations. Consequently, the costs of the various events, which are caused by non-governmental entities and natural disasters, are ultimately the responsibility of the government. However, these costs can not meet the definition of a liability until the government formally recognizes it as the government's financial responsibility, and a transaction for the costs incurred in connection with the event has occurred with exchange for without exchange.

30. In other words, the government should recognize a liability and expense for the conditions in paragraph 29 when they meet the following two criteria: (1) the Legislature has approved or authorized the resources that will be used, (2) exchange transactions arise (eg, when a contractor perform repairs) or there are unpaid amounts from non-exchange

transactions still owed at the reporting date (eg direct payments to victims of the disaster).

31. The following example illustrates the recognition of liability of a government recognized event. A natural disaster damages cities in Indonesia and the House of Representatives authorizes expenditures to cope with the disaster. This incident has consequences for the government's finances since it has decided to provide disaster relief to those cities. Transactions related with it, including the contribution of the government to individuals and the work of contractors who are paid by the government, are recognized as transactions with exchange or without exchange. In the case of exchange transactions, the amounts owed for goods and services provided to the government are recognized when the goods are delivered or the work is completed. In the case of non-exchange transactions, a liability should be recognized for umpaid amounts still owed at the reporting date. Such liabilities include the amounts charged to the government to pay benefits and goods or services that have been provided according to the requirements of the existing program at the government reporting date.

MEASUREMENT OF LIABILITIES

32. Liabilities are recorded at nominal value. Liabilities denominated in foreign currencies are translated and expressed in rupiah. Foreign currency translation is performed using the central bank middle rate at the balance sheet date.

33. The nominal value of a liability reflects the value of the government liability at the first time the transaction took place, such as the value marked on the government debt security. Subsequent economic flows, such as payment transactions, valuation changes due to changes in foreign exchange rates, and other changes other than changes in market value, are calculated by adjusting the carrying amount of the liability.

34. The use of the nominal value in assessing liabilities follows the characteristics of each post. The following paragraphs outline the application of the nominal value for each liability post in the financial statements.

DEBTS TO THIRD PARTIES (*ACCOUNTS PAYABLE*)

35. At the moment government received the rights to the goods, including goods in transit that have become due, the government must recognize the liability for unpaid amounts for goods.

36. If the contractor building the facility or equipment in accordance with the existing specifications in the contract agreement with the government, the amount recorded should be based on the physical realization of the progress of the work in accordance with the work in progress official 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 tranfers 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 / dedutions 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.

OTHER CURRENT LIABILITIES

46. Other current liabilities are liabilities that are not included in the existing category. Included in other non-current liabilities are costs accrued at the time the financial statements are prepared. Measurements for each item tailored to the characteristics of each item, such as debt payment of salaries to employees judged by the amount of accrued salaries paid for services that have been delivered by the employee. Another example is the receipt of payments in advance for supply of goods or services by the government to other parties.

TRADED AND NON-TRADED GOVERNMENT DEBT

47. The valuation of government debt is adjusted to the characteristics of debt that can have the form:

(a) Non-traded Government Debt.

(b) Traded Government Debt.

Non-Traded Government Debt

48. The nominal value of non-traded government debt is a liability of the entity to creditors for debt principal and interest as set out in the contract agreement and not yet settled on the reporting date.

49. Examples of non-traded government debt are bilateral and multilateral loans, and loans from international financial institutions like the IMF, World Bank, ADB and others. The legal form of the loan is usually in the form of a loan agreement.

50. For government debt with a fixed interest rate, the valuation can refer to the payment schedule using a fixed interest rate. For government debt with variable interest rates, such as interest rates associated with the financial instrument or with other indices, the valuation of government debt uses the same principles as with a fixed interest rate, but the interest rate estimated fairly based on previous data and observations of existing financial instruments.

Traded Government Debt

51. Accounting for government debt in a form that can be traded should be able to identify the amount of residual liabilities of the government at any given time and the interest for each accounting period. This requires an initial valuation of securities on the selling price or the sale proceeds, an assessment on the due date of the amount to be paid to the holder, and evaluation of the period so as to fairly describe the government's liabilities.

52. Government debt can be traded normally in the form of government debt securities which may contain provisions regarding the value of debt at maturity.

53. Types of government debt securities must be rated at par value (original face value) taking into account discounts or unamortized premiums. Government debt securities sold at par value with no discount or premium should be valued at par value. Securities sold at a discount price will increase in value over a period of sales and maturities, while the securities sold at a premium price will reduce in value.

54. Government debt securities having a value at maturity or redemption, such as Government Securities (GS) in the form of Treasury Bills and Bonds, should be rated based on the value to be paid at maturity if sold at par value. If at the time of the initial transaction, the traded government debt instruments are sold above or below par, then further valuation takes into account the amortization of the discount or premium that exist.

55. Amortization of the discount or premium is to use the straight-line method.

CHANGES IN FOREIGN EXCHANGE

56. Government debt in foreign currencies is recorded at the central bank middle exchange rate at the time of the transaction.

57. The exchange rate on the date of the transaction is often called the spot rate. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, the average middle rate of the central bank for a week or a month is used for all transactions in the period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.

58. At each balance sheet date the posting of government debt in a foreign currency is reported in rupiah using the central bank middle exchange rate at the balance sheet date.

59. Differences arising from translation of government debt into a foreign currency between the transaction date and the balance sheet date are recorded as an increase or decrease in equity.

60. Consequences of the recording and reporting liabilities in foreign currencies will affect posts on the Balance Sheet for liabilities and associated equity of the reporting entity.

61. If a transaction in a foreign currency arises and is settled in the same period, all the foreign exchange differences are recognized in that period. However, if the transaction arises and is settled in different accounting periods, then the foreign exchange differences are recognized for each accounting period to take into account changes in 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 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

regarding the restructuring in the Notes to Financial Statements as part of the disclosure of liability-related posts.

70. Restructuring may include:

(a) Refinancing, i.e. replacing old debt with new debt, including arrears, or

(b) Rescheduling or modification of debt terms that change the terms and conditions of an existing contract. This may take the form of debt rescheduling:

(1) Changes in payment schedule,

(2) Addition to the grace period, or,

(3) Scheduling a back up plan of principal payments and interest due and / or in arrears.

71. The amount of interest should be calculated using the effective interest rate constant multiplied by the carrying value of the debt at the beginning of each period between the time of the restructuring until maturity. The new effective interest rate is equal to the discount rate to equate the present value of future cash payments as specified by the new terms (not including the contingent debt) to the carrying value. Based on the new effective interest rate, a new payment schedule can be produced starting from the time of restructuring to maturity.

72. Information regarding the old and new effective interest rate must be presented in the Notes to the Financial Statements.

73. 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 liability-related posts.

74. 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.

75. 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

76. Debt cancellation 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.

77. 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.

78. If the settlement of the debt with a settlement value below the carrying value is made with cash assets, then the provisions of paragraph 73 apply.

79. 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 73, as well as disclosing in the Notes to the Financial Statements as part of the liability and non-cash asset related posts.

80. 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.

81. The revaluation of assets in paragraph 80 will produce a difference between the fair value and the value of the assets transferred to the creditor for a debt settlement. Such differences should be disclosed in the Notes to the Financial Statements.

COSTS ASSOCIATED WITH GOVERNMENT DEBT

82. Costs associated with government debt are interest expense and other costs incurred in connection with the borrowing of funds. These costs may include:

(a) Interest and fees on the use of loan funds, both short-term and long-term borrowings;

(b) *Commitment fee* on undrawn loans;

(c) Amortisasi diskonto atau premium yang terkait dengan pinjaman,

(d) Amortization of capitalized costs associated with the loan acquisition costs such as consultants, lawyers, and so forth.

(e) The difference in exchange rates in foreign currency loans to the extent it is treated as an adjustment to interest expense.

83. Borrowing costs which are directly attributable to the acquisition or production of a particular asset (qualifying asset) must be capitalized as part of the cost of the particular asset.

84. If interest rates are directly attributable to a particular asset, the borrowing costs must be capitalized against that particular asset. If the cost of borrowing are not directly attributable to a particular asset, the

capitalization of borrowing costs is determined based on the explanation in paragraph 86.

85. In certain circumstances, it is difficult to identify a direct link between a particular loan with the acquisition of a specific asset and to determine that a particular loan need not exist if the acquisition of certain assets did not occur. For example, in the case of centralized funding of more than one government activity / project. Difficulties can also occur when an entity uses several types of financing with an interest rate that is different. In this case, it is difficult to determine the amount of borrowing costs that are directly attributable, thus requiring professional judgment to determine the attribution.

86. If funds from loans are not directly attributable to the acquisition of an asset then the borrowing costs that must be capitalized to a particular asset should be calculated based on the weighted average of the accumulated cost of all assets relating to the reporting period.

PRESENTATION AND DISCLOSURE

87. Government debt should be disclosed in detail in the form of a debt schedule list to provide better information to the users.

88. To increase the usefulness of analysis, the information that must be presented in the Notes to the Financial Statements is:

(a) The amount outstanding on short-term and long-term liabilities classified by lender;

(b) Total outstanding liabilities in the form of government debt securities by government debt type and maturity;

(c) Interest on loans payable in the current period and the prevailing interest rate;

(d) The consequences of undertaking the settlement of liabilities prior to maturity;

(e) a debt restructuring agreement covering:

- ***(1) The loan reduction;***
- ***(2) Modification of debt terms;***
- ***(3) The interest rate reduction;***
- ***(4) Postponement of the debt maturity;***
- ***(5) The reduction the loan maturity value; and***
- ***(6) The reduction in the amount of interest payable up to the reporting period.***

(f) The amount of loan arrears is presented as debt aging schedule by creditor.

(g) Borrowing costs:

- ***(1) Treatment of borrowing costs;***

(2) The amount of borrowing costs capitalized during the period in question, and;

(3) The capitalization rate used.

DATE OF EFFECT

89. This Statement of Governmental Accounting Standards is effective for financial statements from Budget Year 2010.

90. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual Basis 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 10

ERROR CORRECTION, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND NON CONTINUING OPERATIONS

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

INTRODUCTION

OBJECTIVE

1. The objective of this Standard is to prescribe the accounting treatment for the correction of accounting errors and reporting financial statements, changes in accounting policies, changes in accounting estimates and discontinued operations.

SCOPE

2. In preparing and presenting financial statements an entity shall apply this Statement to report the effect of errors, changes in accounting policies, changes in accounting estimates and discontinued operations in the Budget Realization Report, Statement of Changes in the Excess Budget Balance, the Balance Sheet, the Statement of Operations, the Statement of Changes in Equity , the Statement of Cash Flows, and the Notes to the Financial Statements.

3. This Statement applies to reporting entities in preparing financial statements including the financial statements of all accounting entities, including Public Service Agencies, which are under central / local governments.

DEFINITIONS

4. The following are terms used in this Standard:

***Accounting policies* are the principles, fundamentals, conventions, rules, and specific practices employed by a reporting entity in the preparation and presentation of financial statements.**

***Errors* are the presentation of accounts / posts that are significantly inappropriate which affect the financial statements of the current period or prior periods.**

***Corrections* are the accounting for corrective actions in order to ensure the account / post presented in the entity's financial statements is in accordance with how it should be.**

***Discontinued Operation* is the termination of a mission or main duty/function that results in the discharge or termination of a function, program, or activity, so that the assets, liabilities, and operations can be terminated without interfering with other functions, programs, or activities.**

***Changes in estimates* are revised estimates due to changes in the conditions underlying these estimates, or because there is new information, increased experience in estimating, or other developments.**

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

CORRECTION OF ERRORS

5. Errors in the preparation of the financial statements of one or more prior periods may be discovered in the current period. Errors may arise due to the late submission of evidence of transactions by budget users, arithmetic errors, misapplication of accounting standards and policies, misinterpretation of facts, fraud or negligence.

6. In certain situations, an error has a significant influence on one or more prior period financial statements so that the financial statements are no longer reliable.

7. In correcting an accounting error, the number of corrections related to prior periods should be reported by adjusting both the Excess Budget Balance as well as the equity balance. The material effect of the correction in subsequent periods should be disclosed in the Notes to the Financial Statements.

8. Errors in terms of the nature of the events are grouped into 2 (two) types:

(a) Non-recurring errors;

(b) Non-recurring and systematic errors.

9. Non-recurring errors are errors that do not occur again, grouped into 2 (two) types:

(a) Non-recurring errors that occur in the current period;

(b) Non-recurring errors that occur in the previous period.

10. Recurring and systemic errors are errors caused by the nature of certain types of transactions which are expected to occur repeatedly. An example is tax revenue from taxpayers which requires correction due to taxpayers who require refunds or need to make additional tax payments.

11. Each error must be corrected immediately upon discovery.

12. Correction of recurring errors in the current period, whether affecting the cash position or not, is made with a correction to the account in question in the current period, both to the revenue-LRA account or expenditure account, as well as revenue-LO account or expense account.

13. Corrections to non-recurring errors that occur in prior periods and affect the cash position, if the financial statements have not been published, are performed with a correction to the account in question, both to the revenue-LRA account or expenditure account, as well as to the revenue-LO account or expense accounts.

14. Correction of errors to expenditure (expenditure resulting in readmission): If the error is non-recurring, occurs in previous periods, increases the cash position, and if the financial statements have been issued, is performed with a correction to the account other revenue-LRA. In the event resulting in a reduction of cash, it is conducted with a correction to account Excess Budget Balance.

15. Examples of a correction of an expenditure error:

(a) A correction that increases the cash balance i.e. the readmission of expenditure from the previous year due to the incorrect calculation of salary, is corrected by increasing the cash balance and other revenue-LRA.

(b) A correction that increases the cash balance related to capital expenditures that generate assets: i.e. capital expenditure which is marked-up and after an inspection is conducted, the excess expenditure must be returned. The correction is undertaken by increasing the cash balance and adding to the other revenue-LRA account.

(c) A correction that reduces the cash balance: i.e. personnel expenditure transactions from the previous year that have not been reported, is corrected by reducing the account Excess Budget Balance and reducing 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, occured 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.***

21. Examples of revenue-LRA error correction:

(a) A correction that increases the cash balance, i.e. depositing part of the profits of state enterprises that have not been entered into the state treasury, is corrected by adding to the cash account and adding to the Excess Budget Balance account.

(b) A correction that reduces the cash balance due to a refund of the General Allocation Fund due to excess transfers from the central government, is corrected by:

(1) The government receiving the transfer reducing the Excess Budget balance account and reducing the cash balance.

(2) The central government increasing the cash balance account and increasing the Excess Budget Balance account.

22. Corrections of errors to revenue-LO which is non-recurring, occurs in prior periods and either raise or lower the cash position, if the financial statements are issued, is performed with a correction to the cash account and equity account.

23. Examples of revenue-LO error correction:

(a) A correction that increases the cash balance, i.e. depositing part of the profits of state enterprises which have been entered into the state treasury is corrected by increasing the cash account and increasing the equity account.

(b) A correction that reduces the cash balance due to refunds of the General Allocation Fund revenue due to excess transfers from the central government is corrected by:

(1) The government receiving the transfer reducing the equity account and reducing the cash balance.

(2) the central government increasing the cash balance account and increasing the equity account.

24. ***Correction of errors on financing receipts and expenditures that are non-recurring, occurred in prior periods, and either raise or lower 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.***

25. Examples of error correction related to financing receipts:

(a) A correction that adds to the cash balance, i.e. the Central Government receives a deposit which is an underpayment of loan principal of the previous year from local government A, is corrected by the central government increasing the cash balance and increasing the Excess Budget Balance account.

(b) A correction that reduces the cash balance related to receipt of financing, i.e. the central government returns excess deposits of loan principal repayments from the previous year to Government A, is corrected by reducing the Excess Budget Balance account and reducing the cash balance.

26. Examples of error correction relating to financing expenditures:

(a) A correction that adds to the cash balance, i.e. an excess installment payment of long-term debt so that there is a recovery of the installment expenditure, corrected by increasing the cash balance and increasing the Excess Budget Balance account.

(b) A correction that reduces the cash balance, i.e. an installment payment of debts from the previous year that was not recorded, corrected by reducing the cash balance and reducing the Excess Budget Balance account.

27. Correction of an error that is not recurring related to the recording of a liability that occured 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 corresponding liability account.

28. Examples of error correction associated with recording liabilities:

(a) A correction that increases the cash balance, i.e. there is a receipt of cash because of a refund of an excess installment payment of a liability, corrected by increasing the cash balance and increasing the related liability account.

(b) A correction that reduces the cash balance, i.e. there is an installment payment for a liability that should have been due in the previous year, corrected by increasing the related liability account and reducing the cash balance.

29. Financial statements are considered issued when they are determined by law or local regulations.

30. Error correction referred to in paragraphs 13,14,16, and 20 above does not affect the budget ceiling or expenditure of the entity in the period the error is corrected.

31. Error correction as referred to in paragraph 13.18, and 22 above does not affect the expenses of the entity in the period the errors are corrected.

32. Correction of errors that are non-recurring, that occur in prior periods and do not affect the cash position, both before and after the financial statements are issued, the correction is made to the balance 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, regualtions 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 occurance or event that is substantially different from the previous occurance 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.

42. Changes in accounting policies should be presented in the Statement of Changes in Equity and disclosed in the Notes to the Financial Statements.

CHANGES IN ACCOUNTING ESTIMATES

43. In order to obtain reliable financial statements, accounting estimates need to be adjusted including, among others, usage patterns, the intended use of assets and changes to the environmental conditions of the entity.

44. The effect or impact of changes in accounting estimates are presented in the Statements of Operations in the period of change and subsequent periods based on the nature of change. For example, a change to the estimated useful life of a fixed asset affects the LO in the year of change and subsequent years during the useful life of the asset.

45. The effect of changes in the current and future periods is disclosed in the Notes to the Financial Statements. If this is not possible, the reasons for the not disclosing the effects of changes must be revealed.

DISCONTINUED OPERATIONS

46. If a mission, main duty or function of an entity's is abolished by government regulations, then the operation, activity, program, project, or work related to the main duty is terminated.

47. Important information regarding discontinued operations - for example the nature of the operations, activities, programs, projects which have been terminated, the effective date of termination, the termination method, the revenue and expenses of the current year until the date of termination if possible, the social impact or the impact on services, expenditure related to assets or liabilities on termination if any - should be disclosed in the Notes to the Financial Statements.

48. In order to present comparative financial statements, a segment that has been discontinued should be reported in the Financial Statements for the current year despite a zero amount. Thus, discontinued operations appear in the Financial Statements.

49. Revenue and expenses of discontinued operations in the current year are accounted for and reported as normal, as if the operation was run until the end of the Financial Statement year. In general, entities create a termination plan, comprising a phased or simultaneous termination schedule, the resolution of legal issues, auctions, sales, grants and other.

50. An operation does not form a discontinued operation if :

(a) The evolutionary / natural termination of a program, activity, project, or segment. This can be caused by demand (public demands served) which continues to decline, changing to other needs.

(b) The function is still exists.

(c) Several types of sub-activities in a principal function are removed, the rest continue as usual. Relocation of a program, project, activity to another region.

(d) Closing a facility that has very low utilization, cost savings, selling the means of operation while not interfering with such operations.

DATE OF EFFECT

51. This Statement of Governmental Accounting Standards is effective for financial statements from Budget Year 2010.

52. For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 11

CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

OBJECTIVE

1. The objective of this Standard is to prescribe the preparation of consolidated financial statements of government units in order to present general purpose financial statements in the interest of improving the quality and completeness of the financial statements in question. In this standard, general purpose financial statements are financial statements that are intended to fulfill the common needs of most report users including legislatures as stipulated in the provisions of laws and regulations.

SCOPE

2. General purpose financial reports of government units designated as reporting entities are presented in a consolidated manner under this Statement so as to reflect one unified entity.

3. The consolidated financial statements of the central government as the reporting entity include the financial statements of all reporting entities, including the financial statements of public service agencies.

4. The consolidated financial statements of ministries / agencies / local governments as reporting entities include the financial statements of all the accounting entities including the financial statements of Public ServiceAgencies / Local Public Service Agencies.

5. This Standard does not regulate:

(a) The consolidated financial statements of state / local government owned enterprises;

(b) Accounting for investments in associated companies;

(c) Accounting for investments in joint ventures; and

(d) The combined statistical report of central and local governments.

DEFINITIONS

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

<u>Public Service Agency (BLU)/Local Public Service Agency (BLUD)</u> is an agency within the government that was formed to provide services to the community in the form of supplying goods and / or services being sold without a priority for profit and in performing activities based on the principles of efficiency and productivity.

<u>Accounting entity</u> is a budget user / user of goods government unit and therefore obligated to conduct accounting and compile financial statements for the combined reporting entity.

<u>Reporting entity</u> is a government unit consisting of one or more accounting 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.

<u>Consolidation</u> is the process of merging between accounts held by a reporting entity by other reporting entities, an accounting entity with other accounting entities, with the elimination of reciprocal accounts in order to be present a single consolidated reporting entity.

<u>Consolidated financial statement</u> is a financial statement that is a combination of the entire reporting entity's financial statements, or accounting entity, presented as a single entity.

CONSOLIDATED FINANCIAL REPORT PRESENTATION

7. ***The consolidated financial statements comprise the Budget Realization Report, Statement of Changes in the Excess Budget Balance, Balance Sheet, Statement of Operations, Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements.***

8. The consolidated financial statements referred to in paragraph 7, are presented by the reporting entity, unless:

a. The consolidated financial statement of cash flows is presented only by the entity that has the general treasury function;
b. The consolidated financial statement of changes in the excess budget balance is prepared and presented by the Central Government.

9. ***The consolidated financial statements are presented for the same reporting period as the reporting entity's financial reporting period and contains comparative amounts for the prior period.***

10. The Central Government submits the consolidated financial statements of all state ministries / agencies to the legislature.

11. Local governments submit consolidated financial statements of all subordinate accounting entities to the legislature.

12. ***In this standard the process of consolidation is followed by elimination of reciprocal accounts. However, if elimination is not possible, then it is disclosed in the Notes to the Financial Statements.***

13. Examples of reciprocal accounts include, among others, the remaining stock of money that has not been accounted for by the expenditure treasurer until the end of the accounting period.

REPORTING ENTITY

14. A reporting entity is defined in laws and regulations, and is generally characterized by:

(a) The entity is financed by the state budget or financed by the local budget or obtain separate wealth from the budget,
(b) the entity was formed by laws and regulations,
(c) The head of the entity is a government official or an appointed state official or elected by the people; and
(d) The entity is made accountable, either directly or indirectly, to the legislators as the party that approves the budget.

ACCOUNTING ENTITY

15. ***An accounting entity conducts accounting and submits financial statements with respect to the budget / goods it manages which are directed to the reporting entity.***

16. Each unit of government receiving a budget or administering goods is an accounting entity which is obligated to conduct accounting and prepare periodic financial statements according to the Government Accounting Standards. The financial statements are presented internally and tiered to a higher unit in the context of incorporation with the reporting entity's financial statements.

17. With a determination according to applicable laws and regulations a certain accounting entity that is deemed to have a significant influence in achieving the government's program can be defined as a reporting entity.

PUBLIC SERVICE AGENCIES / LOCAL PUBLIC SERVICE AGENCIES

18. A Public Service Agency (BLU) performs public services, collects and receives, as well as expend, public funds that are received in connection with the services provided, but do not form a separate legal entity from the wealth of the state. Included in BLU are, among others, hospitals, universities, and authorities.

19. ***As a recipient of the government's budget (APBN / APBD) a BLU / BLUD is an accounting entity, whose financial statements are consolidated with the reporting entity that organizationally oversees the relevant BLU / BLUD.***

20. ***As service units in the form of agencies, albeit not a legal entity that manages separate State assets, BLU / BLUD are reporting entities.***

21. The consolidation of BLU / BLUD financial statements with the ministries / agencies / local governments that organizationally supervises the BLU / BLUD is implemented after the BLU / BLUD financial statements are prepared using the same accounting standards used by the organization that oversees the relevant BLU / BLUD.

CONSOLIDATION PROCEDURES

22. ***The consolidation referred to by this Standard is implemented by combining and aggregating accounts held by a reporting entity with other reporting entities, or conducted by an accounting entity with other accounting entities, with the elimination of reciprocal accounts.***

23. Reporting entities prepare financial statements by incorporating the financial statements of all accounting entities that are organizationally subordinate.

DISCLOSURE

24. ***In the Notes to the Financial Statements it is necessary to disclose the names of the entities that are consolidated or combined with the status of each, whether they be reporting entities or accounting entities.***

25. In the case of consolidated accounts that are not eliminated with a reciprocal account as stated in paragraph 12, it is necessary to point out the names and the amount of reciprocal account balances, and also mention the reason for not conducting the elimination.

DATE OF EFFECT

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

27. ***For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual 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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GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS
STATEMENT NO. 12

STATEMENT OF OPERATIONS

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

INTRODUCTION

OBJECTIVE

1. The objective of this Standard on the Statement of Operations is to prescribe the basis for the government's presentation of the Statement of Operations in order to meet the goal of government accountability as established by laws and regulations.

2. The purpose of operational reporting is to provide information about the financial operational activities reflected in revenues-LO, expenses, and the operating surplus / deficit of a reporting entity.

SCOPE

3. ***This Standard is applied to the presentation of the Statement of Operations.***

4. ***This Standard applies to all reporting entities and accounting entities, both for central and local government, in preparing an Statement of Operations that describes the revenue-LO, expenses, and operating surplus / deficit in a particular reporting period, excluding state / local owned enterprises.***

BENEFITS OF THE STATEMENT OF OPERATIONS INFORMATION

5. ***The Statement of Operations provides information on all financial operational activities of the reporting entity reflected in revenue-LO, expenses, and the operating surplus / deficit of a reporting entity the presentation of which is compared with the previous period.***

6. Report users require the Statement of Operations in evaluating the revenue-LO and expenses for running a unit or entire government entity. Thus the Statement of Operations provides information:

(a) about the magnitude of expenses borne by the government to provide services;

(b) about the overall financial operations which is useful in evaluating the government's performance in terms of effectiveness, efficiency, and frugality of acquisition and use of economic resources;

(c) that is useful in predicting revenue-LO that will be received to fund the activities of central and local governments in the coming period by presenting a comparative report;

(d) about the decrease in equity (if there is an operating deficit), and an increase in equity (if there is an operating surplus).

7. The Statement of Operations is prepared to complete the reporting of the accrual-based accounting cycle (full accrual accounting cycle). Thus the preparation of the Statement of Operations, Statement of Changes in Equity, and the Balance Sheet have a relationship that can be accounted for.

DEFINITIONS

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

<u>Gross Principle</u> is the principle that does not permit the recording of revenue net of expenses for an organizational unit or does not permit the recording of revenue after compensation between revenue and expenditure.

<u>Financial Assistance</u> is the burden of the government in the form of cash grants to other governments which are used for the equalization and / or enhancement of financial capacity.

<u>Social assistance</u> is the transfer of money or goods given to the public in order to protect from the possibility of social risks.

<u>Accrual Basis</u> is the basis of accounting that recognizes the effects of transactions and other events when the rights and / or liabilities arise.

<u>Expenses</u> are decreases in economic benefits or service potential in the reporting period that decreases equity, which can be either expenditure or consumption of an asset or the incurrence of liabilities.

<u>Grants Expense</u> are government expense in the form of cash / goods or services to other governments, state / local owned enterprises, communities and civil society organizations, that have the characteristic of being non mandatory and non binding.

<u>Depreciation</u> is the systematic allocation of the value of a fixed asset that can be depreciated (depreciable assets) over the useful life of the asset.

<u>Transfer Expense</u> is an expense that has the form of an expenditure of money or a liability to spend money from one reporting entity to another reporting entity as required by laws and regulations.

***Accounting Entity* is a unit of government as a budget user / user of goods and is therefore obligated to conduct accounting and prepare financial statements to be combined with the reporting entity.**

***Reporting Entity* is a government unit consisting of one or more accounting entities or reporting entities which according to the provisions of laws and regulations are required to submit accountability reports in the form of financial statements.**

***Grant Revenue* is government revenue in the form of cash / goods or services from other governments, state / local owned enterprises, communities and civil society organizations, that has the charcteristics of being non-mandatory, non-binding and non-ongoing.**

***Revenue-LO* is the right of the central / local government which is recognized as an addition to equity in the period of the budget year in question and does not need to be repaid.**

***Transfer Revenue* is revenue in the form of cash receipts or the right to receive money by the reporting entity from other reporting entities which is required by laws and regulations.**

***Extraordinary Item* is an extraordinary revenue or extraordinary expense arising from an event or transaction that does not form part of normal operations, is not expected to occur frequently or regularly and is outside the control or influence of the entity concerned.**

***Subsidy* is a government expense provided to certain enterprises / organizations that aims to assist the cost of production so that the selling price of the products / services produced is accessible to the public.**

***Surplus / Deficit* from Operational Activities is the excess / shortfall between-operating revenue and expenses during the reporting period.**

***Surplus / Deficit-LO* is the difference between revenue-LO and expenses during the reporting period, after deducting the surplus / deficit from non-operating activities and extraordinary items.**

***Profit / Loss on Sale of Assets* represents the difference between the book value of assets to the selling price of the asset.**

REPORTING PERIOD

9. ***Operating Statements are presented at least once a year. In certain circumstances, if an entity's reporting date changes and the annual Operating Statements are presented with a period shorter than one year, an entity shall disclose the following information:***

(a) the reasons for not applying a reporting period of one year;

(b) the fact that comparative amounts in the Statement of Operations and related notes are not comparable.

10. The benefits of Operating Statements are reduced if the report is not available on time. Factors such as the complexity of government operations cannot justify the inability of the reporting entity to present its financial statements on time.

STRUCTURE AND CONTENT OF THE STATEMENT OF OPERATIONS

11. ***The Statement of Operations presents various elements – revenue-LO, expenses, surplus / deficit from operating activities, surplus / deficit from non-operating activities, surplus / deficit before extraordinary items, extraordinary items, and surplus / deficit-LO, which is necessary for a fair comparative presentation. The Statement of Operations is further explained in the Notes to the Financial Statements which contain matters related to financial activities during the year such as fiscal and monetary policy, as well as lists further detailing figures considered necessary for explaination.***

12. ***In the Statement of Operations the following information should be clearly identified and, if necessary, be repeated on each page of the report:***

(a) the name of the reporting entity or other means of identification;
(b) the scope of the reporting entity;
(c) the period covered;
(d) the reporting currency; and
(e) satuan angka yang digunakan.

13. ***The Structure of the Statement of Operations includes the following items:***

(a) Revenue-LO
(b) Expense
(c) Surplus/Deficit from operations
(d) Non operating activities
(e) Surplus/Deficit before Extraordinary Items
(f) Extraordinary Items
(g) Surplus/Deficit-LO

14. ***Additional information in the Statement of Operations includes posts, titles, and other sub amounts as required by Government Accounting Standards, or when such presentation is necessary to present Operating Statements fairly.***

15. A sample format for the Statement of Operations format is presented in the illustration PSAP 12.A, 12.b PSAP and PSAP 12.C of this Standard. The illustration is an example and is not part of the Standard. The

purpose of this illustration is to describe the application of the Standard to assist in clarifying its meaning.

INFORMATION PRESENTED IN THE STATEMENT OF OPERATIONS OR IN NOTES TO THE FINANCIAL STATEMENTS

16. ***The reporting entity presents revenue-LO classified according to the source of revenue. Further details of the source of revenue is presented in the Notes to the Financial Statements.***

17. ***The reporting entity presents expenses classified according to expense type classification. Expenses based on the organization classification and other classifications which are required pursuant to the provisions of laws and regulations, are presented in the Notes to the Financial Statements.***

18. Classification of revenue-LO according to source of revenue or expenses according to economic classification, is in principle, a classification that uses the same basic classification, that is, based on type.

REVENUE-LO ACCOUNTING

19. ***Revenue-LO is recognized at the time:***

(a) The emergence of the right to revenue;
(b) Revenue is realized, namely the existence of inflows of economic resources.

20. Revenue-LO which is obtained based on laws and regulations is recognized when the right arises to collect revenue.

21. Revenue-LO that is earned in exchange for a service that has been completed based on laws and regulations, is recognized when there is a right to collect the remuneration for the services.

22. Revenue-LO recognized when it is realized is the right that has been received by the government without any prior billing.

23. ***Revenue-LO is classified according to source of revenue.***

24. Classification according to source of revenue for the central government is grouped based on the type of revenue, ie taxation revenue, non-taxation revenue and grant revenue.

25. Classification according to source of revenue for local governments is grouped according to origin and type of income, ie local source revenue, revenue transfers, and other legitimate revenue. Each of these revenues are classified by type of revenue.

26. ***Accounting for revenue-LO is conducted based the gross principle, that is recording gross revenue, and not recording net amounts (after offset by expenses).***

27. ***In terms of the amount of a deduction against gross revenue-LO (charge) that is variable in nature against the revenue in question, and cannot be estimated in advance because the process has not been completed, then the gross principle may exempted.***

28. ***In the case of public service agencies, revenue is recognized with reference to laws and regulations governing the public service agency.***

29. ***Refunds that are normal and recurring for revenue-LO in the period of receipt or in previous periods are recorded as a reduction of revenue.***

30. ***Corrections to and refunds of revenue-LO that are non-recurring and occur in the revenue acceptance period are recorded as a reduction of revenue in the same period.***

31. ***Corrections to and refunds of revenue-LO that are non-recurring and occur in previous periods are recorded as a deduction from equity in the period of the discovery of the correction or refund.***

EXPENSES ACCOUTNING

32. ***Expenses are recognized when:***

a. A liability emerges;

b. Assets are consumed;

c. There is a decline in economic benefits or service potential.

33. Liabilities arise at the time rights are transferred from other parties to the government without the subsequent release of cash from the state / local general treasury. For example, unpaid telephone bills and electricity bills of the government.

34. What is meant by the consumption of an asset is the time cash expenditures are made to other parties that are not preceded by the emergence of liability and / or the consumption of non-cash assets in the operational activities of the government.

35. The decrease in economic benefits or service potential occurs when the value of an asset is impaired in connection with the use of the relevant asset / the passage of time. Examples of decreases in economic benefits or service potential are depreciation or amortization.

36. ***In the case of public service agencies, expenses are recognized with reference to the laws and regulations governing the public service agency.***

37. ***Expenses are classified according to economic classification.***

38. Economic classification in principle is classified based on the type expense. The economic classification for the central government is: employee expenses, goods expenses, interest expenses, subsidies expenses, grants expenses, social assistance expenses, fixed asset depreciation / amortization expenses, transfers expenses, and other expenses. The economic classification for local government consists of: employee expenses, goods expenses, interest expenses, subsidies expenses, grants expenses, social assistance expenses, fixed asset depreciation / amortization expenses, transfers expenses, and unforeseen expenses.

39. Depreciation / amortization can be conducted using various methods that can be categorized into:

(a) Straight line method;

(b) Double declining balance method;

(c) Unit of production method.

40. ***Tranfers Expenses are expenses forming expenditures to liabilities for expensitures from one reporting entity to another reporting entity as required by laws and regulations.***

41. ***Corrections to expenses, including the receipt of repaid expenses, which occur during the period, are recorded as a reduction of expenses in the same period. If received in a subsequent period, the correction to expenses is recorded in other revenue. In the event that this results in an addition to expenses then a correction to equity is made.***

SURPLUS / DEFICIT FROM OPERATING ACTIVITIES

42. ***Surplus from operating activities is the excess of revenues over expenses during one reporting period.***

43. ***The deficit from operations is the shortfall of revenues over expenses during one reporting period.***

44. ***Any excess / shortfall between revenues and expenses during one reporting period is recorded in the post 'Surplus / Deficit from Operating Activities'.***

SURPLUS / DEFICIT FROM NON-OPERATING ACTIVITIES

45. ***Revenues and expenses that are not routine in nature need to be grouped separately in non-operating activities.***

46. Included in revenue / expenses from non-operating activities are, among others, the surplus / deficit on the sale of non-current assets, the surplus / deficit on the settlement of long-term liabilities, and the surplus / deficit on the non-operational activities.

47. ***Any excess / shortfall between the surplus / deficit from operations and the surplus / deficit from non-operating activities is the surplus / deficit before extraordinary items.***

EXTRAORDINARY ITEMS

48. ***Extraordinary items are presented separately from other items in the Statement of Operations and presented after the Surplus / Deficit before Extraordinary Items.***

49. Extraordinary items include extraordinary events that have the following characteristics:

(a) unpredictable events that occur at the beginning of the budget year;

(b) are not expected to recur; and;

(c) events beyond the control of government entities.

50. ***The nature and rupiah amount of an extraordinary item must be disclosed in the Notes to the Financial Statements.***

SURPLUS / DEFICIT-LO

51. ***Surplus / Deficit-LO is the sum of the excess / shortfall of the surplus / deficit from operations, non-operating activities and extraordinary items.***

52. The balance of the Surplus / Deficit-LO at the end of the reporting period is transferred to the Statement of Changes in Equity.

FOREIGN CURRENCY TRANSACTIONS

53. ***Transactions in foreign currencies are recognized in rupiah.***

54. ***In the case of available funds in a foreign currency equal to that used in a transaction, then the transaction denominated in a foreign currency is accounted for by being translated into rupiah uising the middle of the central bank exchange rate prevailing on the date of the transaction.***

55. ***In the absence of available funds in foreign currencies used in the transaction and the foreign currency is purchased in rupiah, then the foreign currency transaction is recorded in rupiah based on the transaction exchange rate, i.e. in the amount of rupiah that is used to obtain the foreign currency.***

56. ***In the absence of available funds in foreign currency used for transactions and foreign currency purchased with foreign currency, then:***

(a) Foreign currency transactions in foreign currencies are translated at the exchange rate of the transaction.

(b) Transactions in other foreign currencies are recorded in rupiah based on the central bank middle rate at the transaction date.

REVENUE-LO AND EXPENSE TRANSACTIONS IN THE FORM OF GOODS / SERVICES

57. ***Revenue-LO and expense transactions in the form of goods / services should be reported in the Statement of Operations by way of estimating the fair value of the goods / services at the transaction date. In addition, such transactions must also be disclosed in such a way in the Notes to the Financial Statements so as to provide all the relevant information regarding the form of the revenue and expenses.***

58. Revenue and expenses transactions in the form of goods / services include, among others, grants in the form of goods, booty, and consulting services.

DATE OF EFFECT

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

60. ***For reporting entities that are not able to implement this Standard, the reporting entities can apply the Cash Towards Accrual Basis 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

EFFECTIVE FROM THE YEAR
2015
IS NOT APPLICABLE

ATTACHMENT II
GOVERNMENT ACCOUNTING STANDARDS
CASH TOWARDS ACCRUAL BASIS

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GOVERNMENT ACCOUNTING STANDARDS
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ATTACHMENT II.01
REPUBLIC OF INDONESIA GOVERNMENT REGULATION
NUMBER 71 YEAR 2010
DATE 22 OCTOBER 2010

GOVERNMENT ACCOUNTING CONCEPTUAL FRAMEWORK

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Paragraph

GOVERNMENT ACCOUNTING CONCEPTUAL FRAMEWORK

INTRODUCTION

Objective

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

(a) government accounting standard setters in performing their duties;

(b) compilers of financial reports in addressing accounting issues which have yet to be regulated in the standards;

(c) auditors in providing an opinion as to whether the financial reports have been prepared in accordance with the governmental accounting standards; and

(d) users of financial reports in interpreting the information presented in the financial reports that have been prepared in accordance with the Governmental Accounting Standards.

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

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

Scope

4. This conceptual framework discusses the:

(a) tujuan kerangka konseptual;

(b) government accounting environment;

(c) users and the information needs of users;

(d) reporting entities;

(e) role and objective of financial reporting, as well as the legal basis;

(f) basic assumptions, the qualitative characteristics that determine the usefulness of the information in the financial reports, the principles, as well as the constraints of accounting information; and

(g) definition, recognition and measurement of the elements that form the financial reports.

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

GOVERNMENT ACCOUTNING ENVIRONMENT

6. The operating environment of government organizations affects the characteristics of the objectives 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; and

(3) the possible use of fund accounting for control purposes.

General Form of Government and the Separation of Powers

8. In the Unitary State of the Republic of Indonesia which is centered on democracy, power is in the hands of the people. The People delegate powers to public officials through the electoral process. In line with the delegation of powers is the separation of powers among the executive, legislative, and judicial branches. The system is intended to monitor and maintain the balance against the possibility of abuse of power among government administrators.

9. As applied in the government financial environment, the executive prepares the budget and presents it to the legislature for approval. After receiving approval, the executive implements it within the appropriation limits and statutory provisions relating to the appropriation. The executive

branch is responsible to the legislature and the people for the financial administration.

Syetem of Government Autonomy and Revenue Tranfers 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 amonst 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.

The Budget as a Statement of Public Policy, Fiscal Targets, 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.

Investments in Assets that Do Not Produce 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 in fact create a government commitment to maintain them in the future.

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

USERS AND INFORMATION NEEDS

Financial Report Users

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

(a) The public;

(b) representatives of the people, regulatory agencies, and agency inspectors;

(c) parties that give or play a role in the process of donations, investments, and loans; and

(d) governments.

Information Needs

17. The information presented in general purpose financial reports is to satisfy the information needs of all user groups. As such, government financial reports are not designed to meet the specific needs of each user group. In addition, because taxes are the main source of government revenue, the provision of financial statements that meet the information needs of the taxpayers requires attention.

18. While having access to detailed information contained in the financial statements, the government must pay attention to the information presented in financial reports for the purposes of planning, controlling, and decision making. Furthermore, the government can determine the form and type of additional information for its own needs beyond the types of information set out in this conceptual framework and further stated in the accounting standards.

REPORTING ENTITIES

19. A reporting entity is a government unit consisting of one or more accounting entities and in accordance with the provisions of laws and regulations are required to present accountability reports, in the form of general purpose financial reports, which consist of:

(a) The central government;

(b) Local governments;

(c) Organizational units within the central / local government or other organizations, which according to laws and regulations are required to present financial reports.

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

ROLE AND OBJECTIVES OF FINANCIAL REPORTING

Role of Financial Reporting

21. Financial reports are prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during the reporting period. Financial reports are primarily used to compare the realization of revenue, expenditure, transfers, and financing with the set budget, assess the financial condition, evaluate the effectiveness and efficiency of a reporting entity, and help determine adherence to laws and regulations.

22. Each reporting entity has an obligation to report on the efforts that have been made and the results achieved in the implementation of activities, in a systematic and structured manner, in a reporting period for the following purposes of:

(a) Accountability

Accountablity 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 funds 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 adherence to 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.

Objective of Financial Reporting

23. Government financial reporting should provide information beneficial to users in assessing accountability and making decisions, not only economic and social decisions, but also political decisions by providing information:

(a) about the adequacy current period receipts to cover all the expenditures.

(b) on the suitability of methods used to obtain economic resources and their allocation with the set budget and laws and regulations.

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

(d) on how the reporting entity funds its activities and meets its cash needs.

(e) on the financial position and condition of the reporting entity associated with the sources of revenues, both short and long term, including those derived from tax collections and loans.

(f) on changes in the financial position of the reporting entity, whether an increase or decrease, as a result of activities undertaken during the reporting period.

24. To fulfill these objectives, financial reports provide information on a reporting entity's revenues, expenditures, transfers, reserve funds, financing, assets, liabilities, equity funds, and cash flows.

FINANCIAL REPORT COMPONENTS

25. The principal financial reports consist of the:

(a) Budget Realization Report;

(b) Balance Sheet;

(c) Statement of Cash Flows;

(d) Notes to the Financial Statements.

26. In addition to the principal financial reports as referred to in paragraph 25, the reporting entity is permitted present the Statement of Financial Performance and the Statement of Changes in Equity.

LEGAL BASIS OF FINANCIAL REPORTING

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

(a) the Constitution of the Republic of Indonesia 1945, particularly the section that governs state finances;

(b) Laws in the field of state finance;

(c) Laws about the National Revenue and Expenditure Budget (APBN);

(d) laws and regulations governing local government, particularly local finances;

(e) laws and regulations governing the fiscal balance between central and local governments;

(f) laws and regulations on the implementation of the APBN / APBD; and

(g) other laws and regulations governing central and local government finances.

BASIC ASSUMPTIONS

28. The basic assumptions in government financial reporting that are presumed to be true and do not need to be proven in order to implement the accounting standards consist of the:

(a) Assumption of entity independence;

(b) Assumption of entity continuity; and

(c) Assumption of monetary measurement.

Entity Independence

29. The assumption of entity independence means that each unit of the organization is considered as an independent unit and has the obligation to present financial statements so as to avoid chaos among government units in financial reporting. One indication of the fulfillment of this assumption is the existence an entity 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 benefit of their main duty jurisdiction, including any loss or damage to assets and resources in

question, debts arising from an entity's decision, as well as whether or not a set program has been implemented.

Entity Continuity

30. 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 reporting entity in the short term.

Monetary Measurement

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

QUALITATIVE CHARACTERISTICS OF FINANCIAL REPORTING

32. Qualitative characteristics of financial statements are normative measurements that need to be embodied in accounting information so that it can fulfill its purpose. All four of the following characteristics are normative preconditions necessary for the government's financial statements to meet the desired quality:

(a) Relevant;

(b) Reliable;

(c) Comparable; and

(d) Understandable.

Relevant

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

34. Relevant information:

(a) Has feedback value

Information that 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

35. 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 meets the following characteristics:

(a) Honest Presentation

Information describing transactions honestly and other events that should be presented or that may reasonably be expected to be presented.

(b) Verifiability

The information presented in the financial statements is testable, and where testing is done more than once by different parties, the results still show that the conclusions do not differ greatly.

(c) Neutrality

Information is directed to the needs of the public and does not favor the needs of a particular party.

Comparable

36. The information contained in the financial statements will be more useful if it can be compared with the prior period financial statements or another reporting entity's financial statements in general. Comparison can be done internally and externally. Internal comparisons can be made when an entity applies the same accounting policies from year to year. External

comparisons can be made when a comparable entity applies the same accounting policies. If the government entity applies accounting policies that are better than the current accounting policies, the changes are disclosed in the period of change.

Understandable

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

PRINCIPLES OF ACCOUNTING AND FINANCIAL REPORTING

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

(a) Accounting basis;

(b) Historical value principle;

(c) Realization principle;

(d) Substance over form principle;

(e) Periodicity principle;

(f) Consistency principle;

(g) Full disclosure principle; and

(h) Fair presentation principle.

Accounting Basis

39. The basis of accounting used in the government's financial statements is the cash basis for the recognition of revenue, expenditure, and financing in the Budget Realization Report and the accrual basis for the recognition of assets, liabilities, and equity in the Balance Sheet.

40. The cash basis for the Budget Realization Report means that revenue is recognized when cash is received into the State / Local General

Treasury Account or by the reporting entity and expenditures are recognized when cash is issued from the State / Local General Treasury Account or the reporting entity. The reporting entity does not use the term profit. Determination of residual budget financing, either an excess or shortfall, for each period depends on the difference between actual revenues and expenditures. Revenue and non-cash expenditure such as external foreign aid in the form of goods and services is presented in the Budget Realization Report.

41. The accrual basis for the Balance Sheet means that the assets, liabilities, and equity are recognized and recorded 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.

42. Reporting entities that present the Statement of Financial Performance referred to in paragraph 26 arranges accounting and the presentation of financial statements using the full accrual basis, both in the recognition revenue, expenditure, and financing, as well as in the recognition of assets, liabilities, and equity funds. However, the presentation of the Budget Realization Report remains on a cash basis.

Historical Cost

43. 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.

44. 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.

Realization

45. For the government, revenue on the cash basis that is available and has been authorized by the government budget in an accounting period will be used to pay debt and expenditures in that period.

46. The principle of cost against revenue matching in government accounting does not receive the emphasis as practiced in commercial accounting.

Substance Over Form

47. Information is intended to present transactions fairly and other events that should be presented, as such the transaction or other event need to be recorded and presented in accordance with the substance and

economic reality, and not merely in terms of formal aspects. If the substance of transactions or other events is inconsistent / different with formal aspects, then it must be clearly disclosed in the Notes to the Financial Statements.

Periodicity

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

Consistency

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

Full Disclosure

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

Fair Presentation

51. Financial statements provide a fair presention of the Budget Realization Report, the Balance Sheet, the Statement of Cash Flows, and the Notes to Financial Statements.

52. 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.

CONSTRAINTS TO RELEVANT AND RELIABLE INFORMATION

53. 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

54. 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 or error in recording information could influence the economic decisions taken by users based on the financial reports.

Consideration of Costs and Benefits

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

Balance between Qualitative Characteristics

56. A balance between qualitative characteristics is necessary to achieve an appropriate balance between the various normative objectives that are expected to be met by the government's financial reports. The

relative importance among the characteristics is different in different cases, especially between relevance and reliability. Determination of the importance of the qualitative characteristics between the two is a matter of professional judgment.

ELEMENTS OF FINANCIAL REPORTS

Budget Realization Report

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

58. Elements that are directly covered by the Report of Budget Realization consists of revenues, expenditures, transfers, and financing. Each element is defined as follows :

(a) Revenue (cash basis) are receipts by the State General Treasury / Local General Treasury or by other government entities that add equity funds in the current budget period and that become the right of the government, and do not need to be paid back by the government.

(b) Revenue (accrual basis) is the right of the government that is recognized as an addition to net worth.

(c) Expenditure is all spending by the the State General Treasurer / Local General Treasurer which reduces current equity funds in the period corresponding to the budget year, and will not be paid back to the government.

(d) Belanja (basis akrual) adalah kewajiban pemerintah yang diakui sebagai pengurang nilai kekayaan bersih.

(e) Transfers are receipts or expenditures of money by a reporting entity from / to other reporting entities, including the balance funds and the revenue sharing fund.

(f) Financing is any receipt / expenditure that needs to be paid back and / or will be received again, either in the relevant fiscal year as well as subsequent fiscal years, which in government budgeting is mainly intended to cover or utilize a budget surplus or deficit.

(g) Financing receipts can come from, among others, loans and the proceeds from divestment. Financing expenditure, among others, is used for the repayment of the loan principal, lending to other entities, and equity investment by the government.

Balance Sheet

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

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

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

(b) Liabilities are debts arising from past events the settlement of which results in outflows of the government's economic resources.

(c) Equity Funds are the net worth of the government which represents the difference between government's assets and liabilities.

Assets

61. The future economic benefits embodied in an asset refer's to the asset's potential to contribute, either directly or indirectly, to the operations of government, in the form of a stream of income or expenditure savings for the government.

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

63. Current assets include cash and cash equivalents, short term investments, accounts receivable, and inventory.

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

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

66. Fixed assets include land, equipment and machinery, buildings, roads, irrigation, and networks, other fixed assets and construction in progress.

67. Other non-current assets are classified as other assets. Included in other assets are intangible assets and assets of cooperation (partnerships).

Liabilities

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

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

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

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

Equity Funds

72. Equity funds can be categorized as follows:

(a) Current Equity Funds are the difference between current assets and short-term liabilities.

(b) Equity Investment Funds reflect the wealth of the government embedded within non-current assets other than reserves, net of long-term liabilities.

(c) Equity Reserve Funds reflect the wealth of government that is reserved for a pre-determined purpose according to laws and regulations.

Statement of Cash Flows

73. The Statement of Cash Flows presents information with respect to cash operating activities, investment in non-financial assets, financing, and non-budgetary transactions that describe the opening balance, receipts, expenditures, and closing cash balances of the central / local government during a certain period.

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

(a) Cash receipts are all cash flows into the State / Local General Treasury.

(b) Cash Expenditures are all cash flows from the State / Local General Treasury.

Notes to the Financial Statements

75. Notes to the Financial Statements include narrative explanations or details of the figures shown in the Budget Realization Report, the Balance Sheet and the Statement of Cash Flows. The Notes to the Financial Statements also include information about the accounting policies used by the reporting entity and other information required and recommended to be disclosed in the Government Accounting Standards, and expressions required to produce financial statements that are presented fairly. The Notes to the Financial Statements disclose / present / provide:

(a) Information on the fiscal / financial and macro-economic policies, the achievement of APBN/APBD targets, and the constraints and obstacles encountered in achieving the targets;

(b) An overview of the achievement of financial performance for the reporting year;

(c) Information about the basis of preparation of the financial statements and accounting policies chosen to be applied to the selected transactions and other significant events;

(d) Information required by the Governmental Accounting Standards that has not been presented on the face of financial statements;

(e) Information on asset and liability posts arising from the application of the accrual basis of revenue and expenditure and a reconciliation with the application of the cash basis; and

(f) Other information necessary for a fair presentation, which is not presented on the face of the financial statements.

Statement of Financial Performance and Statement of Changes in Equity

76. The Statement of Financial Performance is the realization of revenue and expenditure prepared on the accrual basis. The statement presents information regarding operating revenue, expenditure by economic and functional classification, and the surplus or deficit.

77. Other reports permitted is the Statement of Changes in Equity, which presents the increase or decrease in equity in the reporting year compared with the previous year.

RECOGNITION OF FINANCIAL STATEMENT ELEMENTS

78. Recognition in accounting is the process of determining the fulfillment of criteria for recording an event or occurrence in the accounting records that will become a complementary part of the elements of assets, liabilities, equity funds, revenue, expenditure, and financing as contained in the reporting entity's financial statements. Recognition is realized in recording amounts of money for the items in the financial statements that are affected by the related event or occurance.

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

(a) it is probable that the economic benefits associated with the event or occurance will flow out of or into the relevant reporting entity;

(b) the event or the occurance has a value or a cost that can be measured or can be estimated reliably.

80. In determining whether the recognition criteria for the event / occurance are met, the aspect of materiality should be considered.

Possibility of Future Economic Benefits

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

Reliable Measurement

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

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

Asset Recognition

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

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

Liability Recognition

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

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

Revenue Recognition

88. Cash basis revenue is recognized when cash is received in the State / Local General Treasury Account or by the reporting entity. Accrual basis revenue is recognized when there is a right to the revenue.

Expenditure Recognition

89. Expenditure according to the cash basis is recognized based on disbursement from the State / Local General Treasury Account or from the reporting entity. Recogntion of special expenditures through the expenditure treasurer occurs when the responsibility for such expenditures is authorized

by the unit which has the treasury function. Expenditures according to the accrual basis are recognized at the time there is an obligation or benefit obtained.

MEASUREMENT OF FINANCIAL ELEMENTS

90. 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.

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

DAFTAR ISI

GOVENMENT ACCOUNTING STANDARDS
STATEMENT NO. 01
FINANCIAL REPORT PRESENTATION

The paragraphs that written in bold and italics are standard paragraphs, which should be read in the context of paragraphs written explanation with regular letters and the Government Accounting Conceptual Framework.

INTRODUCTION

Purpose

1. The objective of this Standard is to regulate the presentation of general purpose financial statements in order to enhance the comparability of financial statements both against budget, between periods, and between entities. The financial statements are general purpose financial statements that are intended to meet common needs of most report users. To achieve that goal, it sets a standard consideration in the context of the entire presentation of the financial statements, guidelines for financial reporting structure and content of the financial statements of the minimum requirements. The financial statements are prepared by applying a cash basis for the recognition of items of income, expenditure, and financing, as well as the accrual basis for the recognition of items of assets, liabilities, and equity funds. Recognition, measurement and disclosure of specific transactions and other events are regulated in other government accounting standards.

Scope

2. General purpose financial reports are prepared and presented on a cash basis for the recognition of items of income, expenditures, transfers, and financing, as well as the accrual basis for the recognition of items of assets, liabilities, and equity funds. "

3. A general purpose financial report is intended to meet the needs of users. What is meant by users is the public, legislators, agency inspectors / supervisors, parties who provide or participate in the process of donations, investments, and loans, and the government. The financial statements include the financial statements that are presented separately or part of the financial statements presented in public documents such as annual reports.

4. This Statement applies to the reporting entity in preparing the financial statements of an entity of the central

government, local governments, and the consolidated financial statements, but does not include state / local owned enterprises.

Accounting Basis

5. The basis of accounting used in the government's financial report is the cash basis for the recognition of revenues, expenditures, transfers, and financing and the accrual basis for the recognition of assets, liabilities, and equity funds.

6. A reporting entity is permitted to conduct accounting and presentation of financial statements using the full accrual basis, both in the recognition of revenues, expenditures, transfers, and financing, as well as in the recognition of assets, liabilities, and equity funds.

7. A reporting entity that organizes its accounting and presents its financial statements on an accrual basis still presents its Budget Realization Report based on cash basis.

DEFINITIONS

8. The following are terms used in the Standard Statement of the senses:

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

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

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

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

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

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

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

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

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

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

***Expenditures** are all expenditures from the State/Local Treasury that reduce equity funds smoothly in the corresponding period of the budget year and that will not be paid back to the government.*

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

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

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

***Reporting Entities** are government units consisting of one or more accounting entities in accordance with the accounting provisions of legislation and are required to submit accountability reports in the form of financial statements.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Revenue** is all receipts of the State / Local General Treasury Account that add to current equity funds in the relevant budget period that became right of the government, and do not need to be paid back by the government.*

***Depreciation** is the adjustment in value with respect to a reduction in the capacity and the benefits of an asset.*

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

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

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

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

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

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

Budget financing surplus / deficit balance (SiLPA / SiKPA) ***is the excess / shortfall difference between APBN/APBD realized revenues and expenditures during the reporting period.***

Surplus / deficit ***is the excess / shortfall difference between revenues and expenditures during the reporting period.***

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

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

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

PURPOSE OF FINANCIAL REPORTS

9. Financial reports are structured reports on the financial position and transactions carried out by a reporting entity. The general purpose of financial reports is to present information regarding the financial position, the realization of the budget, cash flows and the financial performance of a reporting entity that is useful to users in making and evaluating decisions about the allocation of resources. Specifically, the purpose of government financial reports is to provide useful information for decision-making and to demonstrate the reporting entity's accountability for the resources entrusted to it, by providing:

a) information about the position of the government's economic resources, liabilities and equity;
b) information on the changes in the position of the government's economic resources, liabilties and equity;
c) information about the source, allocation and use of economic resources;
d) information on conformity of the realization to the budget;
e) information about the way thereporting entity funds its activities and meets its cash requirements;
f) information on the government's potential to finance the implementation of government activities;
g) useful information for evaluating the ability of the reporting entity to finance its activities.

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

a) been obtained and used in accordance with the budget; and

b) been obtained and used in accordance with the relevant provisions, including the budget limits set by the DPR / DPRD.

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

a. assets;
b. liabilities;
c. equity funds;
d. revenue;
e. expenses;
f. transfers;
g. financing; and
h. cash flows.

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

RESPONSIBILITY FOR FINANCIAL REPORTING

13. Responsibility for the preparation and presentation of financial statements lies with the leadership of the entity.

COMPONENTS OF FINANCIAL REPORTS

14. The components contained in a set of basic financial reports are the:

a) Budget Realization Report;
b) Balance Sheet;
c) Statement of Cash Flows; and
d) Notes to the Financial Reports.

15. The components of the financial reports are presented by each reporting entity, except for the Statement of Cash Flows, which is only presented by the unit with the general treasury function.

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 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.

18. 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 budget and realization.

19. 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. Additional information includes details about the entity outputs and outcomes in the form of indicators of financial performance, reports of financial performance, and a review of programs and other statements about the achievement of the entity's financial performance during the reporting period.

20. Aside from presenting basic financial reports, a reporting entity is permitted to present accrual based Financial Performance Reports and Changes in Equity Reports.

21. Reporting entities are to disclose information about compliance with the budget.

STRUCTURE AND CONTENT

Introduction

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

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

Identification of Financial Statements

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

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

26. Each component of the financial report should be clearly identified. In addition, the following information must be clearly stated and

repeated on each page of the report where necessary to obtain an adequate understanding of the information presented:

a) the name of the reporting entity or other means of identification;

b) the scope of the financial report, whether it be for a single entity or the consolidated report of multiple entities;

c) the reporting date or the period covered by the financial report, in accordance with the components of the financial report;

d) the reporting currency; and

e) the level of precision used in the presentation of the figures in financial reports.

27. The requirements in paragraph 26 are met with the presentation of the title and brief column headings on each page of the financial reports. Various considerations are used for regulating page numbering, references, and the arrangement of attachments that can help users understand the financial reports.

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

Reporting Period

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

a) the reasons for not reporting a period of one year,

b) the fact that comparative amounts for certain reports such as cash flows and related notes are not comparable.

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

Timeliness

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

Budget Realization Report

32. Budget Realization Reports disclose the financial activities of central / local governments and show conformity with the APBN/ APBD.

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

34. Budget Realization Reports present at least the following elements:

a) revenue;

b) expenses;

c) transfers;

d) surplus/deficit;

e) financing;

f) budget financing surplus / deficit balance.

35. The Budget Realization Report describes the comparison between the budget and realization in the reporting period.

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

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

Balance sheet

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

Classification

39. Each reporting entity classifies its assets into current and non-current assets and classifies liabilities into short-term and long-term liabilities in the balance sheet.

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

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

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

43. Balance includes at least the following items:

a) ***cash and cash equivalents;***

b) ***short-term investments;***

c) ***tax and non-tax receivables;***

d) ***inventory;***

e) ***long-term investments;***

f) ***fixed assets;***

g) ***short-term liabilities;***

h) ***long-term liabilities;***

i) ***equity funds.***

44. Posts other than those mentioned in paragraph 43 are presented in the balance sheet if the Government Accounting Standards require, or if such presentation is necessary to present fairly the financial position of the reporting entity.

45. Examples of the Balance Sheet format are presented in Annex III.A and III.B of this Standard. The attachments are illustrative only and are not part of the standard. The purpose of this appendix is to help illustrate the application of the standard in financial reporting.

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

a) The nature, liquidity, and materiality of the asset;

b) The function of these items within the reporting entity;

c) The amount, nature and duration of liabilities.

47. 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

48. 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.

49. 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

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

51. 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.

52. 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.

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

54. Permanent investments are long-term investments which are intended to be held on an ongoing basis.

55. Non-permanent investments consist of:

a) Purchases of Government Securities;

b) Capital investment in development projects that can be transferred to third parties, and;

c) Other non-permanent investments.

56. Permanent Investments consist of:

a) Government Equity Participation in state / local enterprises, state financial institutions, state-owned legal entities, international organizations and other legal entities that do not belong to the state.

b) Other permanent investments.

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

58. ***Fixed assets consist of:***

a) Land;

b) Equipment and machinery;

c) Building and construction;

d) Roads, irrigation, and networks;

e) Other fixed assets;and

f) Construction in progress.

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

60. Other non-current assets are classified as other assets. Included in other assets are intangible assets, installment sales charges with a maturity of more than 12 (twelve) months, and assets arising from cooperation with third parties (partnerships).

Asset Recognition

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

62. Assets are recognized when received or ownership and / or control is transferred.

Asset Measurement

63. Measurement of assets is as follows:

a) Cash is recorded at nominal value;

b) Short-term investments are recorded at the value of acquisition;

c) Accounts receivable recorded at nominal value;

d) Inventories are recorded at:

(1) Acquisition cost if acquired by purchase;

(2) The Standard Cost if obtained through self-production;

(3) The fair value if obtained by other means such as donations / booty.

64. Long-term investments are recorded at cost including any other additional charges incurred to acquire legal ownership of the investment;

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

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

67. Acquisition cost of fixed assets constructed by way of self-management includes direct costs for labor, raw materials, and indirect costs, including the cost of planning and supervision, equipment, electricity, equipment rental, and all other costs incurred with respect to the construction of fixed assets.

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

Short Term Liabilities

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

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

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

Long-term Liabilities

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

a) the original term is for a period of more than 12 (twelve) months;

b) the entity intends to refinance the liability on a long-term basis; and

c) this intention is supported by the existence of a refinancing agreement, or the rescheduling of the payment, which was completed before the financial reports were approved.

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

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

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

a) the lender has agreed not to seek repayment as a consequence of the breach; and,

b) it is not likely that subsequent violations will occur within 12 (twelve) 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 Measurment

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.

The factors mentioned in paragraph 84 may be used in determining the basis for the subclassification.

84. Disclosure will vary for each item, for example:

(a) accounts receivable are specified according to amounts for taxes receivable, levies, sales, related parties, advances and other amounts; transfers receivable are specified according to source;

(b) inventories are further detailed in accordance with the standards governing the accounting for inventories;

(c) fixed assets are classified by group in accordance with the standards set for fixed assets;

(d) debt transfers are analyzed according to receiving entity;

(e) reserve funds are classified in accordance with their purpose;

(f) components of equity funds are classified into current equity funds, equity investment funds and reserve equity funds;

(g) disclosure of the interests of the government in state / local / other enterprises is subclassified into the amount of the investment provided, the level of control and valuation methods.

The Statement of Cash Flows

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

86. Cash inflows and outflows are classified according operating, non-financial assets investments, financing, and non-budget activities.

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

Statement of Financial Performance

88. A reporting entity that presents on an accrual basis referred to in paragraph 20, then the basic financial reports include the Statement of Financial Performance. The Financial Performance Report presents at least the following posts:

a) ***Revenue from operations;***

b) ***Expenses based on functional classification and economic classification;***

c) ***Surplus or deficit.***

Additional posts, headings and subtotals are presented in the Statement of Financial Performance when these standards require it, or if it is necessary to present a fair financial performance of a reporting entity.

89. In conjunction with the Statement of Financial Performance, operational activities of a reporting entity can be analyzed by economic classification or functions / programs classification to achieve the predetermined objectives.

90. Additional posts in the Statement of Financial Performance, descriptions used and the arrangement of posts can be changed if necessary to explain performance. Factors to be considered include materiality and the nature and function of the components of revenue and expenses.

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

92. In the Statement of Financial Performance, which is analyzed according to classification by function, expenses are grouped by program or intention. Presentation of the report provides more relevant information to users than the report by economic classification, although in this case the allocation of expenses to functions is sometimes arbitrary and on the basis of certain considerations.

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

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

Statement of Changes in Equity

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

a) ***Budget financing excess / shortfall;***

b) ***All revenue and expenditure along with the total as indicated in other standards, which is recognized directly in equity;***

c) ***The cumulative effect of changes in accounting policies and correction of fundamental errors regulated in a separate standard.***

96. In addition, a reporting entity presents on the face or in the notes to the Financial Reports:

a) equity balance at the beginning of the period and at the reporting date, and changes during the period.

b) If the equity components are separately disclosed, reconciliations between the value of each component of equity funds at the beginning and end of the period disclosing each change separately.

Notes to the Financial Statements

Structure

97. In order to be used by the user in understanding and comparing it with other entity's financial reports, the Notes to the Financial Statements must at least be presented with the following composition:

a) ***information about fiscal/financial policy, the macro economy, budget target achievement, and subesquent constraints and obstacles encountered in target achievement;***

b) ***an overview of financial performance during the reporting year;***

c) ***information about the basis of preparation of the financial reports and accounting policies to be applied to the selected transactions and other significant events;***

d) ***disclosure of information required by the Government Accounting Standards that has not been presented on the face of the financial reports;***

e) ***disclosure of information to the posts of assets and liabilities arising from the application of accrual basis of revenue and expenditure and reconciliation with the application of cash basis;***

f) ***additional information necessary for the fair presentation, which is not presented on the face of the financial report.***

g) ***list and schedule.***

98. Notes to the Financial Statements are presented systematically. Each item on the Budget Realization Report, Balance Sheet and Cash Flow Report should have a cross reference to the relevant information in the Notes to the Financial Statements.

99. Notes to the Financial Statements include an explanation or a list or a detailed analysis of the value of the items presented within the Budget Realization Report, Balance Sheet and Cash Flow Report. Included also in the notes to the financial statements is the presentation of information required and recommended by the Government Accounting Standards and other disclosures necessary for the fair presentation of the financial statements, such as contingent liabilities and other commitments.

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

Presentation of Accounting Policies

101. The accounting policies section in Notes to Financial Statements describes the following:

(a) the measurement basis used in the preparation financial reports;

(b) the extent to which the accounting policies relating to the transition provisions of the Government Accounting Standards have been applied by a reporting entity; and

(c) each specific accounting policy which is necessary to understand the financial reports.

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

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

(a) Revenue recognition;

(b) Expenditure recognition;

(c) Principles for the preparation of the consolidated statements;

(d) Investments;

(e) Recognition of termination / disposal of tangible and intangible assets;

(f) construction contracts;

(g) expenditure capitalization policy;

(h) Partnerships with third parties;

(i) Research and development costs;

(j) Inventories, whether for sale or for their own use;

(k) Reserve funds;

(l) Foreign currency translation and hedging.

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

105. An accounting policy may be significant even if the value of the items presented in the current and previous period are not material. In addition, any accounting policies selected and applied that are not regulated in this Statement also need to be disclosed.

Other Disclosures

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

- ***i.*** ***domicile and legal form of the entity, and the jurisdiction in which the entity operates;***
- ***ii.*** ***explanation about the nature of the principal activities and operations of the entity;***
- ***iii.*** ***statutory provisions that underlie its operations.***

EFFECTIVE DATE

107. Statement of Government Accounting Standards can be applied to financial statements on accountability of the budget 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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Attachment Illustration II.03 PSAP 02.C : Sample Format District/City Government Budget Realization Report

GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 02

BUDGET REALIZATION REPORT

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

INTRODUCTION

Objective

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

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

Scope

3. This Standard is applied to the preparation of the Budget Realization Report prepared and presented using the cash basis.

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

5. Reporting entities that prepare and present financial reports using accrual-based accounting, continue to prepare Budget Realization Reports on a cash basis.

BENEFITS OF BUDGET REALIZATION INFORMATION

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

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

(b) providing information about the realization of the budget as a whole that is useful in evaluating the government's performance in terms of efficiency and effectiveness of the use of the budget.

7. The Budget Realization Report provides information that is useful in predicting the economic resources that will be received to finance the activities of central and local governments in the coming period by presenting a comparative report. The Budget Realization Report can provide information to the report users indicating that the acquisition and use of economic resources:

(a) has been carried out in an efficient, effective, and efficient;

(b) has been implemented in accordance with the budget (APBN / APBD); and

(c) has been implemented in accordance with laws and regulations.

DEFINITIONS

8. The following are terms used in this Standard:

<u>Budget</u> is a guide for actions to be implemented by government covering planned revenues, expenditures, transfers, and financing which is measured in rupiah, and arranged systematically according to a specific classification for one period.

<u>Local Expenditure and Revenue Budget (APBD)</u> is the local government annual financial plan agreed by local legislatures.

<u>National Expenditure and Revenue Budget (APBN)</u> is the central government annual financial plan agreed by the House of Representatives (DPR).

<u>Appropriation</u> is the budget approved by DPR / local parliaments which is the mandate given to president / governor / regent / mayor to undertake expenditures according to the purpose specified.

<u>Gross Principle</u> is a principle that does not permit recording on a net basis, that is, the recording of receipts after deducting expenses in a unit or organization, or does not permit the recording of expenditures after compensation between receipts and expenditures.

<u>Cash basis</u> is the basis of accounting that recognizes the effects of transactions and other events when cash or cash equivalents are received or paid.

<u>Expenditures</u> are all disbursements from the State/Local General Treasury that reduce current equity funds in the corresponding period of the budget year and that will not be paid back to the government.

<u>Reserve Funds</u> are funds set aside to accommodate needs requiring relatively large funds that cannot be met within one budget year.

<u>Reporting Entity</u> is a unit of government consisting of one or more accounting entities in accordance with the accounting provisions of legislation and that are required to submit accountability reports in the form of financial statements.

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

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

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

Exchange rate is the ratio of exchange of two currencies.

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

Revenue is all receipts into the State / Local General Treasury Account that adds to current equity funds in the period of the corresponding budget year that becomes the right of the government, and does not need to be repaid by the government.

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

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

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

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

Local General Treasury Account is a local depository account determined by the Governor / Regent / Mayor to hold all local receipts and pay all local expenditures in a specified bank.

Surplus/deficit is the excess/shortfall difference between revenue and expenditures during one reporting period.

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

BUDGET REALIZATION REPORT STRUCTURE

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

10. The Budget Realization Report should clearly identify, and repeat on each page of the report, if deemed necessary, the following information:

(a) the name of the reporting entity or other means of identification;

(b) the scope of the reporting entity;

(c) the period covered;

(d) the reporting currency; and

(e) units of the figures used.

REPORTING PERIOD

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

(a) reasons for not reporting for a period of one year;

(b) the fact that comparative amounts in the Budget Realization Report and related notes are not comparable.

TIMELINESS

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

BUDGET REALIZATION REPORT CONTENTS

13. 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, expenditures, transfers, surplus / deficit, 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 that are considered necessary to be explained.

14. Budget Realization Report must include at least the following items:

(a) Revenue

(b) Expenditure

(c) Transfers

(d) Surplus or deficit

(e) Financing receipts

(f) Financing expenditures

(g) Net financing; and

(h) Budget financing surplus / deficit balance (SiLPA / SiKPA)

15. Posts, 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.

16. Examples of 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

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

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

BUDGET ACCOUTNING

19. Budget accounting is the accountability and management control technique used to help manage revenue, expenditures, transfers, and financing.

20. Budget accounting is organized according to the structure of the budget, consisting of budget revenues, expenditures, and financing.

Budget revenue covers estimated revenues translated into revenue estimate allocations. Budget expenditures consist of appropriations translated into budget credit authorizations (allotments). Budget financing consists of financing revenue and financing expenditures.

21. Budget accounting is conducted at the time the budget is enacted and allocated.

REVENUE ACCOUNTING

22. Revenue is recognized when received in the State / Local General Treasury Account.

23. Revenue is classified according to the type revenue.

24. Transfers in is the receipt of money from other reporting entities, such as balance fund receipts from the central government and the revenue sharing fund from the provincial government.

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

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

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

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

29. Corrections and refunds that are non-recurring for revenue receipts that occur in the previous period are recorded as reductions to the current equity funds in the period the correction and refund is discovered.

30. Accounting for revenue is structured to meet the 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 indispensible 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
- Goods Expenditure	xxx
- Interest	xxx
- Subsidies	xxx
- Grants	xxx
- Social Assistance	xxx
Capital Expenditure:	
- Fixed Assets Expenditure	xxx
- Other Assets Expenditure	xxx
Other Assets Expenditure	xxx

40. Transfer expenditures are expenditures of money from a reporting entity to other reporting entities, such as balance funds expenditures by the central government and revenue sharing funds by local governments.

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

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

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

Expenditure :	
- General Services	xxx
- Defense	xxx
- Order and Security	xxx
- Economy	xxx
- Environmental Protection	xxx
- Housing and Settlement	xxx
- Health	xxx
- Tourism and Culture	xxx
- Religion	xxx
- Education	xxx
- Social protection	xxx

44. Budget expenditure realization is reported in accordance with the classification set out in the budget document.

45. Corrections to expenditure (refund receipts) that occur in the period of expenditure are recorded as a reduction of expenditures in the same period. If received in a subsequent period, corrections to expenditures are recorded in revenue in the post other revenue.

46. Structured expenditure accounting, in addition to fulfilling accountability requirements in accordance with regulations, can also be developed for the purposes of control of management to measure the effectiveness and efficiency of public spending.

SURPLUS/DEFICIT ACCOUNTING

47. Surplus is the excess of revenues and expenditures during the reporting period.

48. The deficit is the shortfall between revenue and spending during the reporting period.

49. The excess/ shortfall difference between revenue and expenditure during a reporting period is recorded in the post Surplus / Deficit.

ACCOUNTING FOR FINANCING

50. Financing is all government financial transactions, both receipts and expenditures, to be paid or to be received back, which in government budgeting is primarily intended to cover a deficit or utilize a budget surplus. Financing receipts can come from, among others, loans and the proceeds of divestment. Meanwhile, financing expenditures is used, among others, for the repayment of loan principal, lending to other entities, and equity investments by the government.

ACCOUNTING FOR FINANCING RECEIPTS

51. Financing receipts are all the receipts into State / Local General Treasury Accounts which derive from, among others, loans receipts, the sale of government bonds, the proceeds from the privatization of State / Local owned enterprises, repayments of loans provided to third parties, the sale of other permanent investments, and disbursements of reserve funds.

52. Financing receipts are recognized at the time of receipt into the State / Local General Treasury Account.

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

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

ACCOUNTING FOR FINANCING EXPENDITURES

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

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

57. The formation of Reserve Fund adds to the relevant Reserve Fund. The proceeds obtained from the management of the Reserve Fund in

local government are additions to the Reserve Fund. The proceeds are recorded as revenue in the post other local government own-source revenue.

ACCOUNTING FOR NET FINANCING

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

59. Any excess / shortfall between financing receipts and expenditures for one financial reporting period are recorded in the post Net Financing.

ACCOUNTING FOR THE SURPLUS / DEFICIT AFTER BUDGET FINANCING (SILPA/SIKPA)

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

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

FOREIGN CURRENCY TRANSACTIONS

62. Transactions in foreign currencies are recorded in rupiah by converting the foreign exchange amount by using the central bank middle exchange rate on the date of the transaction.

TRANSACTIONS OF REVENUE, EXPENDITURE, AND FINANCING IN THE FORM OF GOODS AND SERVICES

63. Revenue, expenditure, and financing transactions in the form of goods and services should be reported in the Budget Realization Report by estimating the value of the goods and services on the date of the transaction. In addition, such transactions must also be disclosed in such a way in the Notes to the Financial Statements so as to provide all the relevant information about the form of revenues, expenditures, and financing received. Examples of tangible goods and services transactions are grants in the form of goods, booty, and consulting services.

DATE OF EFFECT

64. This Statement of Government Accounting Standards can 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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GOVERNMENT ACCOUNTING STANDARD NO. 03

STATEMENT OF CASH FLOWS

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

INTRODUCTION

Objective

1. The purpose of this Standard is to regulate the presentation of the Statement of Cash Flows which provides historical information about changes in cash and cash equivalents of a reporting entity by classifying cash flows as operating, non-financial asset investment, financing, and non-budget activities for an accounting period.
2. The purpose of cash flow reporting is to provide information about the source, use, changes in cash and cash equivalents during an accounting period and the balance of cash and cash equivalents at the reporting date. This information is presented for the purposes of accountability and decision-making.

Scope

3. ***Central and local governments that prepare and present their financial statements in accordance with this Standard are required to prepare a cash flow statement for every financial reporting period as a component of the principal financial reports.***

4. This Standard applies to the preparation of the Statement of Cash Flows of the central and local governments, organizational units of central and local governments, or other organizations if required to by laws and regulations or the standards are organizational units that must prepare a Statement of Cash Flows, except for the state / local enterprises are regulated separately in the Financial Accounting Standards issued by the Indonesian Institute of Accountants.

Benefits of Cash Flow Information

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

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

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

Definitions

8. The following are terms used in this Standard:

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

<u>Budget</u> is a guide for actions to be implemented by government covering planned revenues, expenditures, transfers, and financing which is measured in rupiah, and arranged systematically according to a specific classification for one period.

<u>Appropriation</u> is the budget approved by DPR / local parliaments which is the mandate given to President / Governor / Regent / Mayor to undertake expenditures according to the purpose specified.

<u>Cash flows</u> are inflows and outflows of cash and cash equivalents in the State / Local General Treasury.

<u>Operating activities</u> are cash receipt and disbursement activities intended for government operational activities during an accounting period.

<u>Non-financial asset investment activities</u> are cash receipt and expenditure activities intended for the acquisition and disposal of fixed assets and other non-financial assets.

<u>Financing activities</u> are activities relating to cash receipts that will be repaid and / or disbursements of cash that will be returned that result in changes in the amount and composition of debt and long-term receivables.

<u>Non-budget activities</u> are activities relating to cash receipts or disbursements that do not affect budget revenues, expenditures, transfers, and government financing.

<u>Expenditures</u> are all disbursements from the State/Local General Treasury that reduce current equity funds in the corresponding period of the budget year and that will not be paid back to the government.

<u>Reserve Funds</u> are funds set aside to accommodate needs requiring relatively large funds that cannot be met within one budget year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue ***is all receipts into the State / Local General Treasury Account that adds to the current equity funds in the period of the corresponding budget year that becomes the right of the government, and does not need to be repaid by the government.***

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

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

***<u>Accounting period</u>* is the period of financial accountability for the reporting entity for the period equal to the period of the budget year.**

***<u>State / Local enterprises</u>* are business entities that are wholly or partially owned by the central / local government.**

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

***<u>Reporting date</u>* is the date of the last day of the reporting period.**

***<u>Transfer receipts</u>* are receipts of money from another reporting entity including receipts from the balance funds and the revenue sharing fund.**

***<u>Transfer expenditures</u>* are disbursements of money from a reporting entity to other reporting entities, including balance funds and revenue sharing fund expenditures.**

Cash and Cash Equivalents

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

10. Information on movements between cash and cash equivalents is not included in the financial reports because such acts are part of the management of cash and do not form part of operating, non-financial asset investing, financing, and non-budget activities.

CASH FLOW REPORTING ENTITY

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

(a) The central government;

(b) Local governments; and

(c) Organizational units within the central / local governments or any other organizational unit, if, according to laws and regulations, the organizational unit is required to present the Statement of Cash Flows.

12. The reporting entity that must prepare and present the statement of cash flows is an organizational unit that has the general treasury function.

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

PRESENTATION OF THE STATEMENT OF CASH FLOWS

14. The statements of cash flow is a part of the financial reports presenting information on cash receipts and expenditures for a period classified according to operating, non-financial asset investing, financing, and non-budget actvities.

15. The classification of cash flows according to operating, non-financial asset investing, financing, and non-budget provides information that allows report users to assess the effect of these activities on the cash and cash equivalent position of the government. Such information may also be used to evaluate the relationships among operating, non-financial asset investing, financing, and non-budget activities.

16. A particular transaction may affect the cash flows of several activities, such as debt repayment transactions consisting of the repayment debt principal and debt interest. Debt principal payments will be classified into financing activities while interest payments will generally be classified into operating activities.

17. Sample formats of the statement of cash flows are presented in Attachment V.A-C of this standard. The Attachment only forms and illustration and to assist understanding and is not part of the standard.

Operating Activities

18. 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.

19. 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 enterprises and Other Investments; and

(e) Transfer receipts.

20. Cash outflows for operating activities are primarily used for the expneditures:

(a) Personnel expenditure;

(b) Goods expenditure;

(c) Interest;

(d) Subsidies;

(e) Grants;

(f) Social assistance;

(g) Other/Unexpected expenditures; and

(h) Transfer expenditures.

21. 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.

22. 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.

Non-Financial Asset Investing Activities

23. 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.

24. Cash inflows from non-financial asset investing activities consist of:

(a) Sales of Fixed Assets;

(b) Sales of Other Assets.

25. Cash outflows from non-financial asset investing activities consist of :

(a) Acquisition of Fixed Assets;

(b) Acquistion of Other Assets.

Financing Activities

26. Cash flows from financing activities reflect the gross cash receipts and expenditures in connection with financing a budget deficit or the use of a surplus, which aims to predict

other parties’ claims against the government's cash flows and the government's claims against other parties’ in the future.

27. Cash inflows from financing activities include, among others:

(a) Loan Receipts;

(b) Proceeds from the Sale of Government Securities;

(c) Proceeds from divestment;

(d) Receipts from Loan Repayments;

(e) Disbursement from Reserve Funds.

28. Cash outflows from financing activities include, among others:

(a) Government Equity Participation;

(b) Loan Principal Payments;

(c) Provision of Long Term Loans; and

(d) Establishment of Reserve Funds.

Non-Budget Activities

29. The cash flows from non-budget activities reflect gross cash receipts and expenditures that do not affect revenues, expenses, and government financing. The cash flows from transitory transactions include Third Party Calculation (PFK) and remittances. PFK describes the cash derived from the funds deducted from Payment Orders or receipts in cash for a third party such as Taspen and Askes deductions. Remittances of cash describe movements of cash between State / Local General Treasury accounts.

30. Cash inflows from non-budgetary activities include PFK receipts and incoming remittances.

31. Cash outflows from non-budgetary activities include PFK exoenditures and outgoing remittances.

REPORTING CASH FLOWS FROM OPERATING, NON-FINANCIAL ASSETS INVESTING, FINANCING, AND NON-BUDGET ACTIVITIES

32. Reporting entities report major groups of gross cash receipts and expenditures from operating, non-financial asset investing, financing, and non-budget activities separately except those mentioned in paragraph 35.

33. Reporting entities may present cash flows from operating activities by way of the:

(a) Direct method

This method discloses the main grouping of gross cash receipts and expenditures.

(b) Indirect method

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

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

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

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

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

REPORTING CASH FLOWS ON THE BASIS OF NET CASH FLOWS

35. Cash flows arising from operating activities may be reported on the basis of net cash flows in terms of:

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

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

FOREIGN CURRENCY CASH FLOWS

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

37. Cash flows arising from the activities the reporting entity overseas must be converted into rupiah based on the rates of exchange prevailing on the transaction date.

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

INTEREST AND SHARES OF PROFITS

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

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

41. The amount of debt interest expenditure payments reported as cash flows from operating activities is the amount of cash outlays for interest payments in the accounting period in question.

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

INVESTMENTS IN STATE / LOCAL ENTERPRISES AND PARTNERSHIPS

43. Recording of investments in state / local enterprises and partnerships can be done using two methods: the equity method and the cost method.

44. Government investments in state / local enterprises and partnerships are recorded using the cost methods, that is at the acquisition value.

45. Entities record long term investment expenditures in state / local enterprises and partnership in cash flows from investing activities.

ACQUISITION AND DISPOSAL OF INVESTMENTS IN THE STATE / LOCAL / ENTERPRISES AND OTHER OPERATING UNITS

46. Cash flows arising from the acquisition and disposal state / local enterprises and other operating units should be presented separately in investing activities.

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

(a) Total purchase or disposal price;

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

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

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

48. The separate presentation of cash flows of the state / local enterprise and other operating units as a separate estimate will help to distinguish those cash flows from the cash flows arising from operating, non-financial asset investing, financing, and non-budget activities. Cash inflows from disposals are not deductible from acquistions of other investments.

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

NON-CASH TRANSACTIONS

50. Investing and financing transactions that do not result in receipts or expenditure of cash and cash equivalents are not reported in the Statement of Cash Flows. These transactions must be disclosed in the Notes to the Financial Statements.

51. Non-cash transactions are excluded from the Statement of Cash Flows, consistent with the purpose of the Statement of Cash Flows, because non-cash transactions do not affect the cash flows in the relevant period. An example of a transaction that does not affect the Statement of Cash Flows is the acquisition of assets through exchange or grant.

COMPONENTS OF CASH AND CASH EQUIVALENTS

52. Reporting entities disclose the components of cash and cash equivalents in the Statement of Cash Flows with amounts equal to the related posts in the Balance Sheet.

OTHER DISCLOSURES

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

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

55. If the budget appropriation or credit authorization is prepared on the basis of cash, the Statement of Cash Flows can help users in understanding the relationship between the reporting activity or program and government budgeting information.

DATE OF EFFECT

56. This Statement of Government Accounting Standards can 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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GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 04

NOTES TO THE FINANCIAL STATEMENTS

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

INTRODUCTION

Objective

1. The objective of the Notes to the Financial Statements Standard is to prescribe the presentation and disclosures required in the Notes to the Financial Statements.

Scope

2. This Standard must be applied to:

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

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

3. A report is a general purpose financial report that intends to meet the common needs of users of financial accounting information. What is meant by the user is the public, legislatures, supervisory agencies, inspectors, parties who provide or participate in the process of donations, investments and loans, and the government. Financial reports include the financial statements that are presented separately or part of the financial reports presented in public documents such as annual reports.
4. This Standard applies to reporting entities in preparing the financial statements of the central government, local governments, and the consolidated financial statements, excluding state / local enterprises.
5. An entity that is not a reporting entity may present general purpose financial reports. If it is desired, then the standard should be applied by the entity even if the entity does not meet the criteria for reporting in accordance with the regulations and / or the accounting standards of government reporting entities.

DEFINITIONS

6. he following are terms used in this Standard:

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

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

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

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

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

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

Expenditures ***are all disbursements from the State/Local General Treasury that reduce current equity funds in the corresponding period of the budget year and that will not be paid back to the government.***

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

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

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

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

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

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

<u>Revenue</u> is all receipts into the State / Local General Treasury Account that adds to the current equity funds in the period of the corresponding budget year that becomes the right of the government, and does not need to be repaid by the government.

GENERAL PROVISIONS

7. Each reporting entity is required to present the Notes to Financial Statements as an integral part of general purpose financial reports.

8. Notes to the Financial Statements are intended to be understood by the reader at large, not confined to a particular reader or management reporting entity. Financial Reports may contain information that may have potential misunderstandings among readers. Therefore, to avoid misunderstandings, the presentation of financial reports must be made with the Notes to the Financial Statements that contain information to enable users to understand the Financial Reports.
9. Misunderstandings may be caused by a reader's perception of the financial reports. Readers who are familiar with the orientation of the budget have the potential misunderstand the concept of accrual accounting. Readers who are familiar with the financial reports of the commercial sector tend to view the government's financial reports as company financial reports. General discussion and references to financial statement items become important for the readers of financial reports.
10. In addition, disclosure of the accounting basis and the accounting policies to be applied can help readers avoid misunderstanding the financial reports.

STRUCTURE AND CONTENTS

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

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

13. In order to provide adequate disclosure, the Notes to the Financial Statements disclose the following:

(a) Information about fiscal / financial policies, the macro-economy, the achievement of APBN / APBD targets, together with constraints and obstacles encountered in achieving the targets;

(b) A summary of the achievement of financial targets for the reporting year;

(c) Information on the basic presentation of the financial statements and the selected accounting policies applied to transactions and other significant events;

(d) Information required by the Government Accounting Standards that has not been presented on the face of the financial statements;

(e) Disclose information on the asset and liability posts arising from the application of the accrual basis of revenue and expenditure and a reconciliation with the application of the cash basis;

(f) Other information necessary for a fair presentation, that is not presented on the face of the financial statements.

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

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

Presentation of Information about Fiscal / Financal Policies, the Macro-Economy, Achievement of APBN/APBD Targets, and Constraints and Obstacles Encountered in Target Achievement

16. The Notes to the Financial Statements must able to help the reader understand the realization and the reporting entity's financial position as a whole.

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

18. To be able to answer the questions above, the reporting entity should present information about important differences regarding the realization and the financial / fiscal position in the current period when compared to the previous period, compared with the budget, and with other plans in connection with the realization and the budget. Included in the explanation of the differences are the differences in

macroeconomic assumptions used in the preparation of the budget compared with the realization.

19. Fiscal policies that need to be disclosed in the Notes to the Financial Statements are government policies to increase revenue, the efficiency of spending and the determination of the source or the use of financing. For example, the elaboration of strategic plans into the preparation of APBN / APBD policies, goals, programs and budget priorities, policies to intensify / extend taxation and government securities market development.

20. Macroeconomic information that needs to be disclosed in the Notes to the Financial Statements are the assumptions of macroeconomic indicators used in the preparation of the APBN / APBD together with the level of achievement. The macroeconomic indicators include, among others, Gross Domestic Product / Gross Regional Domestic Product, economic growth, inflation, exchange rates, oil prices, interest rates and the balance of payments.

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

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

23. Under certain conditions, the reporting entity has not been able to achieve the set targets, such as the number of units of primary school buildings constructed. A description of the barriers and constraints, such as a lack of availability of land, should be explained in the Notes to the Financial Statements.

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

Presentation of an Overview of Financial Target Achievement During the Reporting Year

25. The financial performance of the reporting entity in the Budget Realization Report must recapitulate the achievement of performance indicators and operational activities which have a financial dimension in a reporting period.

26. The needs of government financial report users are different to users of non-government financial reports. The needs of government financial report users do not only view the reporting entity in terms of changes in net assets, rather government financial report users are very interested in the government's performance when compared with set targets.

27. The achievement of pre-determined financial performance is explained objectively in the Notes to the Financial Statements. The successful achievement of performance can be determined based on the level of efficiency and effectiveness of the program. Efficiency can be measured by comparing the output (output) to the input (input). Meanwhile, effectiveness is measured by comparing the results (outcomes) with the set targets.

28. The discussion of financial performance should be linked to the aims and objectives of the strategic plan of the government and indicators in accordance with applicable laws and regulations. The summary of financial performance discussed in the Notes to the Financial Statements must:

(a) Describe the strategies and resources used to achieve goals;

(b) To provide a clear picture of the realization and the financial performance plan in the reporting entity; and

(c) Describe the procedures that have been formulated and implemented by management to provide reasonable assurance that the reported financial performance information is relevant and reliable;

29. The discuss of financial performance must:

(a) Include both positive and negative results;

(b) Present relevant historical data;

(c) Compare the results achieved with the objectives and plans set;

(d) Present information and other explanations that are believed by management will be required by the readers of financial reports to understand the indicators, results, and the differences that exist with the goal or plan.

30. To further enhance the usability of information, the explanation of the reporting entity must also include a description of what should be undertaken and a plan to improve program performance.

31. Important limitations and difficulties related to the measurement and reporting of financial performance should be disclosed in accordance with the relevant performance indicators outlined in the Notes to the Financial Statements. Relevant limitations will vary from one program to another, but usually factors discussed include, among others:

(a) Performance usually cannot be fully disclosed using only one indicator alone;

(b) Performance indicators are unable to reveal the reason why the performance is at the level of reported; and

(c) Looking exclusively at quantitative indicators often produces unintended consequences.

32. Therefore, the performance indicators must be equipped with appropriate explanatory information. This explanatory information will help the user understand the reported indicators, get an overview of the reporting entity's financial performance, and evaluate the importance of the underlying factors that may affect the reported financial performance.

33. Explanatory information may include, for example, information about factors that are substantially beyond the control of the entity, and information concerning factors that make the entity have a significant influence.

Basis of Financial Report Presentation and Financial Accounting Policy Disclosures

34. Reporting entities disclose the primary financial statements and the accounting policies in the Notes to the Financial Statements.

Basic Accounting Assumptions

35. The basic assumption or the particular basic accounting concepts that underlie the preparation of the financial reports, usually do 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.

36. 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.

37. 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.

38. 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.

39. 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

40. Financial reports contain information for different users, such as legislators, creditors and employees. Other important users include suppliers, customers, trade organizations, financial analysts, potential investors, underwriters, statisticians, economists, and parties with the authority to make regulations.

41. Related to paragraph 34 above, users of financial statements require an explanation of the accounting policies selected as part of the information required, to make judgments, financial decisions, and other purposes. They cannot make reliable assessments if the financial reports do not reveal clearly the selected accounting policies that are important in the preparation of financial reports.

42. 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 the users of financial reports, because sometimes an inappropriate or incorrect treatment is used for a component of the budget realization report, balance sheet, and statement of cash flows, which become biased by the disclosure policy selected.

Accounting Policies

43. 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.

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

(a) Sound Judgment

Uncertainty surrounds many transactions. It should be recognized in the financial statements. Caution would not justify the creation of secret or hidden reserves.

(b) 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.

(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 ommission 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

users to understand every transaction reflected in the financial statements. Considerations in paragraph 44 may be used as guidance in considering accounting policies that need to be disclosed. Accounting policies to be considered for presentation include, among others:

(a) Recognition of revenue;
(b) Recognition of expenditure;
(c) Principles of consolidated report preparation;
(d) Investments;
(e) Recognition and termination / disposal of tangible and intangible assets;
(f) Construction contracts;
(g) Expenditure capitalization policy;
(h) Partnerships with third parties;
(i) Research and development costs;
(j) Inventories, whether for sale or for their own use;
(k) The establishment of reserve funds;
(l) The creation of welfare funds for employees;
(m) Foreign currency translation and hedging.

51. Each entity needs to consider the type of activities and policies 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.

52. 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.

53. 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.

54. 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.

Disclosure of Information required by the Government Accounting Standards not yet presented on the face of the Financial Statements

55. The Notes to the Financial Statements should present information that is required and recommended by other Government Accounting Standards and other disclosures that are required for fair presentation of the financial statements, such as contingent liabilities and other commitments. The disclosure of information in the Notes to

the Financial Statements must able to provide other information that has not been presented in other parts of the financial report.

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

57. Disclosure of information in the Notes to the Financial Statements should present information that does not repeat the details (such as details of inventory, details of fixed assets, or details of expenditure) as shown on the face of the financial statements. In some cases, the disclosure of accounting policies, in order to improve the understanding of the reader, should refer to the details presented elsewhere in the financial statements.

Disclosure of Information of asset and liability posts arising from the application of the accrual basis of revenue and expenditure and reconciliation with the application of the cash basis

58. Reporting entities that prepare financial statements on the accrual basis of revenue and expenditure must disclose asset and liability posts arising from the application of accrual basis and present a reconciliation with the application of the cash basis.

59. The Government Accounting Conceptual Framework in paragraphs 26 and 76 allow reporting entities to prepare financial reports on an accrual basis for revenues and expenditures. The reporting entity should provide additional information, including details about the entity’s output and outcome in the form of financial performance indicators, a statement of financial performance, a review of programs and other reports regarding the achievement of the entity's financial performance during the reporting period. This is so that the reader can understand asset and liability posts that arise due to the application of the accrual basis for revenue and expenditure items, such as revenue received in advance, prepaid expenses, and depreciation expense. Assets and liability items result from the adoption of the accrual basis for revenue and expenditure items.

60. The purpose of the reconciliation is to present the relationship between the Statement of Financial Performance with the Budget Realization Report. The reconciliation report begins with the addition / deduction of equity derived from the Statement of Financial Performance that is prepared on an accrual basis. This value is further adjusted by the addition and deduction of net asset transactions due to the use of the accrual basis, which then produces the same value with the final value in the Budget Realization Report.

61. For the ease of the user, a reconciliation list and explanation of the conditions that exist in paragraphs 59 and 60, should be presented as part of the Notes to the Financial Statements.

Other Disclosures

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

63. A reporting entity discloses the following if not stated in any part of the financial reports, namely:

(a) the domicile and legal form of the entity and the jurisdiction where the entity is located;

(b) an explanation of the nature of the entity's operations and principal activities;

(c) the statutory provisions that underlie its operational activities.

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

(a) Replacement of government management during the current year;

(b) Errors of the previous management corrected by the new management;

(c) Commitments or contingencies that can not be presented in the the Balance Sheet;

(d) Merger or division of the entity during the current year; and

(e) An event that has a social impact, such as a strike, that must be addressed by the government.

65. Disclosures required by each applicable standard complement this standard.

COMPOSITION

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

(a) Fiscal / financial policies and the macroeconomy, achievement of APBN/ABPD targets;

(b) Summary of financial target achievement;

(c) Significant accounting policies:

i. The reporting entity;

ii. The accounting basis underlying the preparation of financial statements;

iii. The measurement bases used in the preparation of financial statements;

iv. Compliance of the accounting policies applied with the provisions of the Statements of Government Accounting Standards by a reporting entity;

v. Each specific accounting policy necessary to understand the financial statements.

(d) Explanation of the items in the Financial Statements:

i. Details and an explanation of each item in the Financial Statements;

ii. Disclosure of information required by the Governmental Accounting Standards that is not presented on the face of Financial Statements.

(e) Disclosure of asset and liability items arising from the application of the accrual basis of revenue and expenditure, and a reconciliation with the application of the cash basis, for reporting entities using an accrual basis;

(f) any additional information, which is needed as a general overview the area.

DATE OF EFFECT

67.This Statement of Government Accounting Standards can be applied to financial reports of the budget up to budget year 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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GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 05

ACCOUTING FOR INVENTORIES

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

INTRODUCTION

Objective

1. The objective of this Standard is to regulate the accounting treatment for inventories and other information that is considered necessary to be presented in the financial statements.

Scope

2. This Standard applies to the presentation of all inventories in general purpose financial reports which are prepared and presented on a cash basis for the recognition of revenue, expenditure, transfers, and financing posts, as well as the accrual basis for the recognition of asset, liability, and equity posts. This Standard is applied to all central and local government entities not including state / local enterprises.

3. State / Local enterprises are subject to the Financial Accounting Standards issued by the Indonesian Institute of Accountants.

4. This Standard prescribes the accounting treatment of central and local government inventories covering:

(a) Definitions,

(b) Recognition,

(c) Measurement, and

(d) Disclosures.

DEFINITIONS

5. The following are terms used in this Standard:

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

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

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

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

GENERAL

6. Inventories are assets in the form of:

Goods or supplies that used for the purpose of government operations;

Materials or supplies to be used in the production process;

Goods in the production process that are intended to be sold or delivered to the public.

Goods stored to be sold or delivered to the public in the ordinary course of government activities;

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

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

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

10. Inventories can consist of:

Consumables;

Ammunition;

Materials for maintenance;

Spare parts;

Inventories for strategic / precautionary objectives;

Excise stamps and certification fees;

Raw materials;

Goods in process / progress;

Land / buildings to be sold or delivered to the public.

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.

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.

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.

DISCLOSURES

25. The financial statements disclose:

(a) The accounting policies adopted in measuring inventories;

(b) Further explanation of inventories, such as goods or supplies used in public services, goods or supplies used in the production process, goods kept for sale or delivered to the public, and goods still in the production process that are intended to be sold or delivered to the public;

(c) The condition of the inventory;

DATE OF EFFECT

26. This Statement of Government Accounting Standards can be 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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GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 06

ACCOUNTING FOR INVESTMENTS

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

INTRODUCTION

Objective

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

Scope

2. This Standard should be applied in the presentation of all government investments in general purpose financial reports prepared and presented on a cash basis for the recognition of revenue, expenditure, transfers, and financing posts, as well as the accrual basis for the recognition of asset, liability, and equity posts in accordance with the Government Accounting Standards.

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

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

5. This Standard does not regulate:

(a) Investments in associated companies;

(b) Operating partnerships; and

(c) Investments in property.

DEFINITIONS

6. The following are terms used in this Standard:

***Investment costs* are all costs incurred by the investor entity in the acquisition of an investment such as broker commissions, banking services, legal fees and other charges from the capital market.**

***Investments* are assets that are intended to obtain economic benefits such as dividends, interest and royalties, or social benefits, thus increasing the ability of the government to provide services to the community.**

***Short-term investments* are investments that can be quickly liquidated and are intended to be held for 12 (twelve) months or less.**

***Long-term investments* are investments intended to be held for more than 12 (twelve) months.**

***Non-permanent investments* are long-term investments that are not included in permanent investments, i.e. are not intended to be held continuously.**

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

***Social benefits* are defined in this standard as a benefit that can not be measured directly in units of money but by effect on the improvement in government services to the public or a particular community group.**

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

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

***Historical value* are amounts of cash or cash equivalents paid / issued or the fair value based on certain considerations to acquire an investment asset at the time of acquisition.**

***Nominal value* is the value specified in a security such as the value stated in share and bond certificates.**

***Market value* is the amount obtainable from the sale of an investment in an active market between independent parties.**

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

***Associate company* is a company in which the investor has significant influence and is not a subsidiary or joint venture of the investor.**

***Perusahaan negara/daerah* adalah badan usaha yang seluruh atau sebagian modalnya dimiliki oleh pemerintah pusat/daerah.**

FORMS OF INVESTMENT

7. Government undertakes investments with the intention, among others, to earn income in the long term or to utilize unused funds for short-term investments in the context of cash management.

8. There are several types of investments that can be verified by a certificate or other similar document. The nature of an investments may include bond purchases, both short and long term, and equity instruments.

INVESTMENT CLASSIFICATION

9. Government investment is classified into two groups, namely short-term investments and long-term investments. Short-term investments are a group of current assets whereas long-term investments are a group of non-current assets.

10. Short-term investments must meet the following characteristics:

(a) Can be immediately sold / liquidated;

(b) The investment is intended in the context of cash management, which means that the government can sell such investments when cash needs arises;

(c) Low risk.

11. Having regard to the criteria in paragraph 10, the purchase of securities is high risk for the government, because it is influenced by fluctuations in the market price of the securities, excluding short-term investments. The types of investments that are not included in the group short-term investments include:

(a) Securities purchased by the government in order to control a business entity, for example the purchase of securities to increase the equity ownership stake in a business entity;

(b) Securities purchased by the government for the purpose of maintaining good institutional relations with other parties, such as the purchase of securities issued by an agency both domestically and abroad to demonstrate the participation of the government; or

(c) Securities that are not intended to be liquidated in meeting short-term cash needs.

12. Investments that can be classified as short-term investments, consist of, among others:

(a) Deposits with terms of three to twelve months and / or which can be automatically extended (revolving deposits);

(b) Purchases of short-term Government Securities both by central and local governments and purchases of Bank Indonesia Certificates).

13. Long-term investments are divided according to investment properties of investment, i.e. permanent and non-permanent. Permanent investments are long-term investments which are held on an continuous basis, whereas non-permanent investments are long-term investments which are not intended to held on a continuous basis.

14. The definition of continuous refers to investments intended to be held continuously and without any intention to trade or redeem. Whereas the definition of non-continous refers to the ownership of investments with a maturity of more than 12 (twelve) months, but are not intended to be owned continuously or there is an intention to trade or redeem.

15. A permanent investment conducted by the government is an investment that is not intended for sale, but to obtain dividends and / or have a significant influence in the long term and / or maintain institutional relations. Permanent investments can be :

(a) Government Equity Participation in state / local enterprises, international agencies and other entities that are not owned by the state;

(b) Other permanent investments owned by the government to generate revenue or improve public services.

16. Non-permanent investments conducted by the government can include,among others:

(a) The purchase of bonds or long-term debt securities intended to be held until the maturity date by the government;

(b) Equity investments in development projects that can be transferred to a third party;

(c) Funds set aside by the government in the context of community services as revolving working capital assistance to community groups;

(d) Other non-permanent investments, that are not intended for continuous government-ownership, such as equity investments aimed at restructuring / rescuing the economy.

17. Government equity participation can include securities (shares) in a limited liability company and non-marketable securities, that is equity ownership not in the form of shares in an unlimited liability company.

18. Other permanent investments are investments that cannot be included in equity participation, long-term bonds purchased by the government, and capital investments in development projects that can be transferred to a third party, for example investments in properties that are not covered by this statement.

19. Accounting for government investments in property and joint operations will be regulated in individual accounting standards.

RECOGNITION OF INVESTMENTS

20. Cash or asset expenditure can be recognized an investment if they fulfill one of the following criteria:

(a) There is the possibility of economic benefits and social benefits or service potential in the future that can be obtained from the investments by the government;

(b) The acquisition value or fair value of the investments can be measured appropriately (reliably).

21. Expenditures for the acquisition of short-term investments are recognized as government cash disbursements and are not reported as an expenditure in the budget realization report, while expenditures to obtain long term investments are recognized as financing expenditures.

22. In determining whether an expenditure of cash and / or assets, grant receipts in the form of investments and changes to accounts receivable meet the criteria for recognizing investments for the first time, the entity needs to assess the degree of certainty of the flow of economic benefits, social benefits or service potential in the future based on evidence available at the time the investment is first recognized. The existence of sufficient certainty that the future economic benefits or service potential will be obtained requires an assurance that the entity will benefit from these assets and will bear the risks that may arise.

23. The criteria for the recognition of investments as stated in paragraph 20 item b, can usually be met because the exchange or purchase transaction is supported by evidence that states / identifies the acquisition cost. In certain circumstances, an investment may be obtained not based on the acquisition cost, or the fair value at the date of acquisition. In such cases, the use of appropriate value estimates may be used.

MEASUREMENT OF INVESTMENTS

24. For some types of investments, there is an active market that can shape the market value. In terms of such investments, the market value is used as the basis for the application of fair value. As for the investments that do not have an active market, the nominal value, the carrying amount or other fair value may be used.

25. Short-term investments in marketable securities, such as stocks and short-term bonds, are recorded at acquisition cost. The acquisition cost of an investment includes the investment transaction price itself plus brokerage, banking services, and other costs incurred in the context of the acquisition.

26. If the investment in the form of securities was obtained without cost, then the investment is measured at fair value at the date of the acquisition at the market price. If there is no fair value, then the investment is valued based on the fair value of cash equivalents or other assets that were surrendered for the investment.

27. Non-share short-term investments, for example, short-term deposits, are recorded at the nominal value of these deposits.

28. Permanent long-term investments, for example, government equity participation, are recorded at acquisition cost including the price of the investment transaction itself plus other costs incurred in the context of the investment acquisition.

29. Non-permanent investments, for example, in the form of long-term bond purchases and investments that are not intended to be held continuously, are valued at acquisition value. Meanwhile, investments in the form of bailouts for banking restructuring that will soon be disbursed are valued at net realizable value.

30. Non-permanent investments in the form of investments in government development projects (such as PIR) are valued at the cost of construction, including costs incurred for planning and other costs incurred in the context of the completion of the project until the project is transferred to a third party.

31. If long-term investments are acquired through the exchange of government assets, the value of the investment obtained by the government is the acquisition cost, or the fair value of the investment if there is no acquisition price.

32. The acquisition price of a foreign currency investment is stated in rupiah using the exchange rate (middle rate of the central bank) in effect at the transaction date.

INVESTMENT VALUATION METHODS

33. Government investment valuation is performed using three methods, namely:

(a) Cost method;

By using the cost method, the investment is carried at the acquisition cost. Earnings on investments are recognized in the amount of proceeds received and do not affect the size of the investment in the related business / legal entity.

(b) Equity method;

By using the government equity method the initial investment is recorded at the acquisition cost and increased or decreased by the government's share of profits or losses after the date of acquisition. Shares of profit except for dividends in the form of shares received by the government will reduce the value of the government's investment. Adjustments to the value of the investment are also required to change the ownership share of government's investment, for example changes brought about by the influence of foreign exchange and revaluation.

(c) Net realizable value method;

The net realizable value method is used primarily for ownership that will be disposed of / sold in the near term.

34. The use of the method in paragraph 33 is based on the following criteria:

(a) Ownership of less than 20% of the cost method;

(b) Ownership of 20% to 50%, or less than 20% ownership but has a significant influence using the equity method;

(c) Ownership of more than 50% of the equity method;

(d) Non-permanent ownership using the net realizable value method.

35. Under certain conditions, the criteria for the percentage of ownership of shares is not a determining factor in the selection of investment valuation methods, but more a decisive factor is the degree of influence or control over the investee. The characteristics of the influence or control over investee companies, includes, among others:

(a) The ability to influence the composition of the board of commissioners;

(b) The ability to appoint or replace directors;

(c) The ability to determine and change the board of directors of the investee company;

(d) The ability to control the majority of votes in a meeting / board meeting.

RECOGNITION OF INVESTMENT PROCEEDS

***36.** Investment returns earned from short-term investments, which include interest on deposits, bonds, and cash dividends, are recognized when earned and recorded as revenue.*

***37.** Investment returns in the form of cash dividends earned from government equity participation are accounted for using the cost method, recorded as investment revenue. Whereas when using the equity method, the share of profit in the form of cash dividends earned by government is recorded as investment revenue and reduces the value of government's investment. Dividends received in the form of shares will not increase the value of government's investment.*

DISPOSAL AND TRANSFER OF INVESTMENTS

***38.** The disposal of government investment can occur due to sale, waiver because of government regulations, and so forth.*

***39.** Proceeds from sales of short-term investments are recognized as government cash receipts and are not reported as revenue in the budget realization report, while the proceeds from the disposal of long term investments are recognized as financing receipts. The disposal of a portion of certain investments owned by the government is valued using the average value.*

***40.** The average value is obtained by dividing the total value of the investment to the total number of shares owned by the government.*

***41.** Transfers of investment posts can be reclassifications of permanent investments into short-term investments, Fixed Assets, Other Assets, and vice versa.*

DISCLOSURES

***42.** Other things that should be disclosed in the financial statements related to government investments, include, among others:*

(a) The accounting policies for the determination of investment values;

(b) The types of investments, permanent and non-permanent;

(c) Changes in the market price of investments both for short term and long term investments;

(d) Significant declines in the value of investments and the cause of the declines;

(e) Investments carried at fair value and the reason for its application;

(f) Changes in investment posts.

DATE OF EFFECT

43. This Statement of Government Accounting Standards can 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 ACOUNTING STANDARD
STATEMENT NO. 07

ACCOUNTING FOR FIXED ASSETS

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GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 07

ACCOUNTING FOR FIXED ASSETS

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

INTRODUCTION

Objective

1. The objective of this Standard is to prescribe the accounting treatment of fixed assets including the recognition, the determination of the carrying value, as well as the determination and the accounting treatment of revaluations and impairments in the value recorded (carrying amount) of fixed assets.

2. This Statement requires that fixed assets are recognized as an asset if it meets the definition and recognition criteria of an asset in The Government Accounting Conceptual Framework.

Scope

3. This Standard is applied to all units of government that present general purpose financial reports and regulates the accounting treatment, including the recognition, valuation, presentation, and the disclosures required unless other Government Accounting Standards require different accounting treatment.

4. This Standard does not apply to:

(a) Forests and natural resources that can be renewed (regenerative natural resources); and

(b) Authorization of mining, exploration and extraction of minerals, oil, natural gas, and natural resources and the like which are non-renewable (non-regenerative natural resources).

However, this Standard applies to fixed assets that are used to develop or maintain activities or assets covered in (a) and (b) above, and can be separated from the activity or asset.

DEFINITIONS

5. The following are terms used in this Standard:

<u>Assets</u> are economic resources controlled and / or owned by the government as a result of past events and from which future economic and / or social benefits are expected to be obtained, either by the government or the public, and can be measured in terms of money, including non-financial resources required for the provision of public

services and resources that are maintained for reasons of history and culture.

<u>Fixed assets</u> are tangible assets with a useful life of more than 12 (twelve) months for use, or are intended for use, in government activities by the general public.

<u>Acquisition cost</u> is the amount of cash or cash equivalents that have been and are still required to be paid or the fair value of other benefits that have been and are still required to be given to acquire an asset at the time of acquisition or construction until the asset is in a condition and place ready to be used.

<u>Useful life</u> is:

(a) the period the asset is expected to be used for the activities of the government and / or public service; or

(b) the amount of production or similar units expected to be obtained from the assets of government activities and / or public service.

<u>Residual value</u> is the net amount expected to be obtained by the end of the useful life of the asset after deducting the estimated costs of disposal.

<u>Carrying amount</u> of assets is the book value of assets, which is calculated from the cost of acquisition of an asset less accumulated depreciation.

<u>Fair value</u> is the exchange value of assets or settlement of liabilities between parties who understand and are willing to make a fair deal.

<u>Depreciation</u> is the systematic allocation of the value of a fixed asset that can be depreciated (depreciable assets) over the useful life of the asset.

GENERAL

6. Fixed assets are often a major part of government assets, and therefore significant in the presentation of the balance sheet. Included in the fixed assets of the government are:

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

(b) Land rights.

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

FIXED ASSET CLASSIFICATION

8. Fixed assets are classified based on similarities in the nature or function in an entity operating activities. Classification of fixed assets is as follows:

(a) Land;

(b) Equipment and Machinery;

(c) Buildings and Construction;

(d) Roads, Irrigation, and Networks;

(e) Other Fixed Assets; and

(f) Construction In Progress.

9. Land classified as fixed assets is land obtained with the intent to be used in the operations of government and in a condition ready for use.

10. Buildings and construction covers all buildings and sstructures obtained that are intended to be used in the operations of government and in a condition ready for use.

11. Equipment and machinery includes machinery and motor vehicles, electronic equipment, office equipment, and other equipment of significant value and useful life of more than 12 (twelve) months and is ready to use.

12. Roads, irrigation, and networks include roads, irrigation, and networks built by the government and are owned and / or controlled by the government and in a condition ready for use.

13. Fixed assets include assets that can not be classified into the groups of fixed assets above, obtained and used for government operations and in a condition ready to be used.

14. Construction in progress includes assets that are in the process construction, but at the date of the financial statements have not been fully complete.

15. Fixed assets that are not used for operational purposes of the government do not meet the definition of fixed assets and must be presented in the post other assets in accordance with their carrying amounts.

FIXED ASSET RECOGNITION

16. To be recognized as fixed assets an asset must meet the following criteria:

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

(b) The acquisition cost an asset can be measured reliably;

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

(d) Obtained or constructed with the intention to use.

17. In determining whether an asset continues to have the benefit of more than 12 (twelve) months, an entity must assess the future economic benefits that can be provided by the asset, either directly or indirectly, for government operations. The benefits can be either a stream of income or expenditure savings for the government. The future economic benefits will flow to the entity can be ensured if the entity will accept the benefits and associated risks. Certainty is usually only available if the benefits and risks have been accepted. Before this happens, the asset cannot be recognized.

18. Measurement can be considered reliable if there is an exchange transaction with proof of purchase for the fixed assets which identifies cost. In the case where an asset that is constructed by way of self-management, a reliable measurement of the cost can be obtained from

external transactions with such entities for the acquisition of raw materials, labor and other costs that are used in the construction process.

19. The main purpose of the acquisition of fixed assets is that they are used by the government in support of its operations and are not intended for sale.

20. Recognition of fixed assets will be very reliable when fixed assets have been received or delivered and ownership rights or when control is transferred.

21. The recognition of an asset will be reliable if there is evidence that there has been a transfer of ownership and / or control legally, such as land certificates and proof of vehicle ownership. If the acquisition of a fixed asset is not supported by legal evidence because the required administrative process is still underway, such as an unsettled land purchase where the buying and selling process (deed) and a certificate of ownership is still with the authorities, then the asset must be recognized when there is evidence that control of the asset has been transferred, for example where payments and control over land titles in the name of the previous owner have occurred.

FIXED ASSET MEASUREMENT

22. Fixed assets are valued at acquisition cost. If the valuation of fixed assets using the cost of acquisition is not possible then the value of fixed assets is based on the fair value at the time of acquisition.

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

INITIAL VALUATION OF FIXED ASSETS

24. Tangible goods that meet the qualifications to be recognized as an asset and classified as a fixed asset should be measured initially at acquisition cost.

25. If the fixed assets are acquired without value, the cost of the asset is measured at fair value at the time the asset is acquired.

26. A fixed asset may be received by the government as a gift or donation. For example, land may be awarded to a local government by a developer without value that enables the local government to build a parking lot, street, or a place for pedestrians. An asset may also be obtained free of value through the implementation of government authority. For example, due to authority and regulations, local governments confiscate land and buildings that will then be used as a place of government operation. For both of the above, the fixed assets acquired must be measured at fair value at the time the asset is acquired.

27. For the purposes of this statement, the use of fair value at the time of acquisition for the conditions in paragraph 25 does not constitute a process of revaluation and remains consistent with the cost as in paragraph

24. Revaluation referred to in paragraph 58 and other related paragraphs only applies to valuations for the next reporting period, not at the tiem of the initial acquisition.

28. For the purposes of the initial balance sheet of an entity, the acquisition cost of fixed assets used is the fair value at the time the initial balance sheet is prepared. For the next period after the intial balance sheet date, for the acquisition of new fixed assets, the entity uses the acquisition cost or fair price if there is no acquisition cost.

Component Costs

29. The cost of a fixed asset comprises the purchase price or construction, including import duties and any costs directly attributable for bringing the asset to the condition that the asset can be made to work for its intended use.

30. Examples of costs that are directly attributable are:

(a) the cost of site preparation;

(b) initial shipping charges (initial delivery), cost savings and handling costs;

(c) installation costs;

(d) professional fees such as architects and engineers; and

(e) construction costs.

31. Land is recognized the first time at acquisition cost. Acquisition cost includes the purchase price or the cost of land clearance, costs incurred in order to acquire rights, the cost of maturation, measurement, accumulation, and other costs incurred as well as those yet to be incurred until the land is ready for use. The value of land also includes the value of old buildings located on the land purchased if the old building is intended to be destroyed.

32. The acquisition cost of equipment and machinery describes the amount of expenditure that has been and remains to be conducted to acquire equipment and machinery until it is ready to use. These costs include the purchase price, freight costs, installation costs, and other direct costs to acquire and prepare until the equipment and machinery is ready for use.

33. The acquisition cost of buildings and structures describes all expenses incurred and yet to be incurred to acquire the building and structures until it is ready to use. These costs include the purchase price or construction cost, including the cost of IMB administration, notaries and tax.

34. The acquisition cost of roads, irrigation, and networks describes all costs incurred and yet to be incurred to acquire the roads, irrigation, and networks until they are ready to use. These costs include the cost of acquisition or construction costs and other costs incurred until the roads, irrigation and networks are ready to use.

35. The acquisition cost of other fixed assets describes all costs incurred and yet to be incurred to acquire those assets until they are ready to use.

36. Administrative costs and other general costs do not constitute components of the cost of a fixed asset as long as these costs are not directly

attributable to the cost of acquisition of the asset or bringing the assets to their working condition. Similarly, start-up costs and similar pre-production costs do not constitute part of the cost of an asset unless they are necessary to bring the asset to its working condition.

37. The acquisition cost of an asset to be constructed by a way of self-management is determined using the same principles as assets that are purchased.

38. Any trade discounts and rebates are deducted from the purchase price.

Construction In Progress

39. If the completion of the construction of a fixed asset exceeds and or passes one budget year period, the asset remains unfinished is classified and reported as construction in progress until the asset is completed and ready for use.

40. The Statement of Government Accounting Standards No. 08 regarding Construction In Progress regulates in detail the treatment of assets under construction, including the details of the construction cost of a fixed asset that is carried out by self-management or carried out by a contractor. If not otherwise stated in this PSAP then the principles and details in PSAP 08 apply.

41. Construction In Progress where the construction or manufacture has been completed and is ready to be used should be reclassified into one of the appropriate accounts in the post fixed assets.

Joint Acquistion

42. The acquisition cost of each fixed asset that is acquired jointly is determined by allocating the combined price based on a comparison of the fair value of each asset.

Exchanges of Assets

43. A fixed asset can be acquired through exchange or partial exchange of dissimilar assets or other assets. The cost of this kind of post is measured at the fair value of the acquired assets, i.e. a value equivalent to the carrying amount of the assets disposed of after adjusting the amount for any cash or cash equivalents and other liabilities transferred / delivered.

44. A fixed asset can be obtained through the exchange of a similar asset that has the same benefits and has a similar fair value. A fixed asset can also be released in exchange for the ownership of a similar asset. In these circumstances there are no recognized gains and losses in this transaction. The costs of the newly acquired assets are recorded at the carrying amount of the assets disposed.

45. The fair value of assets received can provide evidence there is an impairment of the value of the assets disposed. In these circumstances,

assets that are disposed of must written-down and the value after the write-down represents the value of the assets received. Examples of exchanges of similar assets include the exchange of buildings, machinery, special equipment, and aircraft. If there are other assets in exchange, for instance cash or other liabilities, then it is indicated that the posts being exchanged do not have the same value.

Asset Donations

46. Fixed assets acquired from donations must be recorded at fair value at the time of acquisition.

47. Donations of property and equipment are defined as the unconditional transfer of a fixed asset to a single entity, for example a non-governmental enterprise provides a building to be used by a unit of government without any condition. The handover of the asset will be very reliable if supported by evidence of the legal transfer of ownership, such as a grant deed.

48. Excluding asset acquisition via donation, when the transfer of a fixed asset is connected with another entity's liability to the government, then the acquisition of the fixed asset should be treated as an acquisition of fixed assets with exchange. For example, a private company builds a fixed asset for the government with the requirement that the company's liability to the government will be deemed to have been settled.

49. If the acquisition of a fixed asset meets the criteria of an asset acquired by donation, then the acquisition is recognized as government revenue and the same amount is reconized as capital expenditure in the budget realization report.

SUBSEQUENT EXPENDITURES

50. Expenditures after the initial acquisition of a fixed asset that extends the useful life or likely future economic benefits in the form of capacity, production quality, or standard of performance, must be added to the carrying amount of the asset.

51. Capitalization of costs referred to in paragraph 50 should be set out in the accounting policies of an entity, such as the criteria in paragraphs 50 and / or the particular capitalization thresholds to be used in the determination of whether an expenditure should be capitalized or not.

52. Because government organizations vary greatly in the amount and use of fixed assets, the capitalization thresholds cannot be uniform for all existing entities. Each entity should set limits on the amount of capitalization by considering their financial condition and operations. When it is established, the capitalization thresholds must be applied consistently and disclosed in the Notes to the Financial Statements.

SUBSEQUENT MEASUREMENT TO INITIAL RECOGNITION

53. Fixed assets are presented at the acquisition cost of the fixed assets less accumulated depreciation. In the event of conditions that allow for revaluation, the asset will still be presented with an adjustment to the accounts Fixed Assets and Investments in Fixed Assets respectively.

Depreciation

54. Adjustments to the value of fixed assets are carried out by various methods, systematically and in accordance with the benefits. The depreciation method used must be able to describe the economic benefits or potential service that will flow to the government. Depreciation for each period is recognized as a reduction in the carrying amount of fixed assets and Investments in Fixed Assets.

55. The useful life of depreciable fixed assets must be reviewed periodically and if there is a major difference from previous estimates, the depreciation period now and in the future must be adjusted.

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

(a) The straight line method; or

(b) The double declining balance method; or

(c) The unit of production method.

57. Besides land and construction in progress, all fixed assets are depreciated according to the nature and characteristics of the assets.

Revaluation of Fixed Assets

58. Reappraisal or revaluation of fixed assets is generally not allowed because the Government Accounting Standards adopt asset valuation at cost or the price of exchange. Deviations from this provision may be performed under government provisions that apply nationally.

59. In this case, the financial statements should explain the deviation from the historical cost basis in the presentation of fixed assets and the effect of such deviations on an entity's financial picture. The difference between the revaluation with the carrying amount of fixed assets is recorded in account Investments in Fixed Asset.

ACCOUNTING FOR LAND

60. 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 accounting for fixed assets.

61. 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 Standard.

62. 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 indicate permanent control.

63. 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

64. This Standard 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.

65. 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) The 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.

66. Heritage assets are normally expected to be maintained for an unlimited time. Heritage assets are usually evidenced by laws and regulations.

67. The government may have a many historic assets acquired over the years and by various methods including purchase, donation, inheritance, booty, or confiscation. These assets are rarely controlled due to the reason of the ability to generate cash inflows, and will have social and legal problems when used for such purposes.

68. Heritage assets should be presented in the form of units, such as the number of units owned in a collection or the number of units of monuments, in the Notes to the Financial Statements with no value.

69. Costs for the acquisition, construction, improvement and reconstruction must be charged as expenses in the statement of operations in the year the expenditures are incurred. Expenses include all expenses that occur to render the heritage asset to its existing condition and location in the current period.

70. Some heritage assets also provide other potential benefits to the government other than historical value, for example historical buildings used for office space. For such cases, the assets will apply the same principles as other fixed assets.

71. For other historical assets, the potential benefits are limited to the historical characteristics, for example, monuments and ruins.

INFRASTRUCTURE ASSETS

72. Some assets are usually considered as infrastructure assets. Although there is no universal definition used, these assets usually have the following characteristics:

(a) Represents a portion of a system or network;

(b) Its special and there are no other alternative uses;

(c) Not able to be moved; and

(d) There are limits to its disposal.

73. Although ownership of infrastructure assets is not only by the government, significant infrastructure assets are often found to be an asset of government. Infrastructure assets meet the definition of a fixed asset and should be treated in accordance with the principles that exist in this Standard.

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

MILITARY ASSETS

75. Military equipment, whether general or particular, meets the definition of a fixed asset and should be treated in accordance with the principles that exist in this Standard.

RETIREMENT AND DISPOSAL

76. 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.

77. 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.

78. 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

79. 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) Disposals;

(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;

80. 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.

81. 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;

(e) The carrying amount of each type of fixed asset;

DATE OF EFFECT

82. This Statement of Government Accounting Standards can 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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GOVERNMENT ACCOUNTING STANDARD STATEMENT NO. 08

ACCOUNTING FOR CONSTRUCTION IN PROGRESS

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

INTRODUCTION

OBJECTIVE

1. The objective of the Construction in Progress Standard is to prescribe the accounting treatment for construction in progress using the historical value method. The main problem in accounting for Construction In Progress is the amount of cost to be recognized as an asset that must be recorded until the construction is completed.

2. This Standard provides guidance for:

(a) identification of the work that can be classified as the Construction In Progress;

(b) determining the amount costs that are capitalized and presented in the balance sheet;

(c) determining the basis for recognition and disclosure for the cost of construction.

SCOPE

3. An accounting entity that undertakes the construction of fixed assets to be used in the implementation of government and / or community activities within a certain time period, both for the implementation of self-managed construction as well as construction performed by third parties, is required to implement this standard.

4. The nature of construction activities is generally long-term, so that the start date of activity implementation and the date of activity completion usually fall into different accounting periods.

DEFINITIONS

5. The following are terms used in this Standard:

<u>Construction in progress</u> are fixed assets under construction.

<u>Construction contract</u> is a commitment made specifically for the construction of an asset or a combination of assets closely related to

each other or interdependent in terms of design, technology and function or purpose or primary use.

<u>Contractor</u> is an entity that holds a contract to build assets or provide construction services for the benefit of other entities in accordance with the specifications set forth in the construction contract.

<u>Advances</u> are amounts received by the contractor before the work is done in the context of a construction contract.

<u>Claims</u> are amounts requested by the contractor from the employer as reimbursement of costs that were not included in the contract value.

<u>Employer</u> is the entity that enters into a construction contract with a third party to build or provide construction services.

<u>Retention</u> is the number of terms (progress billing) that have not been paid to the fulfillment of the conditions specified in the contract for the payment of the amount.

<u>Installment (progress billing)</u> is the amount charged for work done under a contract, whether already paid or has not been paid by the employer.

CONSTRUCTION IN PROGRESS

6. Construction In Progress includes land, equipment and machinery, buildings and construction, roads, irrigation and networks, as well as other fixed assets that the acquisition and / or construction of which requires a certain period of time and has not been completed. Acquisition through construction contracts generally requires a certain period of time. The time period of acquisition could be more or less than one accounting period.

7. Acquisition of assets can performed by construction through self-management or through a third party with a construction contract.

CONSTRUCTION CONTRACT

8. Construction contracts can be associated with the acquisition of a number of assets that are closely related or mutually dependent on each other in terms of design, technology, function or purpose, and main use. Contracts such as this are, for example, the construction of irrigation networks.

9. Construction contracts may include:

(a) contracts for the acquisition of services directly related to the planning and construction of an asset, such as architectural services;

(b) contracts for the acquisition or construction of assets;

(c) contracts for the acquisition of services directly related to the supervision of the construction of assets which includes construction management and value engineering;

(d) contracts to dismantle or restore assets and environmental restoration.

UNIFICATION AND SEGMENTATION OF CONSTRUCTION CONTRACTS

10. The provisions of this standard apply separately to each construction contract. However, in certain circumstances, it is necessary to apply this statement to a single construction contract component which can be separately identified, or to a group of construction contracts jointly in order to reflect the nature of a construction contract or group of construction contracts.

11. If a construction contract covers a number of assets, the construction of each asset is treated as a separate construction contract when all the following conditions are met:

(a) Separate proposals have been submitted for each asset;

(b) Each asset has been the subject of separate negotiation and the contractor and the employer can accept or reject that part of contract relating to each asset;

(c) The costs of each asset can be identified.

12. A contract may provide for the construction of an additional asset at the request of the employer or can be modified so that construction of additional assets can be incorporated into the contract. The additional construction is treated as a separate construction contract when:

(a) The additional asset differs significantly in design, technology or function with the assets covered by the original contract; or

(b) The price of the additional asset is determined without regard to the original contract price.

RECOGNITION OF CONSTRUCTION IN PROGRESS

13. A tangible object must be recognized as Construction In Progress if:

(a) it is probable that the future economic benefits related the assets will be obtained;

(b) the acquisition cost can be measured reliably; and

(c) the asset is still under construction.

14. Construction In Progress usually forms an asset which is intended for use in the operations of government or used by the public in the long term and is therefore classified as a fixed asset.

15. Construction In Progress is transferred to the relevant fixed assets post if the following criteria are met:

(a) Construction is substantially completed; and

(b) Can provide benefits / services in accordance with purpose of the acquistion.

16. Construction In Progress is transferred to the relevant fixed asset account after the construction work is declared complete and ready for use in accordance with the purpose of acquisition.

MEASUREMENT

17. Construction In Progress is recorded at the cost of acquisition.

Construction Cost

18. The value of construction which is self-managed includes, among others:

(a) costs directly related to construction activity;

(b) costs that are attributable to the activity generally and can be allocated to the construction; and

(c) any other costs specifically charged in connection with the construction concerned.

19. Costs directly related to the construction activity include, among others, the:

(a) cost of field workers including supervisors;

(b) cost of materials used in construction;

(c) cost of removal of facilities, equipment, and materials to and from the construction site;

(d) cost of hiring plant and equipment;

(e) cost of design and technical assistance that is directly related to the construction.

20. The costs that can be attributed to the construction activity generally and can be allocated to a particular construction include:

(a) Insurance;

(b) The cost of design and technical assistance that are not directly related to the particular construction;

(c) Other costs that can be identified for the relevant construction activity 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.

21. The value of construction carried out by a contractor through construction contracts includes:

(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.

22. Contractor includes the prime contractor and subcontractors.

23. 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.

24. Claims can arise, for instance, from delays caused by the employer, errors in specifications or design and disputes over irregularities in the contract.

25. 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.

26. Borrowing costs include interest charges and other costs incurred in connection with the loans used to finance the construction.

27. The amount of borrowing costs capitalized must not exceed the total cost of interest paid and accrued in the period in question.

28. 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.

29. If the construction activities are temporarily suspended not because of force majeure events then the borrowing costs paid during the period of construction suspension are capitalized.

30. Suspension of 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.

31. A construction contract that includes several types of jobs which are completed at different times, then the type of job that has been completed does not take into account the cost of borrowing. Borrowing costs are capitalized only for the type of work that is still in progress.

32. Suatu kontrak konstruksi dapat mencakup beberapa jenis aset yang masing-masing dapat diidentifikasi sebagaimana dimaksud dalam paragraf 12. Jika jenis-jenis pekerjaan tersebut diselesaikan pada titik waktu yang berlainan maka biaya pinjaman yang dikapitalisasi hanya biaya pinjaman untuk bagian kontrak konstruksi atau jenis pekerjaan yang belum selesai. Bagian pekerjaan yang telah diselesaikan tidak diperhitungkan lagi biaya pinjaman.

DISCLOSURE

33. An entity must disclose information about Construction In Progress at the end of the accounting period:

(a) ***Details of construction contracts in progress follow the completion rate and period of completion;***

(b) ***The value of construction contracts and funding sources;***

(c) ***Total costs incurred and accrued;***

(d) ***Advances provided;***

(e) ***Retention.***

34. Construction contracts generally contain provisions concerning retention, for example, installment payments withheld by the employer during the maintenance period. Retention amounts are disclosed in the Notes to the Financial Statements.

35. Assets can be financed from a particular source of funding. Inclusion of the source of funds is intended to give an overview of funds and the absorption until a specific date.

DATE OF EFFECT

36. This Statement of Government Accounting Standards can 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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GOVERNMENT ACCOUNTING STANDARD STATEMENT NUMBER 09

LIABILITIES

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

INTRODUCTION

Objective

1. The objective of this Standard is to regulate the accounting treatment of liabilities including current recognition, the determination of the carrying amount, amortization, and borrowing costs charged against the liability.

Scope

2. This Standard applies to all government units that present general purpose financial statements and regulates accounting treatments, including recognition, measurement, presentation and required disclosures.

3. This Standard regulates:

(a) Accounting for Government Liabilities, including short-term liabilities and long-term liabilities arising from Domestic Debt and Foreign Debt.

(b) The accounting treatment for transactions in foreign currency loans.

(c) The accounting treatment for transactions in foreign currency loans.

(d) The accounting treatment for the costs arising from government debt.

Subparagraphs (b), (c) and (d) above prevail to the extent there are no special regulations in a separate standard concerning such matters.

4. This Standard does not regulate:

(a) Accounting for Estimated Liabilities and Contingent Liabilities.

(b) Accounting for Derivative Instruments and Hedging Activities.

(c) Transactions in foreign currencies arising from transactions other than lending transactions denominated in a foreign currency as in paragraph 3 (b).

Subparagraphs (a) and (b) are regulated in this standard statement separately.

DEFINITION

5. The following are terms used in this Standard:

***Amortization** 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 value of government debt. Subsequent economic flows, such as payment transactions, valuation changes due to changes in foreign exchange rates, and other changes in addition to changes in market value, are taken into account by adjusting the carrying amount of the liability.*

***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.***

***Third Party Calculation**, hereinafter referred to PFK, is government debt to another party caused by the position of the government cutting taxes or other charges, such as the Income Tax, Value Added Tax, Askes fees, Taspen, and Taperum.*

Premium ***is the amount of the excess of the present value of the liability with the maturity value of liability because the nominal interest rate is higher than the effective interest rate.***

Debt restructuring ***is an agreement between the creditor and the debtor to modify the terms of a debt agreement with or without a reduction in the amount of debt, in the form of:***

(a) Refinancing, that is, replacing old debt with new debt, including arrears; or

(b) Rescheduling or modification of debt terms that change the terms and conditions of the existing contract. Debt rescheduling may take the form of:

(1) Changes in the payment schedule,

(2) Additions to the grace period, or

(3) Schedule a back up payment plan of principal and interest due and / or delinquent.

Government debt securities ***are securities in the form of government debt instruments that can be traded and have a maturity value or redemption value at the time of issue, such as Government Bonds.***

Treasury Bills ***are Government Securities with a maturity of up to 12 (twelve) months with discounted interest payment.***

Government Bonds ***are securities in the form of debt instruments denominated in rupiah or foreign currency where the debt principal and interest payments are guaranteed by the Republic of Indonesia, according to the period of validity.***

Arrears ***are liability amounts owed due to the inability of the entity to pay debt principal and / or interest according to schedule.***

GENERAL

6. The main characteristic of a liability is that the government has a present obligation the settlement of which results in the sacrifice of economic resources in the future.

7. Liabilities generally arise due to the consequences of the implementation of duties or responsibilities to act in the past. In the context of the government, liabilities arise partly because of the use of loan funding sources from the public, financial institutions, government entities, or international agencies. Government liabilities may also occur due to the engagement of employees who work for the government, liabilities to the wider community, i.e. benefit liabilities,

compensation, damages, excess deposits of tax from taxpayers, the allocation / reallocation of revenue to other entities, or liabilities with other service providers.

8. Every liability can be imposed by law as a consequence of a binding contract or laws and regulations.

CLASSIFICATION OF LIABILITIES

9. Every reporting entity discloses any item of liability including amounts expected to be settled in 12 (twelve) months and more than 12 (twelve) months after the reporting date.

10. Information on the due date of a financial liability is useful for assessing the liquidity and solvency of a reporting entity. Information about the date of settlement of a liability such as debt to third parties and debt interest is also useful to determine the whether the liability is classified as a short-term or long-term liability.

11. A liability is classified as a short-term liability if it is expected to be paid within 12 (twelve) months after the reporting date. All other liabilities are classified as long-term liabilities.

12. Short-term liabilities can be categorized in the same way as current assets. Short-term liabilities, such as government debt transfers or debts to employees, are the liabilities that will absorb current assets in the following reporting year.

13. Other short-term liabilities are liabilities due within 12 (twelve) months after the date of reporting, such as interest on loans, short-term debt to a third party, Third Party Calculation (PFK), and the current portion of long-term debt.

14. A reporting entity continues to classify a liability as long-term, even though the liability is due and will be finalized within 12 (twelve) months after the reporting date if:

(a) the original term was for a period of more than 12 (twelve) months, and;

(b) the entity intends to refinance the obligation on a long-term basis; and

(c) this intention is supported by the existence of a refinancing agreement, or the rescheduling of the payment, which was finalized before the financial statements were approved.

15. The amount of any liability incurred from short-term liabilities in accordance with the preceding paragraph, together with information supporting this presentation, is disclosed in the Notes to the Financial Statements.

16. Some liabilities which are due to be repaid in the next year may be expected to be refinanced or rolled over based on the policy of the reporting entity and is expected this will not immediately absorb the entity’s funding. Such liabilities are considered to be a part of long-term funding and classified as long-term liabilities. But in situations where

refinancing is not in the entity (as in the case of an absence of funding approval), refinancing can not be considered automatic and the liabilities are classified as short-term unless settlement of the refinancing agreement before the approval of financial statements proves that the substance of the liability at the reporting date is long-term.

17. Some loan agreements include certain requirements (covenants) that cause long-term liabilities to become current liabilities (payable on demand) if certain requirements relating to the financial position of the borrower are violated. In such circumstances, the liabilities can be classified as long-term liabilities only if:

(a) the lender has agreed not to seek repayment as a consequence of the breach, and,

(b) there is a guarantee that there will be no subsequent violations within 12 (twelve) months after the reporting date.

RECOGNITION OF LIABILITIES

18. Liabilities are recognized when it is probable that expenditure of economic resources will be made to settle existing liabilities until the time of reporting, and changes to the liability has a settlement value that can be measured reliably.

19. The existence of past events (in this case including transactions) is very important in the recognition of liabilities. An event is an occurrence with a financial consequence to an entity. An event may include an internal event within an entity, such as the transformation of raw materials into a product, or may be an external event that involves interaction between an entity with its environment, such as transactions with other entities, natural disasters, theft, vandalism, and damage due to an accident.

20. A transaction involves the transfer of something that has value. The transaction may be a transaction with an exchange or without an exchange. The distinction between transactions with exchange or without exchange is very important for determining the time of liability recognition.

21. Liabilities are recognized when loan funds are received by the government and / or at the time the liabilities arise.

22. Liabilities can arise from:

(a) exchange transactions;

(b) non-exchange transactions, according to applicable laws and policies that apply, and which have not been paid in full up to the date of reporting;

(c) government-related events;

(d) government-acknowledged events.

23. An exchange transaction arises when each party to the transaction sacrifices and receives something of value in return.

There are two reciprocal flows of resources or promises to provide the resources. In a transaction with exchange, liabilities are recognized when one party receives goods or services in exchange for a promise to give money or other resources in the future.

24. An example of an exchange transaction is when government employees provide services in exchange for obtaining compensation consisting of salaries and other employee benefits. An exchange transaction arises because both parties (employer and the recipient of work) receive and sacrifice value. Compensation liabilities include unpaid wages, services that have been delivered and other employee benefits costs associated with the service period.

25. A transaction without exchange arises when one party in a transaction receives value without directly giving or promising value in return. In this case, there is only one direction of the flow of resources or promises. For transactions without exchange, a liability should be recognized for the outstanding amount unpaid at the reporting date.

26. Some types of grants and public assistance programs and others specific to the reporting entity form transactions without exchange. When the central government transfers ownership of a program or provides grants or allocate funds to local governments, the payment terms are determined by the existing laws and regulations and not by the exchange transaction.

27. A government-related event is an event that is not based on the transaction but by the interaction between the government and the environment. These events may be beyond the control of the government. In general, a liability is recognized in relation to events associated with the Government, on an equal basis with events that arise from exchange transactions.

28. When the government inadvertently causes damage to private property, the event creates a liability, as along as applicable laws and policies allow the government to pay for the damage, and as long as the payment amount can be estimated reliably. An example of this event is accidental damage to private property caused by the implementation of government activities.

29. Government-recognized events are events not based on a transaction, but have financial consequences for the government because the government has decided to respond to the event. The government has broad responsibility for providing public welfare. To that end, the Government is often assumed to be responsible for events that are not regulated in formal regulations. Consequently, the costs of the various events, which are caused by non-governmental entities and natural disasters, are ultimately the responsibility of the government. However, these costs can not meet the definition of a liability until the government formally recognizes it as the government's financial

responsibility, and a transaction for the costs incurred in connection with the event has occurred with exchange for without exchange.

30. In other words, the government should recognize a liability and expense for the conditions in paragraph 29 when they meet the following two criteria: (1) the Legislature has approved or authorized the resources that will be used, (2) exchange transactions arise (eg, when a contractor perform repairs) or there are unpaid amounts from non-exchange transactions still owed at the reporting date (eg direct payments to victims of the disaster).

31. The following example illustrates the recognition of liability of a government recognized event. A natural disaster damages cities in Indonesia and the DPR authorizes expenditures to cope with the disaster. This incident has consequences for the government's finances since it has decided to provide disaster relief to those cities. Transactions related with it, including the contribution of the government to individuals and the work of contractors who are paid by the government, are recognized as transactions with exchange or without exchange. In the case of exchange transactions, the amounts owed for goods and services provided to the government are recognized when the goods are delivered or the work is completed. In the case of non-exchange transactions, a liability should be recognized for umpaid amounts still owed at the reporting date. Such liabilities include the amounts charged to the government to pay benefits and goods or services that have been provided according to the requirements of the existing program at the government reporting date.

MEASUREMENT OF LIABILITIES

32. Liabilities are recorded at nominal value. Liabilities denominated in foreign currencies are translated and expressed in rupiah. Foreign currency translation is performed using the central bank middle rate at the balance sheet date.

33. The nominal value of a liability reflects the value of the government liability at the first time the transaction took place, such as the value marked on the government debt security. Subsequent economic flows, such as payment transactions, valuation changes due to changes in foreign exchange rates, and other changes other than changes in market value, are calculated by adjusting the carrying amount of the liability.

34. The use of the nominal value in assessing liabilities follows the characteristics of each post. The following paragraphs outline the application of the nominal value for each liability post in the financial statements.

Debts to Third Parties (*Accounts Payable*)

35. At the moment the government receives the right to goods, including goods in transit to which the government has a right, the government must recognize the liability for unpaid amounts for the goods.

36. If the contractor building the facility or equipment in accordance with the existing specifications in the contract agreement with the government, the amount recorded should be based on the physical realization of the progress of the work in accordance with the work in progress official report.

37. The amounts for liabilities due to transactions between government units must be separated from liabilities to non-governmental units.

Debt Interest (*Accrued Interest*)

38. 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.

39. 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) in the same form and substance yang as GB.

Third Party Debt Calculation (PFK)

40. At the end of the reporting period, the balance of charges / dedutions 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.

41. 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 Part of Long Term Debt

42. Values that are included in the financial statements for the current part of long-term debt is the amount that will be due within 12 (twelve) months after the reporting date.

43. Included in the category of Current Part 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.

Other Current Liabilities

44. Other current liabilities are liabilities that are not included in the existing category. Included in other non-current liabilities are costs accrued at the time the financial statements are prepared. Measurements for each item tailored to the characteristics of each item, such as debt payment of salaries to employees judged by the amount of accrued salaries paid for services that have been delivered by the employee. Another example is the receipt of payments in advance for supply of goods or services by the government to other parties.

Traded and Non-Traded Debt

45. The valuation of government debt is adjusted to the characteristics of debt that can have the form:

(a) Non-traded Government Debt

(b) Traded Government Debt

Non-Traded Government Debt

46. The nominal value of non-traded government debt is a liability of the entity to creditors for debt principal and interest as set out in the contract agreement and not yet settled on the reporting date.

47. Examples of non-traded government debt are bilateral and multilateral loans, and loans from international financial institutions like the IMF, World Bank, ADB and others. The legal form of the loan is usually in the form of a loan agreement.

48. For government debt with a fixed interest rate, the valuation can refer to the payment schedule using a fixed interest rate. For government debt with variable interest rates, such as interest rates associated with the financial instrument or with other indices, the valuation of government debt uses the same principles as with a fixed interest rate, but the interest rate estimated fairly based on previous data and observations of existing financial instruments.

Traded Government Debt

49. Accounting for tradable government debt should be able to identify the amount of residual liabilities of the government at any given time and the interest for each accounting period. This requires an initial valuation of securities on the selling price or the sale proceeds, an assessment on the due date of the amount to be paid to the holder, and evaluation of the period so as to fairly describe the government's liabilities.

50. Tradable government debt is normally in the form of government debt securities which may contain provisions regarding the value of debt at maturity.

51.* *Types of government debt securities must be rated at par value (original face value) taking into account discounts or unamortized premiums. Government debt securities sold at par value with no discount or premium should be valued at par value. Securities sold at a discount price will increase in value over a period of sales and maturities, while the securities sold at a premium price will reduce in value.

52. Government debt securities having a value at maturity or redemption, such as Government Securities (GS) in the form of Treasury Bills and Bonds, should be rated based on the value to be paid at maturity if sold at par value. If at the time of the initial transaction, the traded government debt instruments are sold above or below par, then further valuation takes into account the amortization of the discount or premium that exist.

53. Amortization of the discount or premium is to use the straight-line method.

Changes in Foreign Exchange

54. Government debt in foreign currencies is recorded at the central bank middle exchange rate at the time of the transaction.

55. The exchange rate on the date of the transaction is often called the spot rate. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, the average middle rate of the central bank for a week or a month is used for all transactions in the period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.

56. At each balance sheet date the posting of government debt in a foreign currency is reported in rupiah using the central bank middle exchange rate at the balance sheet date.

57. Differences arising from translation of government debt into a foreign currency between the transaction date and the balance sheet date are recorded as an increase or decrease in equity.

58. Consequences of the recording and reporting liabilities in foreign currencies will affect posts on the Balance Sheet for liabilities and associated equity of the reporting entity.

59. If a transaction in a foreign currency arises and is settled in the same period, all the foreign exchange differences are recognized in that period. However, if the transaction arises and is settled in different accounting periods, then the foreign exchange differences are recognized for each accounting period to take into account changes in exchange rates for each period.

SETTLEMENT OF LIABILITIES BEFORE MATURITY

60. For government debt securities that are settled prior to maturity because of call features by the issuer of those securities or so as

to meet the requirements for settlement by holders' demands, the difference between the reacquisition price and the net carrying amount should be disclosed in the Notes to the Financial Statements as part of the posts related to the liabilities.

61. 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.

62. 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 disclosed in the Notes to the Financial Statements.

ARREARS

63. ***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.***

64. 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.

65. Accounting practices generally do not separate the amount of arrears of 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.

66. 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

67. ***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 regarding the restructuring in the Notes to Financial Statements as part of the disclosure of the relevant liability posts.***

68. The amount of interest should be calculated using the effective interest rate constant multiplied by the carrying value of the debt at the beginning of each period between the time of the restructuring until maturity. The new effective interest rate is equal to the discount rate to equate the present value of future cash payments as specified by the new terms (not including the contingent debt) to the carrying value. Based on the new effective interest rate, a new payment schedule can 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

transferred to the creditor for a debt settlement. Such differences must be disclosed in the Notes to the Financial Statements.

COSTS ASSOCIATED WITH GOVERNMENT DEBT

79. Costs associated with government debt are interest expense and other costs incurred in connection with the borrowing of funds. These costs may include:

(a) Interest and fees on the use of loan funds, both short-term and long-term borrowings;

(b) Amortization of discounts or premiums relating to loans,

(c) Amortization of capitalized costs associated with the loan acquisition costs such as consultants, lawyers, *commitment fee* and so forth.

(d) The difference in exchange rates in foreign currency loans to the extent it is treated as an adjustment to interest expense.

80. Borrowing costs which are directly attributable to the acquisition or production of a particular asset (qualifying asset) must be capitalized as part of the cost of the particular asset.

81. If interest rates are directly attributable to a particular asset, the borrowing costs must be capitalized against that particular asset. If the cost of borrowing are not directly attributable to a particular asset, the capitalization of borrowing costs is determined based on the explanation in paragraph 82

82. In certain circumstances, it is difficult to identify a direct link between a particular loan with the acquisition of a specific asset and to determine that a particular loan need not exist if the acquisition of certain assets did not occur. For example, in the case of centralized funding of more than one government activity / project. Difficulties can also occur when an entity uses several types of financing with an interest rate that is different. In this case, it is difficult to determine the amount of borrowing costs that are directly attributable, thus requiring professional judgment to determine the attribution.

83. If funds from loans are not directly attributable to the acquisition of an asset then the borrowing costs that must be capitalized to a particular asset should be calculated based on the weighted average of the accumulated cost of all assets relating to the reporting period.

PRESENTATION AND DISCLOSURE

84. Government debt should be disclosed in detail in the form of a debt schedule list to provide better information to the users.

85. To increase the usefulness of analysis, the information that must be presented in the Notes to the Financial Statements is:

(a) The amount outstanding on short-term and long-term liabilities classified by lender;

(b) ***Total outstanding liabilities in the form of government debt securities by government debt type and maturity;***

(c) ***Interest on loans payable in the current period and the prevailing interest rate;***

(d) ***The consequences of undertaking the settlement of liabilities prior to maturity;***

(e) ***A debt restructuring agreement covering:***

   (3) ***The loan reduction;***

   (4) ***Modification of debt terms;***

   (5) ***The interest rate reduction;***

   (6) ***Postponement of the debt maturity;***

   (7) ***The reduction the loan maturity value; and***

   (8) ***The reduction in the amount of interest payable up to the reporting period.***

(f) ***The amount of loan arrears is presented as debt aging schedule by creditor.***

(g) ***Borrowing costs:***

   (1) ***Treatment of borrowing costs;***

   (2) ***The amount of borrowing costs capitalized during the period in question, and***

   (3) ***The capitalization rate used.***

DATE OF EFFECT

86. This Statement of Government Accounting Standards can be applied to financial reports of the budget up to budget year 2014.

ATTACMENT 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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GOVERNMENT ACCOUNTING STANDARD

STATEMENT NO. 10

CORRECTING ERRORS, CHANGES IN ACCOUNTING POLICIES, AND EXTRAORDINARY ITEMS

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

INTRODUCTION

Objective

1. The objective of this Standard is to prescribe the accounting treatment for the correction of accounting errors, changes in accounting policies and extraordinary events.

Scope

2. In preparing and presenting financial statements an entity must apply this Standard to report the effect of errors, changes in accounting policies and extraordinary events.

3. This Statement applies to reporting entities in preparing financial statements including the financial statements of all accounting entities, including Public Service Agencies, which are under central / local governments.

DEFINITIONS

4. The following are terms used in this Standard:

***Accounting policies** are the principles, fundamentals, conventions, rules, and specific practices employed by a reporting entity in the preparation and presentation of financial statements.*

***Errors** are the presentation of accounts / posts that are significantly inappropriate which affect the financial statements of the current period or prior periods.*

***Corrections** are the accounting for corrective actions in order to ensure the account / post presented in the entity's financial statements is in accordance with how it should be.*

<u>Extraordinary events</u> are events or transactions that are clearly distinct from the ordinary activities of the entity and are therefore unexpected, are beyond the control or influence of the entity, and that have a significant impact on budget realization or the asset / liability position.

CORRECTING ERRORS

5. Errors in the preparation of the financial statements of one or more prior periods may be discovered in the current period. Errors may arise due to the late submission of evidence of transactions by budget users, arithmetic errors, misapplication of accounting standards and policies, misinterpretation of facts, fraud or negligence.

6. In certain situations, an error has a significant influence on one or more prior period financial statements so that the financial statements are no longer reliable.

7. Errors are reviewed from the nature of events and grouped into two (2) types:

(a) Non-recurring errors;

(b) Recurring and systematic errors;

8. Non-recurring errors are errors that do not occur again, grouped into 2 (two) types:

(a) Non-recurring errors that occur in the current period;

(b) Non-recurring errors that occur in the previous period;

9. Recurring and systemic errors are errors caused by the nature of certain types of transactions which are expected to occur repeatedly. An example is tax revenue from taxpayers which requires correction due to taxpayers who require refunds or need to make additional tax payments.

10. Each error must be corrected immediately upon discovery.

11. Correction of recurring errors in the current period, whether affecting the cash position or not, is made with a correction to the account in question in the current period.

12. Corrections to non-recurring errors that occur in prior periods and affect the cash position, if the financial statements have not been published, are performed with a correction to the to the revenue account or expenditure account from the period in question.

13. Error correction for expenditure (expenditure resulting in readmission) that is non-recurring, occured in previous periods and affected the cash position, as well as materially affecting the position of assets other than cash, and if the financial statements are issued, is performed with a correction to the other revenue account, the asset account, and the related equity funds account.

14. Error correction for expenditure (expenditure resulting in readmission) that is non-recurring, that occured in previous periods and affected the cash position but did not materially affect the position of assets other than cash, if the financial statements are issued, is performed with a correction to the other revenue account.

15. Error correction for non-recurring revenues that occurred in prior periods and affect the cash position, if the financial statements are issued, is conducted with a correction to current equity funds.

16. The financial statements are considered issued when it is determined by law or local regulations.

17. Error correction referred to in paragraphs 13, 14, and 15 does not by itself affect the budget ceiling or expenditure of the entity in the period to correct the error. Corerections to revenue and expenditure accounts in the previous period are presented separately in the Budget Realization Report. The result of the error correction is further disclosed in the Notes to the Financial Statements.

18. The correction of expenditure errors as described in paragraphs 13 and 14 can be divided into two: corrections that add to the cash balance and corrections which reduce the cash balance. An example of an expenditure error correction that increases the cash balance is where there is a return of employee expenditure from the previous year due to a miscalculation of salary, which is corrected by increasing the cash balance and adding to the other revenue account. A correction that reduces the cash balance is where an employee expenditure transaction from the previous year that was not reported, is corrected by reducing other current equity funds and reducing the cash balance. For the correction of errors relating to expenditure that generates an asset, in addition to correcting the cash balance and other revenue, it is also necessary to correct the relevant asset account and the equity funds invested account. For example, in the case where expenditure on a fixed asset has been marked-up and after inspection, the excess expenditure is returned, the correction is performed by increasing cash and other revenues, and reducing the fixed asset post and the equity funds invested post.

19. Correction of revenue errors as described in paragraph 15 can be divided into two: corrections that add to the cash balance and corrections that reduce the cash balance. An example of a revenue error correction that adds to the cash balance is a transaction relating to the deposit of profit shares from a state enterprise that had not been reported. In such a case, the correction is performed by increasing the cash balance and current equity funds. An example of a revenue error correction that reduces the cash balance is where general allocation fund revenue is returned due to an excess transfer. In this case, the correction is performed by reducing the cash balance and current equity funds.

20. Corrections of non-recurring errors that occurred in prior periods and do not affect the cash position, both before and after the

financial statements were issued, is performed by correcting the related balance sheet items in the period of the discovery of the error.

21. An example of an error that does not affect the cash position, as described in paragraph 20, is where expenditure to purchase office furniture (fixed assets) is reported as official travel expenditure. In such a case, the correction is performed by debiting the fixed asset account and crediting the equity funds invested in fixed assets account.

22. Recurring and systemic errors, such as those referred to in paragraph 9, do not require a correction, but rather are recorded at the time of they occur.

23. The cumulative effect of error corrections relating to prior periods on the cash position is reported in a separate line in the Statement of Cash Flows of the current year.

CHANGES IN ACCOUNTING POLICIES

24. Users of financial reports need to compare the financial reports 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.

25. 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.

26. A change in accounting policy should be made only where the application of a different accounting policy is required by the applicable laws, regualtions 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.

27. Changes in accounting policy do not include the following:

(a) the adoption of an accounting policy on the occurance or event that is substantially different from the previous occurance 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.

28. 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.

29. Changes in accounting policies and its effect should be 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 absorpting 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.

DATE OF EFFECT

37. This Statement of Government Accounting Standards can 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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GOVERNMENT ACCOUNTING STANDARD

STATEMENT NO. 11

CONSOLIDATED FINANCIAL REPORTS

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

INTRODUCTION

Objective

1. The objective of this Standard is to prescribe the preparation of consolidated financial statements of government units in order to present general purpose financial statements in the interest of improving the quality and completeness of the financial statements in question. In this standard, general purpose financial statements are financial statements that are intended to fulfill the common needs of most report users, including legislatures, as stipulated in the provisions of laws and regulations.

Scope

2. General purpose financial reports of government units designated as reporting entities are presented in a consolidated manner under this Statement so as to reflect one unified entity.

3. The consolidated financial statements of the central government as the reporting entity include the financial statements of all reporting entities, including the financial statements of public service agencies.

4. This Standard does not regulate:

(a) The consoldiated financial reports of State/Local enterprises;

(b) Accounting for investments in associated companies;

(c) Accounting for investments in joint ventures; and

(d) The combined statistical reports of the central and local governments.

DEFINITION

5. The following are terms used in this Standard:

Public Service Agency (BLU)/Local Public Service Agency (BLUD) is an agency within the government that was formed to provide services to the community in the form of supplying goods and / or services being sold without a priority for profit and in performing activities based on the principles of efficiency and productivity.

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

Reporting entity is a government unit consisting of one or more accounting 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.

Consolidation is the process of merging between accounts held by a reporting entity by other reporting entities, an accounting entity with other accounting entities, with the elimination of reciprocal accounts in order to be present a single consolidated reporting entity.

Consolidated financial statement is a financial statement that is a combination of the entire reporting entity's financial statements, or accounting entity, presented as a single entity.

CONSOLIDATED FINANCIAL REPORT PRESENTATION

6. The consolidated financial statements comprise the Budget Realization Report, the Balance Sheet and the Notes to the Financial Statements.

7. The consolidated financial statements are presented for the same reporting period as the reporting entity's financial reporting period and contains comparative amounts for the prior period.

8. The Central Government submits the consolidated financial statements of all state ministries / agencies to the legislature.

9. In this standard the process of consolidation is followed by elimination of reciprocal accounts. However, if elimination is not possible, then it is disclosed in the Notes to the Financial Statements.

10. Examples of reciprocal accounts include, among others, the remaining stock of money that has not been accounted for by the expenditure treasurer until the end of the accounting period.

REPORTING ENTITIES

11. A reporting entity is defined in laws and regulations, and is generally characterized by:

(a) The entity is funded by the APBN or funded by the APBD or obtains separate wealth from the budget,

(b) The entity was formed by laws and regulations,

(c) The head of the entity is a government official or an appointed state official or elected by the people, and

(d) The entity is made accountable, either directly or indirectly, to the legislators as the party that approves the budget.

ACCOUNTING ENTITIES

12. An accounting entity conducts accounting and submits financial statements with respect to the budget / goods it manages which are directed to the reporting entity.

13. Each unit of government receiving a budget or administering goods is an accounting entity which is obligated to conduct accounting and prepare periodic financial statements according to the Government Accounting Standards. The financial statements are presented internally and tiered to a higher unit in the context of incorporation with the reporting entity's financial statements.

14. State / Local enterprises are essentially accounting entities, but the accounting and presentation of their reports do not use the government accounting standards.

15. With a determination according to applicable laws and regulations a particular accounting entity that is deemed to have a significant influence in achieving the government's program can be defined as a reporting entity.

PUBLIC SERVICE AGENCIES

16. A Public Service Agency (BLU) performs public services, collects and receives, as well as expend, public funds that are received in connection with the services provided, but do not form a separate legal entity from the wealth of the state. Included in BLU are, among others, hospitals, universities, and authorities.

CONSOLIDATION PROCEDURES

17. The consolidation referred to by this Standard is implemented by combining and aggregating accounts held by a reporting entity with other reporting entities, with or without the elimination of reciprocal accounts.

18. Reporting entities prepare financial statements by incorporating the financial statements of all accounting entities that are organizationally subordinate.

19. Consolidation can be performed with or without the elimination of reciprocal accounts.

20. In the case of consolidation without elimination of the reciprocal accounts, the reciprocal account names and the estimated amount in the reciprocal accounts are listed in the Notes to Financial Statements.

21. The financial statements of public service agencies (BLU) are combined with the technical state ministries / agencies of the central/local government which organizationally supervise the BLU with the following provisions:

(a) The Budget Realization Report of the BLU is combined in gross terms with the Budget Realization Report of the technical state ministry/ agency of the central/local government which organizationally supervises the BLU.

(b) The BLU's Balance Sheet is combined with the Balance Sheet of the technical state ministry/ agency of the central/local government which organizationally supervises the BLU.

DATE OF EFFECT

22. This Statement of Government Accounting Standards can 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,

SETIO SAPTO NUGROHO

ATTACHMENT III

PREPARATION PROCESS
GOVERNMENT
ACCOUNTING
STANDARDS ACCRUAL
BASIS

ATTACHMENT III
REPUBLIC OF INDONESIA GOVERNMENT
REGULATION NUMBER 71 YEAR 2010
DATE 22 OCTOBER 2010

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 proces 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 prpeares 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 Internatonal 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

KSAP