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GOVERNMENT ACCOUNTING STANDARDS

STATEMENT NO. 06

ACCOUNTING FOR INVESTMENTS
(REVISION 2016)



OMITE STANDAR AKUNTANSI PEMERINTAHAN



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**ACCOUNTING FOR INVESTMENTS
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**GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS**

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1 **GOVERNMENT ACCOUNTING STANDARD**

2 **ACCRUAL BASIS**

3 **STATEMENT NO. 06**

4 **ACCOUNTING FOR INVESTMENTS (REVISION 2016)**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

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

14 **SCOPE**

15 **2. This Standard arranged government investment**
16 **recognition, measurement, presentation and disclosures in**
17 **financial statement for general purposes.**

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

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

27 5. This Standard does not regulate:

- 28 (a) The placement of money included in the scope of cash
29 equivalents;
30 (b) Investments in associated companies;
31 (c) Operating partnerships; dan
32 (d) Investments in property.

33 Accounting for joint arrangements, incorporated fixed assets and
34 investment in property arranged in separate Standard.

35 **DEFINITIONS**

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

37 ***Investment cost* are all costs incurred by the investor entity in the**
38 ***form of cash or cash equivalents or fair value of an asset which is***
39 ***delivered by a particular consideration in the acquisition of an***
40 ***investment asset at the date of acquisition.***

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

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

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

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

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

11 ***Social benefits*** is a benefit that can not be measured directly in
12 units of money, may be in the form of goods, services and other
13 benefits, that affected government services improvement, i.e.
14 services in health, education, housing and transportation, to the
15 public or a particular community group in order to achieve
16 government's social policy.

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

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

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

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

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

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

33 **FORMS OF INVESTMENTS**

34 7. Government undertakes investments with the intention,
35 among others, to take control of a business entities in order to execute
36 fiscal/public policy, to obtain economic benefits such as interest,
37 dividends and royalty, and/or long-term social benefits or to utilize
38 unused funds for short-term investments in the context of cash
39 management.

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

44 **INVESTMENT CLASSIFICATION**

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

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

- 3 (a) Can be immediately sold / liquidated;
- 4 (b) The investment is intended in the context of cash management,
5 which means that the government can sell such investments
6 when cash needs arises and purchase those investments when
7 cash excess, to increase asset productivity; and
- 8 (c) Low risk.

9 11. The types of investments that not included in the short-
10 term investments group include:

- 11 (a) Investment purchased by the government in order to control a
12 business entity, for example the purchase of securities to increase
13 the equity ownership stake in a business entity;
- 14 (b) Securities purchased by the government for the purpose of
15 maintaining good institutional relations with other parties, such
16 as the purchase of securities issued by an agency both
17 domestically and abroad to demonstrate the participation of the
18 government; or
- 19 (c) Securities that are not intended to be liquidated in meeting short-
20 term cash needs.

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

- 23 (a) Deposits with terms of three to twelve months and / or which can
24 be automatically extended (revolving deposits);
- 25 (b) Purchases of short-term Government Securities both by central
26 and local governments and purchases of Bank Indonesia
27 Certificates .
- 28 (c) Acquired securities which purposed to sold in 12 months or less
29 after period date.
- 30 (d) Mutual funds.

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

37 14. The definition of continuous refers to investments
38 intended to be held continuously and without any intention to trade or
39 redeem. Whereas the definition of non-continuous refers to the
40 ownership of investments with a maturity of more than 12 (twelve)
41 months, but are not intended to be owned continuously or there is an
42 intention to trade or redeem.

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

- 47 (a) Government Equity Participation in state / local enterprises,
48 international agencies and other entities that are not owned by
49 the state;
- 50 (b) Other permanent investments owned by the government to
51 generate revenue or improve public services.

1 16. Non-permanent investments conducted by the
2 government, consist of:

- 3 (a) The purchase of bonds or long-term debt securities intended to be
4 held until the maturity date by the government;
- 5 (b) Equity investments in development projects that can be
6 transferred to a third party;
- 7 (c) Funds set aside by the government in the context of community
8 services as revolving working capital assistance to community
9 groups;
- 10 (d) Other non-permanent investments.

11 17. Government equity participation can include securities
12 (shares) in a limited liability company and non-marketable securities.
13 Non-marketable securities government equity participation is equity
14 ownership not in the form of shares in an unlimited liability company
15 or particular organization/institution.

16 18. Other permanent investments are investments that
17 cannot be classified as government equity participation in state/local
18 enterprises, international agencies, and other enterprises which is not
19 belongs to the state for example investments in properties that are not
20 covered by this statement.

21 **RECOGNITION OF INVESTMENT**

22 ***19. Cash disbursements to acquire investment and / or***
23 ***assets conversion, and grant receipts in the form of investments***
24 ***can recognized as investments if they meet the following criteria:***

- 25 ***(a) There is the possibility of economic benefits and social***
26 ***benefits or service potential in the future that can be***
27 ***obtained from investments by the government;***
- 28 ***(b) The acquisition value or fair value of the investments can be***
29 ***measured appropriately (reliable).***

30 20. In determining whether an expenditure of cash to acquire
31 assets and/or assets conversion, grant receipts in the form of
32 investments meet the criteria for recognizing investments for the first
33 time, the entity needs to assess the degree of certainty of the flow of
34 economic benefits, social benefits or service potential in the future
35 based on evidence available at the time the investment is first
36 recognized. The existence of sufficient certainty that the future
37 economic benefits or service potential will be obtained requires an
38 assurance that the entity will benefit from these assets and will bear
39 the risks that may arise.

40 21. The criteria for the recognition of investments as stated in
41 paragraph 29 item b, can usually be met because the exchange or
42 purchase transaction is supported by evidence that states / identifies
43 the acquisition cost. In certain circumstances, an investment may be
44 obtained not based on the acquisition cost, or the fair value at the date
45 of acquisition. In such cases, the use of appropriate value estimates
46 may be used.

47 **MEASUREMENT OF INVESTMENTS**

48 ***22. For some types of investments, there is an active***
49 ***market that can shape the market value. In terms of such***
50 ***investments, the market value is used as the basis for the***

1 **application of fair value. As for the investments that do not have**
2 **an active market, the nominal value, the carrying amount or**
3 **other fair value may be used.**

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

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

15 **25. Non-share short-term investments, for example,**
16 **short-term deposits, are recorded at the nominal value of these**
17 **deposits.**

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

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

25 **28. Non-permanent investments aimed at restructuring /**
26 **rescuing the economy, are valued at the net realizable value.**

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

30 **30. Non-permanent investments in the form of**
31 **investments in government development projects are valued at the**
32 **cost of construction, including costs incurred for planning and**
33 **other costs incurred in the context of the completion of the project**
34 **until the project is transferred to a third party.**

35 **31. Non-permanent investments recorded at the net**
36 **realizable value, if and only if the investment in the context of**
37 **national policy that will be disposed/sold or investment in the**
38 **form of bill.**

39 **32. In terms of the investments are in the context of national**
40 **policy that will be disposed/sold, investment value recorded at**
41 **disposal/sale value reduced disposal value. In terms of investment in the**
42 **form of bills, investment value recorded at investment reduced allowance**
43 **for doubtful.**

44 **33. If long-term investments are acquired through the**
45 **exchange of government assets, the investment recognized at fair**
46 **value reduced disposal value. If asset fair value does not exist,**
47 **investment value recognized at the asset fair value or asset book**
48 **value if the fair value is unknown.**

49 **34. Investment can be obtained through exchange with non-**
50 **monetary asset or monetary and non-monetary asset combination.**

51 **35. The acquisition price of a foreign currency**
52 **investment paid with the same foreign currency must be stated in**

1 **rupiah using the exchange rate (middle rate of the central bank)**
2 **applied at the transaction date.**

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

6 *37. Discount or premium is an addition or a reduction of the*
7 *investment carrying value. Discount or premium amortization will reduce*
8 *discount or premium. Discount or premium amortization recognized as*
9 *reduction or addition to interest revenue in the statement of operations.*
10 *Interest revenue-LRA is not affected by discount or premium*
11 *amortization.*

12 *38. If government investment recorded at face value or cost*
13 *value suffered an impairment, the reduction shall be disclosed in the*
14 *financial statement. Impairment occur if recorded value is over the fair*
15 *value of the investment.*

16 **INVESTMENT VALUATION METHODS**

17 **39. Government investment valuation is performed using**
18 **two methods, they are:**

19 **(a) Cost method;**

20 **The investment is carried at the acquisition cost. Earnings**
21 **on investments are recognized at the proceeds received and**
22 **do not affect the size of the investment in the related**
23 **business / legal entity.**

24 **(b) Equity method;**

25 **The initial investment is recorded at the acquisition cost**
26 **and increased or decreased by the government's share of**
27 **profits or losses after the date of acquisition. Government's**
28 **share of profit is recorded as investment returns revenue in**
29 **the Statement of Operations and increased government**
30 **investment value.**

31 **Cash dividend when announced in the General/Board**
32 **Meeting recognized as dividend receivable and reduce**
33 **government investment. Cash dividend obtained by the**
34 **government will reduce dividend receivable. Reception of**
35 **cash dividend recorded as investment returns revenue in**
36 **Statement of Budget Realization.**

37 **Adjustment to investment value also required due to change**
38 **in investee's business equity, for example the incurrence of**
39 **changes which caused by the influence of foreign exchange**
40 **and fixed asset revaluation. The adjustment effect**
41 **recognized as addition or reduction to government's equity.**

42 **40. The use of the method in paragraph 39 is based on**
43 **the following criteria:**

44 **(a) Ownership less than 20% using the cost method;**

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

47 **(c) Ownership more than 50% using the equity method;**

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

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

- 6 (a) The ability to influence the composition of the board of
7 commissioners;
8 (b) The ability to appoint or replace directors;
9 (c) The ability to control the majority of votes in a meeting / board
10 meeting.

11 **REGONTION OF INVESTMENT PROCEEDS**

12 ***42. Investment returns earned from short-term***
13 ***investments, which include interest on deposits and bonds, are***
14 ***recognized as investment returns receivable in the balance sheet***
15 ***and investment returns revenue in the statement of operations.***
16 ***Reception of investment returns recognized as reduction of***
17 ***investment returns receivable when the cash received. Investment***
18 ***returns received by cash recognized as investment returns***
19 ***revenue in the statement of budget realization.***

20 ***43. Investment returns received from short-term***
21 ***investment or long-term non-permanet investment in the form of***
22 ***cash dividend recognized as dividend receivable in the balance***
23 ***sheet and investment returns revenue in the statement of***
24 ***operations when the dividend announced in the General/Board***
25 ***Meeting. At the time of cash reception the ash dividend revenue***
26 ***recognized as reduction of dividend receivable. The reception of***
27 ***cash dividend recognized as investment returns revenue in the***
28 ***statement of budget realization.***

29 ***44. Investment returns in the form of cash dividends***
30 ***earned from government equity participation which recorded***
31 ***using the cost method when announced in the General/Board***
32 ***Meeting recorded as dividend receivable and investment returns***
33 ***revenue in statements of operations.at the time of cash reception***
34 ***the investment returns in the form of cash dividend recognized as***
35 ***redution to dividend receivable. The reception of cash dividend***
36 ***recognized as investment returns revenue in the statement of***
37 ***budget realization.***

38 ***45. Investment returns in the form of share of profit***
39 ***earned from government equity participation which recorded***
40 ***using the cost method, recorded as investment returns revenue in***
41 ***the statement of operations and as addition to government's***
42 ***investment value in the balance sheet. Cash dividend recognized***
43 ***as dividend receivable and reduction to government's investment***
44 ***when announced in the General/Board Meeting. Cash dividend***
45 ***obtained by the overnment will reduce dividend receivable. The***
46 ***cash dividend reception recorded as investment returns revenue***
47 ***in the statement of budget realization. Received dividend in the***
48 ***form of stock do not increase government's investment value, thus***
49 ***it is not recognized as revenue. Received dividend in the form of***
50 ***stock recognized in the notes to financial statement.***

51 ***46. In equity method, recognition of loss in government's***
52 ***investment value which is presented in the balance sheet***

1 *recognized until the investment becomes zero. The difference of*
2 *unrecognized loss in government investment disclosed in the notes*
3 *to financial statement.*

4 *47. In the equity method, the investment may be reduced*
5 *so that it becomes zero or negative due to losses suffered. If as a*
6 *result of losses suffered, the investment value becomes negative,*
7 *the investment will be presented in the balance sheet at zero*
8 *point, but the negative values will be disclosed in the notes to*
9 *financial statements.*

10 *48. Recognition of share of profit can be done again*
11 *when the share of profit has been closed unrecognized*
12 *accumulated losses value when the negative investment value*
13 *presented at zero point.*

14 *49. In the condition of negative investment value*
15 *presented at zero point, the share of profit is used in advance to*
16 *cover the accumulated losses. Additional investment from*
17 *recognition of share of profit is allowed after accumulated losses*
18 *covered. Those condition disclosed in the notes to the financial*
19 *statements.*

20 *50. If as a result of losses, the investment value became*
21 *negative and the government has a legal responsibility to bear*
22 *losses on the business enterprises which receive investment*
23 *(investee), then the part of accumulated losses are recognized as a*
24 *liability.*

25 *51. Recognition of share profit when part of*
26 *accumulated losses are recognized as liabilities will reduce the*
27 *value of the obligation. This condition is disclosed in the notes to*
28 *the financial statement.*

29 **DISPOSAL AND TRANSFER OF INVESTMENTS**

31 *52. The disposal of government investment can be in the*
32 *form of sale of investment assets, exchanged with other assets,*
33 *compensation of government obligation, grants and donations,*
34 *debt exemptions for issuers of obligation, and so forth.*

35 *53. The difference between the investment disposal*
36 *proceeds with the carrying amount must be recognized as gains /*
37 *losses on disposal of investments. Gains / losses on disposal of*
38 *investments are presented in the statement of operations.*

39 **DISCLOSURE**

40 *54. Other things that should be disclosed in the*
41 *financial statements related to government investments, include,*
42 *among others:*

- 43 *(a) The accounting policies for the determination of investment*
44 *values;*
- 45 *(b) The types of investments, permanent and non-permanent;*
- 46 *(c) Changes in the market price of investments both for short*
47 *term and long term investments;*
- 48 *(d) A significant decline in the value of investments and the*
49 *cause of the decline;*

- 1 *(e) Investments carried at fair value and the reason for its*
2 *application;*
- 3 *(f) Reconciliation of beginning and ending investment value on*
4 *investment with equity methods;*
- 5 *(g) Investments which presented at zero values and oart of*
6 *accumulated losses which over the investment values;*
- 7 *(h) Incurred liabilities from part of accumulated losses which*
8 *exceeding investment values in the case of government has a*
9 *legal responsibility;*
- 10 *(i) Changes in investment posts;*
- 11 *(j) Changes in interest portion or significant influence which*
12 *causing changes in accounting methods.*

13 **DATE OF EFFECT**

14 ***55. This Statement of Governmental Accounting***
15 ***Standards is effective for financial statements on accountability***
16 ***of budgeting from Budget Year 2017.***

