



TECHNICAL BULLETIN OF GOVERNMENT ACCOUNTING STANDARDS

TECHNICAL BULLETIN 01 PREPARATION OF CENTRAL GOVERNMENT OPENING BALANCE SHEET

**THE GOVERNMENT ACCOUNTING STANDARDS
COMMITTEE (KSAP)**

*Technical Bulletin on Preparation of Central Government
Opening Balance Sheet*

**The Government Accounting Standards Committee
(KSAP)**

In accordance with article 3 of Government Regulation No. 24 of 2005 on the Government Accounting Standards, which provides:

1. That the Statement of Government Accounting Standards (PSAP) shall be complemented by Technical Bulletins that form an integral and inseparable part of the Government Accounting Standards;
2. That the said Technical Bulletins shall be prepared and issued by the KSAP.

the KSAP hereby issues Technical Bulletin No. 01 of 2005 on the preparation of the Central Government Opening Balance Sheet to serve as a guide for Central Government agencies in preparing the Opening Balance Sheet in accordance with the Government Accounting Standards.

Jakarta, 3 October 2005

The Government Accounting Standards Committee

Binsar H. Smanjuntak	Chair
Ilya Avianti	Deputy Chair
Sonny Loho	Secretary
Sugijanto	Member
Hekinus Manao	Member
Jan Hoesada	Member
A.B. Triharta	Member
Soepomo Prodjo Harjono	Member
Gatot Supiartono	Member

Table of Contents

Table of Contents

CHAPTER I: INTRODUCTION

CHAPTER II: THE BALANCE SHEET

- A. Accounting Equation
- B. Balance Sheet Structure

CHAPTER III: PREPARATION OF OPENING BALANCE SHEET

CHAPTER IV: CURRENT ASSETS

- A. Cash and Cash Equivalents
- B. Short-term investments
- C. Accounts Receivable
- D. Inventory

CHAPTER V: INVESTMENTS

- A. Short-term investments
- B. Long-term investments
- C. Permanent investments

CHAPTER VI: FIXED ASSETS

- A. Land
- B. Equipment and Machinery
- C. Buildings and Properties
- D. Road, Irrigation, and Transmission Networks
- E. Other fixed assets
- F. Construction in Progress

CHAPTER VII: RESERVE FUNDS

CHAPTER VIII: OTHER ASSETS

- A. Intangible assets
- B. Receivables from Installment Sales
- C. Treasury/Indemnity Claims
- D. Partnerships with Third Parties
- E. Miscellaneous Assets

CHAPTER IX: LIABILITIES

- A. Short-Term Liabilities
- B. Long-Term Liabilities

CHAPTER X: FUND EQUITY

- A. Current Fund Equity
- B. Investment Fund Equity
- C. Reserved Fund Equity

Illustrative Balance Sheet Format

CHAPTER I INTRODUCTION

In accordance with Government Regulation No. 24 of 2005 on the Government Accounting Standards (SAP), both the Central Government and Local Governments are required to present their financial reports based on the said Government Accounting Standards. The said financial reports consist of the Budget Execution Report, Balance Sheet, Cash Flow Statement, and Notes to the Financial Statements.

For the purpose of facilitating the implementation of the Government Accounting Standards, the Government Accounting Standards Committee (KSAP) considers it necessary to provide guidelines so as to help overcome the various difficulties that are likely to be encountered. One of these is the fact that an Opening Balance Sheet has yet to be prepared.

The Opening Balance Sheet represents the starting point and the basis for commencing the recording of accounting transactions during the subsequent period. With the availability of an Opening Balance Sheet, the preparation of the financial reports for the subsequent period will be rendered easier. The objective of this Technical Bulletin is to assist reporting entities in

preparing an Opening Balance Sheet that complies with the requirements of the Government Accounting Standards.

This Technical Bulletin provides guidelines for accounting entities and reporting entities in resolving the accounting difficulties that may arise during the preparation of the Opening Balance Sheet. It has been written having regard to, and in compliance with, the scope of the Conceptual Framework and the Statement of Government Accounting Standards, and has been designed systematically based on the Balance Sheet accounts, namely, Current Assets, Long-Term Investments, Fixed Assets, Other Assets, Liabilities and Fund Equity. An explanation is given for each account, consisting of a definition, classification, brief description (including recognition, measurement, presentation and disclosure), and a discussion of specific issues related to each component and how these may be resolved. A description is provided as to how the opening balance for each account is to be determined. A sample journal entry is also provided so that the opening Ledger balance for each account can be identified. In the final part of this Bulletin, the reader will find a sample Opening Balance Sheet.

CHAPTER II: THE BALANCE SHEET

The Balance Sheet is that component of the financial statements that describes the financial position of the reporting entity at a particular point of time. By "financial position" is meant the entity's position with regard to Assets, Liabilities and Fund Equity.

An asset may be defined as a resource that is capable of providing economic and/or social benefit, which is owned and/or controlled by government, and which is capable of being measured in monetary terms. Non-financial resources that are required to provide services to the public and resources that are maintained for historical or cultural reasons also come within the definition of asset. Examples of assets include Cash, Accounts Receivable, Inventory, and Buildings and Properties.

A Liability is defined as a debt that arises from an event in the past that resulted in the outlay of government economic resources. Liabilities include debts arising from loans, expenses payable, and other forms of debts that must be repaid. Examples of Liabilities include debts to other government entities, debts to financial institutions, and Third Party Liabilities Withheld.

A Fund Equity is defined as net government assets, representing the difference between government assets and liabilities. Examples of Fund Equity include the Surplus after Budget Financing and Investment Fund Equity.

A. Accounting Equation

The Balance Sheet reflects the generally accepted accounting equation, namely:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Government equity is referred to as Fund Equity. Government Fund Equity differs from equity in the commercial sector, which reflects the origin of the resources owned by the company, whereas government Fund Equity represents the difference between assets and liabilities. As a result, the accounting equation becomes:

$$\text{Assets} - \text{Liabilities} = \text{Fund Equity}$$

The accounts in the Balance Sheet are developed on a double-entry basis, with each account having a contra account. Thus, the Asset and Liability accounts correspond to the accounts in Fund Equity. For example, Cash corresponds to Surplus after Budget Financing, Inventory to Inventory Provision, Accounts Receivable to Receivables

Provision, and Long-Term Investments to Long-Term Investment Disposals, Fixed Assets to Fixed Asset Disposals, and Short-Term Liabilities to Short-Term Provisions.

B. Balance Sheet Structure

The Balance Sheet presents the Asset, Liability and Fund Equity positions. Assets are differentiated into Current Assets and Non-Current Assets. Current Assets consist of cash and other assets that can be converted into cash or which are capable of being fully exhausted in the 12 months ahead, while Non-Current Assets consist of Long-Term Investments, Fixed Assets and Other Assets.

Liabilities are differentiated into Short-Term Liabilities and Long-Term Liabilities. Short-Term Liabilities consist of liabilities that will become due for payment or mature within 12 months or less from the reporting date, while Long-Term Liabilities are those that will become due for payment or mature not less than 12 months after the reporting date.

Meanwhile, Fund Equity is differentiated into Current Fund Equity and Investment Fund Equity.

Central Government Balance Sheet

Per 31 December 200X

Assets		Liabilities	
Current Assets	XXX	Short-Term Liabilities	XXX
		Long-Term Liabilities	XXX
		Total Liabilities	XXX
Long-Term Investments	XXX	Fund Equity	
		Current Fund Equity	XXX
Fixed Assets	XXX	Long-Term Investment	
		Disposals	XXX
Other Assets	XXX	Fixed Asset Disposals	XXX
		Other Asset Disposals	XXX
		Long-Term Provisions	XXX
		Total Fund Equity	XXX
Total Assets	XXX	Total Liabilities and	
		Fund Equity	XXX

Source: PSAP 01 on Presentation of Financial Reports

CHAPTER III: PREPARATION OF OPENING BALANCE SHEET

An Opening Balance Sheet is a Balance Sheet that is prepared for the first time by Government, and presents the

value of Assets, Liabilities and Fund Equity as per the date on which it was prepared.

The recording system that has been used to date in Indonesia has not enabled the entity to produce a Balance Sheet so that it is now necessary to determine the amounts that will be presented in the Balance Sheet. This involves the identification of Balance Sheet accounts through conducting of physical inventories, and the use of records, reports and other documentary resources.

Accounting policies need to be framed for the preparation of the Opening Balance Sheet. These accounting policies will set out the rules to be employed in preparing an Opening Balance Sheet, such as definition, measurement and other important matters that need to be disclosed in the Balance Sheet. Should the Opening Balance Sheet fail to fulfill all of the requirements set out in the PSAP, then the necessary adjustments may be made at some time in the future.

CHAPTER IV: CURRENT ASSETS

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

An asset is classified as a Current Asset if:

- It is expected to be realized, consumed or held for sale within 12 (twelve) months after the reporting date; or
- It takes the form of cash or cash equivalents.

Current Assets, as defined above, include:

1. Cash and Cash Equivalents;
2. Short-Term Investments;
3. Accounts Receivable; and
4. Inventory

A. Cash and Cash Equivalents

Cash comprises cash-on-hand and demand deposits that can be called upon at any time to finance government operations. Every governmental entity will be required to present its cash balance at the time it is required to prepare its Opening Balance Sheet. Cash includes paper money and coins, as well as advanced cash to be accounted for and petty cash that has yet to be accounted for as per the date of the Opening Balance Sheet, including receipts for the purchase of goods and advance payments that have not been accounted for as disbursement spending as of the date of the Opening Balance Sheet. Bank deposits that may be classified as cash consist of those that may at any time be withdrawn on demand or used for the making of payments. The definition of cash also extends to cash equivalents consisting of highly liquid Short-Term Investments that are free from the risk of significant fluctuations and which can easily be converted into cash, such as those that mature within three months or less.

Cash that has been paid into an "operational bank", that is, a bank designated by Government as a receiving and disbursing bank, constitutes part of the Treasury cash balance. Cash is recorded at nominal value, meaning that it

is presented based on its rupiah value. Should cash be in the form of foreign currency, it will be converted into rupiah at the median central bank rate on the date of the Balance Sheet.

In preparing the Opening Balance Sheet, a difficulty that is often encountered concerns the tracking down of relevant data, given the widely dispersed sources of such data. As is known, currently the management of government cash is the responsibility of a variety of different units and agencies. In the long term, the State Finances Act and the State Treasury Act envisage the creation of a Treasury Single Account (TSA), to be managed by the State Treasurer.

From the perspective of accountability, in the Central Government's case cash may be differentiated between that for which the State Treasurer is responsible and accountable, and that for which other parties are responsible and accountable.

Government cash which is under the control and responsibility of the State Treasurer, or his designated officers, consists of:

1. Cash at the central bank;

2. Cash at State Treasury Service Offices/KPPN (revenue and payment accounts held with public or receiving banks [banks appointed by the Government to receive payments]); and
3. Cash equivalents under the control of the State Treasurer or his designated officers.

In determining the value of the opening cash balance at the Central Bank and KPPNs, the Central Government can avail of information on the government's checking account balances with the Central Bank and public/receiving banks, as stated by the banks concerned per the date of the Balance Sheet.

However, the Central Government's cash balance may not all be the entitlement of the government. Unpaid claims owned by third parties resulting from deductions made by the government, such as in connection with various social insurance and other schemes (Askes [health insurance], Taspen [pension fund], and Taperum [housing savings scheme]), which are categorized as Third Party Liabilities Withheld.

The journal entry for the opening Cash balance will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Cash at Bank Indonesia	XXX	
XXXX	Cash at KPPNs	XXX	
XXXX	Third Party Liabilities Withheld		XXX
XXXX	Surplus Budget Balance		XXX

Note: Surplus Budget Balance is included in the Current Fund Equity Account.

Cash at Bank Indonesia consists of, among other things, cash in Account 502, cash in Account 500, and cash arising from oil and gas revenues. The details of the cash in Bank Indonesia are disclosed in the Notes to the Financial Statements.

Central Government cash controlled by parties other than the State Treasurer consists of:

1. Cash at Disbursing Treasurers;
2. Cash a Receiving Treasurers; and
3. Other cash balances received by State Ministries/Institutions as a result of government operations.

Cash at Disbursing Treasurers represents advanced cash that is controlled, managed and under the responsibility of Disbursing Treasurers and which must be accounted for, or petty cash that has yet to be accounted for and repaid into the State Treasury as per the date of the Balance Sheet. Cash at Disbursing Treasurers covers all balances in a Disbursing Treasurer's accounts, paper money, coins and other forms of cash (including receipts for expenditure that has yet to be accounted for) which originate from advanced cash to be accounted for and petty cash that has yet to be accounted for or has yet to be repaid to the State Treasury as per the date of the Balance Sheet. Should there be receipts for payments that have not yet been accounted for, this must be disclosed in the Notes to the Financial Statements. Cash at Disbursing Treasurers is presented in rupiah terms. Should there be cash in the form of foreign currency, this will be converted into rupiah at the median central bank rate on the date of the Balance Sheet.

In order to obtain the cash balance at Disbursing Treasurers, the following steps need to be taken:

1. A physical inventory to determine the cash balance as per the date of the Balance Sheet in respect of all

paper money and coins controlled by all Disbursing Treasurers and which originates from advanced cash to be accounted for and petty cash, including receipts for payments that have yet to be accounted for.

2. An inventory-taking to determine the balances of all current accounts held by all Disbursing Treasurers as per the date of the Balance Sheet so as to identify the balance of all government funds in the banking system that originate from advanced cash to be accounted for/petty cash.

3. A reconciliation of the records kept by the Disbursing Treasurers with all of their current account balances so as to identify what the correct opening balance should be.

The journal entry for Opening Cash Balances at Disbursing Treasurers will appear as follows:

For State Ministries/Institutions:

Account Code	Description	Debit	Credit
XXXX	Cash at Disbursing Treasurers	XXX	
XXXX	Advance Payments from the State Treasury		XXX

Note: Advance Payments from the State Treasury is included in the Short-Term Liabilities Account.

For the Central Government:

Account Code	Description	Debit	Credit
XXXX	Cash at Disbursing Treasurers	XXX	
XXXX	Surplus Budget Balance		XXX

Note: Surplus Budget Balance is included in the Current Fund Equity Account.

Cash at Receiving Treasurers consists of cash, whether cash-in-bank or cash-on-hand, that is under the control and responsibility of a Receiving Treasurer and which originates from the operation of government (non-tax state revenues). This cash balance reflects cash collected from fees and levies that has been received by the Receiving Treasurer but has yet to be paid into the State Treasury. The Cash at Receiving Treasurers Account in the Balance Sheet must reflect the correct cash position as per the date of the Balance Sheet.

Cash at Receiving Treasurers is presented in rupiah terms. Should there be cash in the form of foreign currency, it

will be converted into rupiah at the median central bank rate on the date of the Balance Sheet.

The cash balance at Receiving Treasurers is obtained from Treasurer Cash Position Reports, which must be accompanied by valid proofs of payments received. Under the prevailing legislation, there should be no cash in the hands of Receiving Treasurers at the end of the year. However, if there is, this must be reported in the Balance Sheet.

The journals recording the opening cash balances at Receiving Treasurers will appear as follows:

For State Ministries/Institutions:

Account Code	Description	Debit	Credit
XXXX	Cash at Receiving Treasurers	XXX	
XXXX	Other Short-Term Liabilities		XXX

For the Central Government:

Account Code	Description	Debit	Credit
XXXX	Cash at Receiving Treasurers	XXX	
XXXX	Deferred Revenues		XXX

Note: Deferred Revenues is included in the Current Fund Equity Account.

Example

- What will the accounting treatment be in respect of cash balances at a number of State Ministries/Institutions that have their own accounts for accommodating revenues that are specific to the said State Ministries/Institutions and which have historically been managed by the State Ministries/Institutions themselves?

These accounts should be managed by the Minister of Finance. The cash balance that must be reported in the government's Opening Balance Sheet covers all cash that originates from the operation of government, namely, both tax and non-tax revenues.

While the legislation provides that every Treasurer is required to pay all receipts into the State Treasury, it also admits the possibility of certain revenues being retained in the accounts of Treasury Offices. In such circumstances, the balances in question must be reported as part of government cash in the cash account of the Receiving Treasurer concerned, such as, for example, in the case of reforestation funds.

B. Short-Term Investments

Government investments that can be easily converted into cash are referred to as Short-Term Investments. The Short-Term Investment Account covers, among other things, time deposits of between 3 (three) and 12 (twelve) months tenor, and readily tradable securities. Short-Term Investments are recognized at the time when ownership arises, that is, at the time when proof of the investment is received. Short-Term Investments are recorded based on their nominal/face value, that is, the value stated on the investment certificate or other evidence of the investment. The administration and recording of Short-Term Investments is the responsibility of the Ministry of Finance.

In order to identify the Short-Term Investment account's balance, information is required on time deposits of between 3 (three) and 12 (twelve) months, and readily tradable securities from those responsible for managing them.

The opening balance journal entry for Short-Term Investments will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Investments	XXX	
XXXX	Surplus Budget		XXX

	Balance		
--	---------	--	--

Note: Surplus Budget Balance is included in Current Fund Equity.

Short-Term Government Investments arise as a result of the optimization of government cash, which is obtained from Surplus after Budget Financing. The government does not record Short-Term Investments as expenditure, but only as the depositing of cash in the said Short-Term Investments. As a consequence, if a Short-Term Investment is converted into cash, the resulting cash is not treated as revenue, but only as the conversion of the investment into cash.

For a more detailed description of Short-Term Investments, see Chapter V on Investments.

C. Accounts Receivable

Accounts Receivable refers to the government's claims to payments from other entities, including taxpayers. Receivables are classified into Current Receivables from Credit Sales, Current Loans to Central/Local Government Business Enterprises, Current Loans to International Organizations, Current Treasury/Indemnity Claims, Taxes Receivable and Other Receivables.

C.1. Current Receivables from Installment Sales

The Central Government frequently sells fixed assets that it directly manages, such as selling vehicles by auction or the selling official residences. Normally, such sales are made to government employees on an installment basis. Sales of such assets, normally on a more than 12-month installment basis, are covered by installment sales. The Current Receivables from Installment Sales account represent a reclassification of long-term installment receivables into Short-Term Receivables. This reclassification is necessary as there will be long-term installments falling due in the year subsequent to the date of the Opening Balance Sheet, and it serves to reduce the amount of Receivables from Credit Sales. All installments that become due and owing over the course of one year or less are recognized as Current Receivables from Installment Sales, and are recorded at nominal value, that is, the value of the installments that are payable over the course of one year.

In order to obtain the Current Receivables from Installment Sales balance, the value of Receivables from Installment Sales that will be due over the course of the coming year needs to be determined when preparing the Balance Sheet.

This data may be obtained from the units responsible for managing the finances of State Ministries/Institutions.

The opening balance journal entry for Current Receivables from Installment Sales will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Current Receivables from Installment Sales	XXX	
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

C.2. Current Loans to Central/Local Government Business Enterprises and Local Governments

Receivables that originate from loans extended by government to third parties are grouped under investments in the Loans to Central/Local Government Business Enterprises and Local Governments account. Such debts are in general receivable over a period of more than one year.

Current Loans to Central/Local Government Business Enterprises and Local Governments represents a reclassification of Loans to Central/Local Government

Business Enterprises and Local Governments that are due to mature over the course of the coming fiscal year. This reclassification serves to reduce the amount of Loans to Central/Local Government Business Enterprises and Local Governments. Current Loans to Central/Local Government Business Enterprises and Local Governments are recorded based on their nominal value, that is, their rupiah value.

In determining the balance of Current Loans to Central/Local Government Business Enterprises and Local Governments, the amount of the loans that are due to mature in the coming year needs to be determined when preparing the Opening Balance Sheet. The administration of these loans is the responsibility of the Ministry of Finance.

The opening balance journal entry for Current Loans to Central/Local Government Business Enterprises and Local Governments will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Current Loans to Central/Local Government Business Enterprises and Local Governments		XXX
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

C.3. Current Treasury/Indemnity Claims

Treasurers, other civil servants or third parties who inflict financial losses on the state due to negligence or malfeasance are required to indemnify the state in respect of such losses. The obligation to make restitution in the case of Treasurers is referred to as a Treasury Claim, while in the case of other persons such obligation is referred to as an Indemnity Claim. Such Treasury/Indemnity Claims must normally be settled within not more than 24 (twenty-four) months and so are treated in the Balance Sheet as Other Assets.

Current Treasury/Indemnity Claims represents a reclassification as Current Assets of Long-Term Treasury/Indemnity Claims that are due to be settled within the coming year. This reclassification is undertaken for the sole purpose of preparing the Balance Sheet as the settlement of Treasury/Indemnity Claims will reduce the amount of the Treasury/Indemnity Claims account. Current Treasury/Indemnity Claims are presented based on their nominal value, that is, the rupiah value of the

compensation payments that will be received over the coming year.

The opening balance journal entry for Current Treasury/Indemnity Claims will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Current Treasury/Indemnity Claims	XXX	
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

C.4. Taxes Receivable

The move from cash-based accounting to the accrual basis requires the recognition of accrual accounts, including Liabilities and Receivables. Consequently, Tax Assessments (SKP) that have not been paid as of the date of the Balance Sheet must be reported as Taxes Receivable in the Balance Sheet. Taxes Receivable are recorded based on the nominal value of all outstanding Tax Assessments as per the date of the Balance Sheet.

Information on the Taxes Receivable balance is obtained from the Directorate General of Taxes.

The opening balance journal entry for Taxes Receivable will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Taxes Receivable	XXX	
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

C.5. Non-Tax Receivables

The move from cash-based accounting to the accrual basis requires the recognition of accrual accounts, including Liabilities and Receivables. Consequently, claims/demands for non-tax payments that have yet to be paid as of the date of the Balance Sheet must be reported as Non-Tax Receivables in the Balance Sheet. Non-Tax Receivables are recorded based on the nominal value of all outstanding claims as per the date of the Balance Sheet.

Information on the Non-Tax Receivables balance is obtained from the relevant government line units.

The opening balance journal entry for Non-Tax Receivables will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Non-Tax Receivables	XXX	
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

C.6. Other Receivables

The Other Receivables account is used to record transactions involving receivables that are not covered by Current Receivables from Credit Sales, Current Loans to Central/Local Government Business Enterprises and International Organizations, Current Treasury/Indemnity Claims, Taxes Receivable and Non-Tax Receivables.

Other Receivables are recorded based on the rupiah value of all outstanding claims.

Information on the Other Receivables balance is collected from all government line units.

The opening balance journal entry for Other Receivables will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Other Receivables	XXX	
XXXX	Receivables Provision		XXX

Note: Receivables Provision is included in Current Fund Equity.

D. Inventory

Inventory consists of Current Assets in the form of goods and supplies that are intended to be used in support of government operations, and goods that are stored for sales or to be delivered to the public in the course of rendering governmental activities. Inventory is recorded based on acquisition value if the goods or supplies in question have been acquired by way of purchase, standard costs if acquired through self-production, or fair value if obtained in other ways, such as donation or seizure.

The opening balance journal entry for Inventory will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Inventory	XXX	
XXXX	Inventory Provision		XXX

Note: Inventory Provision is included in Current Fund Equity.

Examples:

- On 31 December 2004, XYZ State Ministry/Institution conducted a physical inventory on its stationary supplies, and found that it had 100 reams of paper.

This consisted of:

- o 70 reams that were purchased on 1 June 2004 at a price of Rp 25,000 per ream.
- o 30 reams purchased on 1 December 2004 at a price of Rp 30,000 per ream.

The value of the said Inventory will be recorded in the Balance Sheet at Rp 3,000,000.00 [100 x Rp 30,000.00 (the most recent purchase price)].

In this case, the journal entry recording Inventory will be as follows:

Account Code	Description	Debit	Credit
XXXX	Inventory	3,000,000	
XXXX	Inventory Provision		3,000,000

- On 31 December 2004, the Government purchased 3,000 books to be distributed to the public, and 2,000 books to be given to libraries. In the case of the 3,000 books, these will be presented in the Balance Sheet as Inventory, while the other 2,000 books will be presented as Other Fixed Assets.

CHAPTER V: INVESTMENTS

Investments may be defined as assets that are intended to produce economic benefits, such as interest, dividends and royalties, or social benefits, so as to strengthen the capacity of Government in providing services to the public. Government investments are differentiated into two types, namely, Long-Term Investments, and Short-Term Investments. Short-Term Investments are classified as Current Assets, while Long-Term Investments are classified as Non-Current Assets.

A. Short-Term Investments

Short-Term Investments are investments that can be readily converted into cash and which have maturities of 12

(twelve) months or less. Government Short-Term Investments must display the following characteristics:

1. Are readily tradable/convertible into cash;
2. Are intended in the context of cash management; and
3. Are low risk in nature.

Investments that may be categorized as short term include the following:

1. Time deposits of between 3 (three) and 12 (twelve) months;
2. Short-term securities; and
3. Other Short-Term Investments.

A.1. Short-Term Time Deposits

A Short-Term Time Deposit is one that can only be redeemed at the date of maturity. In this context, by Time Deposit we mean one that has a maturity of between 3 (three) and 12 (twelve) months.

An investment in the form of a Short-Term Time Deposit is recorded at the nominal value of the deposit.

In the case of the Central Government, Short-Term Investments are managed by the Ministry of Finance, or other designated line units. The supporting documents that provide the basis for the recording of deposits include deposit certificates.

As part of the management of government cash, it is necessary to differentiate between Time Deposits with maturities of less than 3 months and those of more than 3 months but less than 12 months. In the case of deposits with maturities of less than 3 months, they are entered in the Cash and Cash Equivalents account, while those of more than 3 months but less than 12 months are entered in the Short-Term Investments account.

The opening balance journal entry for Short-Term Investments-Deposits will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Investments-Deposits	XXX	
XXXX	Surplus Budget Balance		XXX

Note: Surplus Budget Balance is included in Current Fund Equity.

A.2. Short-Term Securities

Government investments in Short-Term Securities consist of investments in bonds and other securities issued by Local Governments, the Central Government/International Institutions that have maturities of less than twelve months.

Such investments are recorded at nominal value.

In the case of the Central Government, cash management in respect of Short-Term Investments is the responsibility of the Ministry of Finance and designated line units. The supporting documents that provide the basis for the recording of such investments consist of bond/security certificates.

The opening balance journal entry for Short-Term Investments-Securities will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Investments-Securities	XXX	
XXXX	Surplus Budget Balance		XXX

Note: Surplus Budget Balance is included in Current Fund Equity.

Should there be a difference between the nominal value and the acquisition price, this difference (bonuses or discounts, or costs involved in the purchase of the securities) must be disclosed in the Notes to the Financial Statements.

A.3. Other Short-Term Investments

Other Short-Term Investments consist of government investments with maturities of 12 months or less other than deposits and securities. Such Other Short-Term Investments are recorded at nominal value.

In the case of the Central Government, the management of Other Short-Term Investments is the responsibility of the Ministry of Finance and designated line units. The supporting documents that provide the basis for the recording of such investments consist of Payment Orders (Indonesian acronym: SPM).

The opening balance journal entry for Other Short-Term Investments will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Other Short-Term Investments	XXX	
XXXX	Surplus Budget		XXX

	Balance		
--	---------	--	--

Note: Surplus Budget Balance is included in Current Fund Equity.

B. Long-Term Investments

Long-Term Investments are investments that will be held for more than 12 months. Such investments are classified based on whether they are non-permanent or permanent.

B.1. Non-Permanent Investments

Non-Permanent Investments are Long-Term Investments that are intended to be held on a non-permanent basis. Such investments are expected to end at a certain time, such as in the case of Loans to Central/Local Government Business Enterprises, Investments in Revolving Funds, and Capital Investments in Development Projects.

B.1.1. Loans to Central Government Business Enterprises

Loans to Central Government Business Enterprises from the government represent investments that will be redeemed on their maturity dates. The value of a loan to a Central Government Business Enterprise is recorded based on its net

realizable value. Should the government not designate a net realizable value, the loan is recorded at nominal value.

The responsibility for administering Loans to Central Government Business Enterprises is vested in the Ministry of Finance and designated line units. The supporting documents that provide the basis for the recording of such Long-Term Investments consist of the loan agreements, proofs of withdrawal of cash from the State Treasury, and other valid documents.

The opening balance journal entry for Loans to Central Government Business Enterprises will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Loans to Central Government Business Enterprises	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

B.1.2. Loans to Local Government Business Enterprises

A loan to a Local Government Business Enterprise is an investment that will be redeemed on the date of maturity of the loan. The value of a loan to a Local Government Business Enterprise is recorded based on its net realizable value. Should the government not designate a net realizable value, the loan is recorded at nominal value.

The responsibility for administering loans to Local Government Business Enterprises is vested in the Ministry of Finance and designated line units. The supporting documents that provide the basis for the recording of such Long-Term Investments consist of the loan agreements, proofs of withdrawal of cash from the State Treasury, and other valid documents.

The opening balance journal entry for Loans to Local Government Business Enterprises will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Loans to Local Government Business Enterprises	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

B.1.3. Loans to Local Governments

A loan to a Local Government from the Central Government represents an investment that will be redeemed at its maturity date. The value of a debt owed by a Local Government to the Central Government is recorded based on its net realizable value. Should the Central Government not designate a net realizable value, the loan is recorded at nominal value.

The responsibility for administering Loans to Local Governments is vested in the Ministry of Finance and designated line units. The supporting documents that provide the basis for the recording of such Long-Term Investments consist of the loan agreements, proofs of withdrawal of cash from the State Treasury, and other valid documents.

The opening balance journal entry for Loans to Local Governments will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Loans to Local Governments	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

B.2. Revolving Funds

A Revolving Fund consists of funds that are lent to a community group or Central/Local Government Business Enterprise for a specific purpose, with repayments to the fund being used anew for the same purpose.

The value of the government's investment in a Revolving Fund is recorded based on net realizable value, that is, the value of the cash held by the management unit, plus the value of the loans that are expected to be recovered.

Data on a Revolving Fund can be obtained from the line unit responsible for its management, such as the Ministry of Finance, Ministry of Cooperatives or an SME.

The opening balance journal entry for Revolving Funds will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Revolving Funds	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

B.3. Capital Investment in Development Projects

Capital Investment in Development Projects refers to the cumulative funding that has been invested in development projects in respect of which all or part of the ownership is expected to be transferred to third parties after the project has reached a certain stage. An example of such a project is the Community Plantation Scheme.

Capital investment in development projects is recorded based on acquisition value, plus additional costs associated with the securing of legal title to the investment. Acquisition values denominated in foreign currency must be converted into rupiah based on the Central Bank's median rate on the date of the transaction.

Data on such investments may be obtained from the line units responsible for managing them.

The opening balance journal entry for Capital Investment in Development Projects will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Capital Investment in Development Projects	XXX	
XXXX	Long-Term Investment		XXX

	Disposals		
--	-----------	--	--

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

C. Permanent Investments

Permanent Investments are Long-Term Investments that are intended to be maintained on a continuing basis and which have an investment life of more than 12 months. Permanent Investments consist of:

1. Equity participation by the government in Central/Local Government Business Enterprises, state financial institutions, BHMN, international institutions such as the IMF and ADB, and other legal entities.
2. Other Permanent Investments, namely, Permanent Investments that are not covered by paragraph 1 above.

C.1. Government Equity Participation

For the purpose of improving public services, the government may establish business enterprises to manage particular assets on a separate basis. When establishing such enterprises, the government pays in a certain amount of capital, and this is recorded in the deed of

incorporation of the enterprise. The Government Equity Participation account reflects the total amount of such capital that has been paid into Central/Local Government Business Enterprises, whether in Indonesia or overseas. An enterprise may be classified as a Central/Local Government Business Enterprise if government holds a majority or more than 51% of the shares in the enterprise. However, in a situation where the government holds only a small stake in the enterprise but retains the right to exercise control over the company, such capital participation is not included in this category. Government Equity Participation also includes government participation in international institutions, such as the IMF, ADB and World Bank, as well as equity participation in enterprises that are not owned by the government.

Government Equity Participation is recorded based on acquisition value if the government's ownership is less than 20 percent and the government does not have significant control. If the government's stake is less than 20 percent but the government does have significant control, or the government's stake is more than 20 percent, then Government Equity Participation is recorded proportionately to the value of its equity stake as

recorded in the financial statements of the company/institution concerned.

Data on Government Equity Participation may be obtained from the deeds of incorporation, and amendments thereto, of enterprises, and documents evidencing the equity investments made by the government. Such information may also be obtained from the line units responsible for managing such investments at the Ministry of Finance and Ministry of State Enterprises.

The opening balance journal entry for Government Equity Participation will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Government Equity Participation	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

Among the matters that must be disclosed in the Financial Reports in connection with government equity participation are the value and the nature of each investment, and the accounting policies that are applied in respect thereof.

Example:

- Based on the deed of incorporation of Enterprise A, the Central Government owns 60 percent of its share capital. The Financial Reports of the enterprise reveal that it has total equity of Rp 500,000,000 as per the date of the Balance Sheet. Consequently, the value of the government's equity participation, based on the equity method, will be $60\% \times \text{Rp } 500,000,000 = \text{Rp } 300,000,000$. This is recorded as follows:

Account Code	Description	Debit	Credit
XXXX	Government Equity Participation	300000000	
XXXX	Long-Term Investment Disposals		300000000

C.2. Other Permanent Investments

Other Permanent Investments consist of those investments that cannot be included in the Government Equity Participation category. These investments are recorded based on acquisition value, plus other relevant costs.

The opening balance journal entry for Other Permanent Investments will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Other Permanent Investments	XXX	
XXXX	Long-Term Investment Disposals		XXX

Note: Long-Term Investment Disposals is included in Investment Fund Equity.

CHAPTER VI: FIXED ASSETS

Fixed Assets are defined as tangible assets that have a useful life of more than 12 months and which are used for the purpose of government operations or for the benefit of the public.

Fixed Assets consist of:

1. Land;
2. Equipment and Machinery
3. Buildings and Properties
4. Road, Irrigation and Transmission Networks;
5. Other Fixed Assets; and
6. Construction in Progress

A. Land

Land that may be included in the Fixed Assets category consists of that which is owned or has been acquired by the government for the purpose of being used in government operations and which is in ready-to-use condition, such as land on which Buildings and Properties, roads, irrigation works or utilities are constructed.

For the purpose of preparing the Opening Balance Sheet of an entity, land will be valued based on its fair value as per the date of the Opening Balance Sheet. By "fair value" is meant the acquisition price of the land if purchased within one year or less of the date of the Opening Balance Sheet.

Should land be acquired more than one year prior to the date of the Opening Balance Sheet, then its fair value will be determined based on the average transaction price for similar land in similar areas involving independent parties around the date of the Balance Sheet. Should few land purchase transactions have taken place around the date of the Balance Sheet, then the price fetched during one land sale transaction involving independent parties may be taken as representative of the market price.

Should it prove impossible to ascertain the fair value of the land, the entity may use the most recent taxable value

of the land (Indonesian acronym: NJOP). Should there be good grounds for not employing taxable value, then the value of the land may be assessed by a competent appraisal firm or appraisal team.

In determining fair value, consideration also needs to be given to questions of benefit and cost.

The Notes to the Financial Statements need to disclose the basis employed in determining the value of land, other significant information related to the land, and the number of current land acquisition commitments, if any.

The opening balance journal entry for Land will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Land	XXX	
XXXX	Fixed Asset Disposals		XXX

Note: Fixed Asset Disposals is included in Investment Fund Equity.

B. Equipment and Machinery

Equipment and Machinery encompasses, among other things, heavy machinery, transportation equipment, workshop equipment, measuring equipment, agricultural equipment,

office and household equipment, studio equipment, communications equipment, broadcasting equipment, medical and healthcare equipment, laboratory equipment, weaponry, computers, exploration equipment, drilling equipment, production equipment, processing and refining equipment, occupational health and safety equipment, audiovisual equipment, and production process units that have useful lives of more than 12 months and which are in ready-to-use condition.

For the purpose of preparing the Opening Balance Sheet, Equipment and Machinery is recorded based on the acquisition price if the equipment is purchased within a year or less of the date of the Balance Sheet, or a comparison of market prices for similar equipment in similar condition. Should it prove impossible to ascertain the fair value of the Equipment and Machinery, then the services of a competent appraisal firm or team of appraisers may be employed. Should this approach turn out to be too expensive or time consuming, then the standard prices set by the relevant government agency may be employed.

The Notes to the Financial Statements need to disclose the basis employed in determining the value of Equipment and

Machinery, other significant information related to Equipment and Machinery, and the number of current acquisition commitments for Equipment and Machinery, if any.

The opening balance journal entry for Equipment and Machinery will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Equipment and Machinery	XXX	
XXXX	Fixed Asset Disposals		XXX

Note: Fixed Asset Disposals is included in Investment Fund Equity.

C. Buildings and Properties

Buildings and Properties covers all Buildings and Properties acquired or constructed for the purpose of being used in government operations and which are in ready-to-use condition. For the purposes of the Balance Sheet, Buildings and Properties also includes monuments, towers, road signs, etc.

For the purpose of preparing the Opening Balance Sheet, the reasonable value of Buildings and Properties is based on

the acquisition price if the building or structure was purchased or built one year or less counting from the date of the Opening Balance Sheet.

If the building or structure was acquired more than one year prior to the date of the Opening Balance Sheet, reasonable value shall be determined based on the most recent taxable valuation (Indonesian acronym: NJOP). Should there be good reasons for not using the taxable valuation, then the services of a competent appraisal firm or team of appraisers may be employed.

The Notes to the Financial Statements need to disclose the basis employed in determining the value of Buildings and Properties, other significant information related to Buildings and Properties, and the number of current acquisition commitments for Buildings and Properties, if any.

The opening balance journal entry for Buildings and Properties will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Buildings and Properties	XXX	
XXXX	Fixed Asset Disposals		XXX

Note: Fixed Asset Disposals is included in Investment Fund Equity.

Example:

- A construction contract that is to be paid in more than one installment, where the Fixed Asset in question has already been constructed and delivered prior to the end of the contract, subject to the requirement that the government continues to make payments based on the agreed schedule. While this is not strictly permitted under the regulations, should such an eventuality nevertheless occur the Fixed Asset that has already been delivered must be recorded as state property in the Government Balance Sheet to the extent of the overall value of the contract at the time of delivery, and the remaining unpaid installments must be recognized as Liabilities. For example, the government entered into a construction contract with PT Pembangunan in 2003. The contract price was Rp 1,000,000,000 and the work was expected to be completed on 31 March 2005. Payment was to be made in five installments. In fact, the construction work was completed on 31 December 2004 and the asset immediately handed over to the government, while the

remaining outstanding installment of Rp 200,000,000 was to be paid on 31 March 2005. In respect of this transaction, the Opening Balance Sheet as per 1 January must record a Fixed Asset worth Rp 1,000,000,000 and a Liability amounting to Rp 200,000,000.

In such a situation, the journal entry as per 1 January 2005 will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Buildings and Properties	1,000,000,000	
XXXX	Fixed Asset Disposals		1,000,000,000
XXXX	Short-Term Provisions	200,000,000	
XXXX	Accounts Payable		200,000,000

D. Road, Irrigation and Transmission Networks

The Road, Irrigation and Transmission Networks account covers Road, Irrigation and Transmission Networks that have been constructed and are controlled by government, and which are in ready-to-use condition. Road, Irrigation and Transmission Networks include roads and bridges, waterworks

and installations, and transaction networks. This account does not, however, include land acquired for the construction of Road, Irrigation and Transmission Networks, which is instead recorded in the Land account.

For the purpose of the Opening Balance Sheet, the fair value of Road, Irrigation and Transmission Networks is determined by a competent appraisal firm or team of appraisers using standard costs or technical calculation norms prepared by the relevant government agency within not less than one year prior to the date of the Balance Sheet.

The Notes to the Financial Statements need to disclose the basis employed in determining the value of Road, Irrigation and Transmission Networks, other significant information related to Road, Irrigation and Transmission Networks, and the number of current acquisition commitments for Road, Irrigation and Transmission Networks, if any.

The opening balance journal entry for Road, Irrigation and Transmission Networks will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Road, Irrigation and Transmission Networks	XXX	
XXXX	Fixed Asset		XXX

	Disposals		
--	-----------	--	--

Note: Fixed Asset Disposals is included in Investment Fund Equity.

E. Other Fixed Assets

The Other Fixed Assets account covers Fixed Assets that are incapable of being included in any of the other Fixed Asset categories, and which have been acquired or are being used for government operations and are in ready-to-use condition. Other Fixed Assets in the Balance Sheet include, for example, library collections, and items of cultural, sporting or artistic importance.

For the purpose of preparing the Opening Balance Sheet, Other Fixed Assets are recorded based upon their fair value as per the date of the Balance Sheet if the asset in question has been purchased.

The Notes to the Financial Statements need to disclose the basis employed in determining the value of Other Fixed Assets, other significant information related to Other Fixed Assets, and the number of current acquisition commitments for Other Fixed Assets, if any.

The opening balance journal entry for Other Fixed Assets will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Other Fixed Assets	XXX	
XXXX	Fixed Asset Disposals		XXX

Note: Fixed Asset Disposals is included in Investment Fund Equity.

F. Construction in Progress

The Construction in Progress account covers Fixed Assets that are in the process of being constructed and which had not been completed as per the date of the Opening Balance Sheet.

Construction in Progress is recorded based on cumulative expenditure as per the date of the Balance Sheet in respect of all types of Fixed Assets under construction. For the purposes of the Opening Balance Sheet, the source documents for determining the overall value of Construction in Progress are the Payment Orders that have been issued for each asset as per the date of the Balance Sheet.

Upon completion and delivery, Construction in Progress assets are reclassified as Fixed Assets based on the relevant Fixed Asset category.

The Notes to the Financial Statements need to disclose the valuation basis, accounting policies for capitalization and expenditures incurred in respect of each Fixed Asset account for every Ongoing Construction Project listed in the Opening Balance Sheet.

The opening balance journal entry for Construction in Progress will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Construction in Progress	XXX	
XXXX	Fixed Asset Disposals		XXX

Note: Fixed Asset Disposals is included in Investment Fund Equity.

CHAPTER VII: RESERVE FUNDS

Should the government require relatively large amounts of funding for a particular purpose, it may establish a Reserve Fund. A Reserve Fund consists of monies that have

been set aside for purposes that require relatively large amounts of funding that are incapable of being provided in one fiscal year. One such fund is established based on government policy by setting aside surplus revenues to be used as a Development Budget Reserve. A Reserve Fund contains "restricted cash" that can only be used should a financing deficit occur in subsequent fiscal years.

The establishment or utilization of a Reserve Fund must be governed by law so that the monies that have been set aside are not used for other purposes. Accordingly, the establishment and utilization of a Reserve Fund must be based on the consent of the legislature. Should there be more than one Reserve Fund, then each fund must be disclosed and described in accordance with its purpose.

The value of a Reserve Fund is recorded at nominal value. Should the Reserve Fund realize earnings, this is treated as an increase in the value of the Reserve Fund. For example, in a situation where the funds in the Reserve Fund are invested in time deposits, the interest on the deposits is recorded as an increase in the value of the Reserve Fund. Conversely, all costs that arise in connection with the management of the Reserve Fund are treated as

reductions in the value of the Reserve Fund (such as in the case of deposit administration fees).

The opening balance journal entry for a Reserve Fund will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Reserve Fund	XXX	
XXXX	Reserve Fund Disposals		XXX

Note: Reserve Fund Disposals is included in Reserved Fund Equity.

Example:

- The government has set aside Rp 1,730,000,000,000 for the Development Budget Reserve to accelerate the repayment of its debts.

The journal record for this Reserve Fund will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Reserve Fund	1,730,000,000,000	
XXXX	Reserve Fund Disposals		1,730,000,000,000

CHAPTER VII: OTHER ASSETS

Other Assets consist of government assets other than Current Assets, Long-Term Investments, Fixed Assets and Reserve Funds.

Other Assets include:

1. Intangible Assets
2. Receivables from Installment Sales
3. Treasury/Indemnity Claims
4. Partnerships with third parties
5. Miscellaneous Assets

A. Intangible Assets

Intangible Assets are identifiable non-financial assets that have no physical form and are owned for the purpose of

producing goods or services, or for other purposes. Such assets include intellectual property rights.

Intangible Assets comprise, among other things:

1. Computer software;
2. Licenses and franchises;
3. Copyrights, patents and other similar rights; and
4. The findings of research and studies that provide long-term benefit.

By licenses is meant permissions or rights granted by the holders of patents to third parties based on an agreement that allows the licensee to enjoy economic benefits from a particular patent for a certain period and subject to certain conditions.

By copyright is meant the exclusive right of the creator of an original work, or his assignee or licensee, to publish or reproduce/duplicate the said work subject to the provisions of the laws and regulations in effect.

The term "patent" refers to a grant made by the State that confers upon the creator of an invention the sole right to

make, use, and sell that invention for a set period of time.

The findings of research and studies that provide long-term benefit refers to research findings that provide economic and/or social benefits into the future and which can be identified as assets. Should research findings not be capable of being identified or not provide economic and/or social benefit, they will not be capable of being capitalized as Intangible Assets.

The value of Intangible Assets is measured based on the expenditure incurred in respect of the asset in question, as evidenced by the relevant Payment Orders (SPM) for non-physical capital expenditure.

The documentary sources employed in determining the value of Intangible Assets are the relevant Payment Orders (SPM) for non-physical capital expenditure (after the deduction of other costs that are incapable of being capitalized).

The opening balance journal entry for Intangible Assets will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Intangible Assets	XXX	
XXXX	Other Asset		XXX

	Disposals		
--	-----------	--	--

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- In 2003, the Ministry of Finance developed a computer application for the Central Government Accounting System for the purpose of producing computerized financial information. The cost of producing the application was Rp 500,000,000.

In this case, the opening balance journal entry for Intangible Assets will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Intangible Assets	500,000,000	
XXXX	Other Asset Disposals		500,000,000

B. Receivables from Installment Sales

The Receivables from Installment Sales account records the amounts that will be received in respect of sales of assets by installment to government employees. Examples of such sales include the sale of official residences and vehicles.

The value of such receivables is recorded at the nominal value of the sale contract/agreement after the deduction of installments that have already been paid.

In preparing the Opening Balance Sheet, the documentary sources to be used in determining the value of Receivables from Installment Sales are the relevant lists of installments payable, which reflect the values contained in the asset sale agreements after the deduction of installments that have already been paid. These documents can be obtained from the financial bureaus/sections responsible for managing asset sales.

The opening balance journal entry for Receivables from Installment Sales will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Receivables from Installment Sales	XXX	
XXXX	Other Asset Disposals		XXX

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- Based on the Minutes of Asset Sale No. BA-456/XYZ/2003, the Ministry of Public Works sold official residences worth Rp 500,000,000 to its staff members, to be paid by installment. As of the end of December 2004, the total installments paid by the purchasers amounted to Rp 50,000,000.

In this case, the opening balance journal entry for Receivables from Installment Sales will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Receivables from Installment Sales	450,000,000	
XXXX	Other Asset Disposals		450,000,000

C. Treasury/Indemnity Claims

A Treasury Claim represents a process taken against a Treasurer for the purpose of recovering losses suffered by the state as a direct or indirect result of an illegal act committed by the Treasurer in question, or misfeasance/negligence in the performance of his duties.

A Treasury Claim is valued based on the nominal amount set out in the Indemnity Demand after the deduction of sums already paid by the Treasurer into the State Treasury.

The source documents to be employed in determining the overall value of Treasury Claims consist of the relevant Indemnity Demands and receipts for payments already made. Documents concerning Treasury/Indemnity Claims may be obtained from the financial bureaus/sections responsible for managing such claims.

An Indemnity Claim represents a process taken against a civil servant other than a Treasurer for the purpose of obtaining indemnity in respect of losses suffered by the state as a direct or indirect result of an illegal act committed by the civil servant in question, or misfeasance/negligence in the performance of his duties.

An Indemnity Claim is valued based on the nominal amount set out in the Determination of Accountability after the deduction of sums already paid by the civil servant into the State Treasury.

The source documents to be employed in determining the overall value of Indemnity Claims consist of the relevant

Determinations of Accountability and proofs of payments already made.

The opening balance journal entry for Treasury Claims and Indemnity Claims will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Treasury Claims	XXX	
XXXX	Indemnity Claims	XXX	
XXXX	Other Asset Disposals		XXX

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- Based on Determination of Accountability No. SK-01/SKTM/XYZ/2003, the Ministry of Cooperatives and SMEs lodged a claim for indemnity against one of its employees for Rp 100,000,000 in respect of a misappropriated official vehicle. The employee in question agreed to pay the Indemnity Claim by monthly installment. As per the end of December 2004, a total of Rp 3,000,000 had already been paid by the employee.

In this case, the opening balance journal entry will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Indemnity Claim	97,000,000	
XXXX	Other Asset Disposals		97,000,000

D. Partnerships with Third Parties

Partnerships with Third Parties consist of agreements between two or more parties to undertake certain activities that are jointly controlled using assets and/or commercial rights that they own.

The source documents to be used in recording Partnerships with Third Parties involving the government consist of the contracts with the third parties in question.

The types of partnerships covered by this account are Built, Operate, Transfer, and Build, Transfer, Operate agreements.

D.1. Build, Operate, Transfer (BOT) Agreements

A Build, Operate, Transfer agreement is a collaborative venture involving the use of government assets by a third party/investor, with the third party/investor undertaking to construct an infrastructural facility, and to operate it

for a certain period of time, and to subsequently transfer it to the government after the expiry of the concession period. Under such an agreement, recording is conducted separately by each party.

At the end of the concession period, ownership of the asset is transferred by the third party/investor to the government, normally without any need for payment on the part of the government. Should payment be required of the government, such payment will be very small. The transfer and payment terms for BOT assets must be provided for in the relevant agreement/contract.

Build, Operate, Transfer schemes are recorded based on the value of the assets handed over by the government to the third party/investor for the purpose of facilitating the development of the BOT asset. The government assets covered by a BOT scheme are presented separately from Fixed Assets.

The opening balance journal entry for BOT assets will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Partnerships with Third Parties	XXX	
XXXX	Other Asset Disposals		XXX

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- For the purpose of improving public services, the government entered into a BOT agreement with PT Abadi Jaya for the building of a sports arena. The total value of the assets handed over by the government as part of the agreement amounted to Rp 100,000,000.

In this case, the journal entry will be as follows:

Account Code	Description	Debit	Credit
XXXX	Partnerships with Third Party	100,000,000	
XXXX	Other Asset Disposals		100,000,000

D.2. Build, Transfer, Operate Agreements

A Build, Transfer, Operate agreement is one where a government asset in the form of an infrastructural facility is used by a third party/investor after the third party/investor has constructed the said infrastructural facility and transferred it to the government. The government then allows the third party/investor to operate

it for a certain period of time. The transfer of the asset to the government is accompanied by an obligation on the part of the government to make payment to the third party/investor. A Build, Transfer, Operate agreement may also involve profit-sharing arrangements between the third party/investor and the government.

A Build, Transfer, Operate asset is valued based on the acquisition value of the asset, that is, the value of the asset that has been transferred to the government plus the value of the assets employed by the third party/investor in the construction of the facility.

The opening balance journal entry for assets acquired under BTO arrangements will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Partnerships with Third Parties	XXX	
XXXX	Other Asset Disposals		XXX
XXXX	Debt Provisions	XXX	
XXXX	Other Long-Term Liabilities		XXX

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- For the purpose of improving public services, the government, under Agreement No. 123/KSO/1/2001, entered into a Build, Transfer, Operate agreement with PT Ranggataksaka for the construction of a hospital based on a profit-sharing arrangement. PT Ranggataksaka invested Rp 500,000,000 in the project, while the land supplied by the government was valued at Rp 100,000,000. The BTO project was completed on time and duly transferred to the government. As per 31 December 2003, the government had paid the investor Rp 50,000,000 under the profit-sharing arrangement, which reduced the value of the government's debt to the third party.

In this case, the journal entry will be as follows:

Account Code	Description	Debit	Credit
XXXX	Partnership with Third Party	600,000,000	
XXXX	Other Asset Disposals		600,000,000
XXXX	Debt Provisions	450,000,000	
XXXX	Debt to third party		450,000,000

E. Miscellaneous Assets

The Miscellaneous Assets account is used to record assets that are incapable of being classified as Intangible Assets, Installment Sales Receivable, Treasury/Indemnity Claims, and Partnerships with Third Parties. Examples include Fixed Assets that are no longer being used in active government service.

The opening balance journal entry for Miscellaneous Assets is as follows:

Account Code	Description	Debit	Credit
XXXX	Miscellaneous Assets	XXX	
XXXX	Other Asset Disposals		XXX

Note: Other Asset Disposals is included in Investment Fund Equity.

Example:

- The records of the General and Supplies Bureau show that Fixed Assets (Equipment and Machinery) worth Rp 50,000,000 are no longer being used due to disrepair, but in respect of which the necessary Retirement Orders have yet to be issued.

In such case the opening balance journal entry for Miscellaneous Assets is as follows:

Account Code	Description	Debit	Credit
XXXX	Miscellaneous Assets	50,000,000	
XXXX	Other Asset Disposals		50,000,000

CHAPTER VIII: LIABILITIES

Liabilities are present obligations that arise from past events, the settlement of which is expected to result in an outflow of government economic resources. A liability will be enforceable at law as a consequence of a binding contract or the provisions of the laws and regulations in effect. In Indonesian government practice to date, in general the only Liabilities recorded in the government accounts are those that have arisen as a result of loans. Consequently, to be able to present a comprehensive picture of its overall Liabilities, when preparing the Opening Balance Sheet the government will need to conduct an inventory of all of its Liabilities as per the date of the said Opening Balance Sheet.

The presentation of government debts in the Balance Sheet differentiates between Short-Term and Long-Term Liabilities. Government debts must be disclosed in detail in the form of schedules so as to provide more accurate information on the state of the government finances. Debts are recorded based on their nominal values. As per the date of each Balance Sheet, debts denominated in foreign currency must be converted into rupiah using the central bank median rate prevailing on the operative dates.

A. Short-Term Liabilities

Short-Term Liabilities are those that are expected to be repaid or mature within 12 months subsequent to the date of the Balance Sheet. These Liabilities cover Liabilities arising from loans (Current Portion of Long-Term Liabilities and Accounts Payable), Accrued Interest, Third Party Liabilities Withheld, and other Short-Term Liabilities.

A.1. Current Portion of Long-Term Liabilities

Current Portion of Long-Term Liabilities consists of long-term liabilities arising from both domestic and External Loans that will mature or are expected to be repaid within twelve months subsequent to the date of the Balance Sheet. This account normally concerns units that have financial/debt management functions. Consequently, the taking of inventories of these Liabilities will normally be carried out by financial management line units.

Recognition is effected at the time of the reclassification of long-term loans at the end of each accounting period. The amount stated in the Balance Sheet for Current Portion of Long-Term Liabilities will be the total amount falling

due within twelve months subsequent to the date of the Balance Sheet.

The opening balance journal entry for Current Portion of Long-Term Liabilities will be as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Provisions	XXX	
XXXX	Current Portion of Long-Term Liabilities		XXX

Note: Short-Term Provisions is included in Current Fund Equity (reduces Current Fund Equity).

Example:

In 2000, the government received a loan from the ADB worth Rp 1,000,000,000 under Loan Agreement No. 111/DDDD/04/2000. The loan was to be repaid at 10% per year over 10 years commencing in 2004. Thus, as per 31 December 2003, the total debt due to mature in 2004, amounting to Rp 100,000,000, was presented in the Short-Term Liabilities section of the Current Portion of Long-Term Liabilities account. The remaining Rp 900,000,000 was presented in the Long-Term Liabilities Account.

In such case, the journal entry will be as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Provisions	100,000,000	
XXXX	Current Portion of Long-Term Liabilities		100,000,000

A.2. Accounts Payable

Accounts Payable consists of debts to third parties arising from contracts or purchases of goods and services that have yet to be paid as per the date of the Opening Balance Sheet. This account normally concerns spending line units as it is these that are generally responsible for the procurement of goods and services. Accordingly, an inventory of accounts payable needs to be undertaken in every line unit.

Should a third party/contractor construct a facility or equipment based on an agreement with the government, there is a possibility that the work may have been delivered but not paid for in full by the government as per the date of the Balance Sheet. Consequently, the amount recorded in Accounts Payable represents the amount that has not yet been paid as per the date of the Balance Sheet.

The opening balance journal entry for Accounts Payable will be as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Provisions	XXX	
XXXX	Accounts Payable		XXX

Note: Short-Term Provisions is included in Current Fund Equity (reduces Current Fund Equity).

Example:

- In December 2003, the Government requested PT Inti Karya to conduct maintenance work on the State Secretariat building under Work Order No. 250/12/SETNEG/2003, dated 1 December 2003. The contract was worth Rp 10,000,000. The said work was completed by PT Inti Karya, and was officially accepted by the State Secretariat on 28 December 2003 as evidenced by Handover Report No. 260/12/SETNEG/2003. However, as per 31 December 2003, the work had not been paid for by the Government. This meant that the government continued to owe PT Inti Karya Rp 10,000,000. Accounts Payable normally consist of Short-Term Liabilities that must be paid immediately after the goods/services have been

delivered. Consequently, expenses payable of this type are presented in the Balance Sheet under Short-Term Liabilities.

Based on the source documents in the form of the Work Order, Handover Report and receipts, the journal entry recording this expense payable will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Provisions	10,000,000	
XXXX	Accounts Payable		10,000,000

A.3. Accrued Interest

The Accrued Interest account consists of interest that the government is required to pay on its domestic and overseas debts, including interest on bonds issued by the Central Government. This account in general concerns line units with financial/debt management functions. Consequently, an inventory of interest liabilities should be undertaken at the same time as the inventory of loans. The amount recorded in the Balance Sheet for this account represents interest liabilities that have arisen but which have yet to be paid by the government.

The opening balance journal entry for Accrued Interest will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term Provisions	XXX	
XXXX	Accrued Interest		XXX

Note: Short-Term Provisions is included in Current Fund Equity (reduces Current Fund Equity).

Example:

- The government received a loan from a Local Government worth Rp 1,000,000,000 at 4% interest per year, payable every 1 April and 1 October. This meant that as per 31 December 2004, interest was owed for the October-December 2004 period (3 months). Thus, the Accrued Interest amounted to $Rp\ 1,000,000,000 \times \frac{3}{12} \times 4\% = Rp\ 10,000,000$. This sum was payable on 1 April 2005, meaning that it is categorized as a Short-Term Liability.

In this case, the journal would record the opening balance for Accrued Interest as follows:

Account Code	Description	Debit	Credit
XXXX	Short-Term	10,000,000	

	Provisions		
XXXX	Accrued Interest		10,000,000

A.4. Third Party Liabilities Withheld

Third Party Liabilities Withheld refer to liabilities that arise in respect of funds that have been collected by the government for payment to third parties, but which have yet to be so paid. These Liabilities include premiums for the Taspen, Bapertarum and Askes schemes, which should be paid to PT Taspen, Bapertarum and PT Askes, with the amounts paid over being precisely the same as those collected. Tax deductions are excluded from this category as they are directly acknowledged as revenue.

This account mostly concerns units with financial/debt management functions, and consequently inventories of such liabilities should be carried out by financial management units.

The amount recorded in the Balance Sheet for this account represents the balance of deductions that have yet to be paid to the relevant third parties as per the date of the Balance Sheet.

The opening balance journal entry for Third Party Liabilities Withheld will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Cash at KPPNs	XXX	
XXXX	Third Party Liabilities Withheld		XXX

Example:

- The KPPN pays the salary of an employee of the Ministry of Health. From his salaries, article 21 income tax of Rp 1,000,000 is deducted, along with an Askes premium of Rp 500,000 and a Taperum contribution of Rp 100,000. Should, as per 31 December, these deductions not have been paid over to the relevant third parties, they will be presented in the Balance Sheet as Third Party Liabilities Withheld in the Short-Term Liabilities account.

In such case, the journal entry will record Third Party Liabilities Withheld as follows:

Account Code	Description	Debit	Credit
XXXX	Cash at KPPNs	600,000	
XXXX	Third Party Liabilities Withheld		

	Liabilities Withheld		600,000
--	----------------------	--	---------

A.5. Advance Payments by State Treasury

Advance payments by the State Treasury arise while State Ministry/Institution Treasurers have yet to pay in all monies that must be paid to the State Treasury as per the date of the Balance Sheet. This account generally concerns spending line units. It is the Treasurers of spending line units that procure goods and services based on such advance payments. Accordingly, inventories of advance payments from the State Treasury must be conducted by every line unit. This account only arises in the Balance Sheets of State Ministries/Institutions/Line Units and is eliminated from the Central Government's Consolidated Balance Sheet.

The amount recorded in this account represents the total amount that must be paid into the State Treasury as per the date of the Balance Sheet.

The opening balance journal entry for Advance Payments by the State Treasury will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Cash at Disbursing	XXX	

	Treasurers		
XXXX	Advance Payments by State Treasury		XXX

Example:

- On 31 December 2003, the Disbursing Treasurer at the Surabaya Office of the Ministry of Religious Affairs still had Rp 5,000,000 in hand that it had received from the local State Treasury and Cash Office (the former name for the State Treasury Service Offices/KPPN). This sum was only paid into the State Treasury on 15 January 2004. Under the prevailing regulations, the said amount should in fact have been paid into the Treasury by not later than 10 January 2004. This means that the Disbursing Treasurer had a Short-Term Liability that had to be settled in January 2004 and which had to be reported in the Balance Sheet.

In this case, the journal entry would appear as follows:

Account Code	Description	Debit	Credit
XXXX	Cash at Disbursing	5,000,000	

	Treasurer		
XXXX	Advance Payment by State Treasury		5,000,000

A.6. Other Short-Term Liabilities

Other Short-Term Liabilities consist of Short-Term Liabilities other than Current Portion of Long-Term Liabilities, Accounts Payable, Third Party Liabilities Withheld and Advance Payments by State Treasury.

B. Long-Term Liabilities

Long-Term Liabilities are those that are due to be paid or to mature within a period of more than 12 months after the date of the Balance Sheet. Such Liabilities include debts arising from both domestic and External Loans, and from the issuing of government securities.

B.1. External Liabilities

External Liabilities represents Long-Term Liabilities that arise as a result of the government accepting loans from other countries or international financial institutions. They consist of External Liabilities-Longstanding, External Liabilities-Bilateral, External Liabilities-Multilateral,

External Liabilities-Export Credit Facilities, External Liabilities-Commercial, External Liabilities-Leasing, and External Liabilities-Miscellaneous.

This account mostly concerns units with financial/debt management functions, and consequently inventories of External Liabilities should be carried out by financial management units.

The amount recorded in the Balance Sheet for External Liabilities is the amount that has yet to be repaid by the government and which will mature not less than 12 months subsequent to the date of the Balance Sheet.

The opening balance journal entry for External Liabilities will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	XXX	
XXXX	External Liabilities		XXX

Note: Long-Term Provisions is included in Investment Fund Equity (reduces Investment Fund Equity).

Example:

- Based on the Overseas Loan Agreement No. 110/WB/12/2003, dated 5 January 2003, the Government

of Indonesia obtained a loan from the world bank of US\$1,000,000, which based on an exchange rate of Rp 8,000 per US\$1 amounted to Rp 8,000,000,000 in rupiah terms. The tenor of the loan was 20 years, with repayments due to commence in 2013. As per 31 December 2003, the Bank Indonesia median rate stood at Rp 8,500 per US\$1. Thus, as per 31 December 2003, the said loan amounted to Rp 8,500,000,000, meaning that the state suffered an exchange rate loss of Rp 500,000,000 (Rp 8,500,000,000 - Rp 8,000,000,000).

The said loan is presented in the Balance Sheet in the amount of Rp 8,500,000,000, where the corresponding contra accounts are equity funds earmarked for repayment of Rp 8,000,000,000 and the exchange rate difference of Rp 500,000,000.

In this case, the journal will record the External Liabilities opening balance as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	8,500,000,000	
XXXX	External		

	Liabilities		8,500,000,000
--	-------------	--	---------------

B.2. Domestic Liabilities - Bank

Domestic Liabilities-Bank consist of Long-Term Liabilities arising from loans extended by the domestic banking sector that are expected to be repaid not less than 12 months after the date of the Balance Sheet.

This account mostly concerns units with financial/debt management functions, and consequently inventories of domestic loans should be carried out by financial management units.

The amount recorded in the Balance Sheet for Domestic Liabilities - Bank is the amount that has yet to be paid by the government and which will mature not less than 12 months subsequent to the date of the Balance Sheet.

The opening balance journal entry for Domestic Liabilities - Bank will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	XXX	
XXXX	Domestic Liabilities - Bank		XXX

Note: Long-Term Provisions is included in Investment Fund Equity (reduces Investment Fund Equity).

Example:

- In 2000, the government secured a loan from the domestic banking sector worth Rp 500,000,000. This loan was to be repaid over 5 years commencing in 2010. The government prepared a Balance Sheet on 31 December 2003. As the loan in question was not due to mature within 12 months subsequent thereto, it had to be presented as a Long-Term Liability based on its nominal value.

In such a case, the journal would record the opening balance for Domestic Liabilities - Bank as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	5,000,000,000	
XXXX	Domestic Liabilities - Bank		500,000,000

B.3. Domestic Bond Liabilities

Domestic Bond Liabilities consists of Long-Term Liabilities that arise as a result of the government issuing bonds on the domestic market which are due to be repaid not less than 12 months after the date of the Balance Sheet.

This account primarily concerns the Directorate General of the Treasury at the Ministry of Finance.

The amount recorded in the Balance Sheet for Domestic Bond Liabilities is the nominal value, that is, the amount that will be paid by the government upon maturity of the bonds. Should bonds be sold at a discount or premium, the principal value of the bonds will still be recorded at nominal value. Such discounts or premiums are presented in the Opening Balance Sheet as amounts that have yet to amortized as per the date of the Balance Sheet.

The journal entry will record Domestic Bond Liabilities as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	XXX	
XXXX	Domestic Bond Liabilities		XXX

Note: Long-Term Provisions is included in Investment Fund Equity (reduces Investment Fund Equity).

Example:

- Domestic Bonds Sold at Par

On 5 January 2003, the government issued 1,000 bonds with a face value of Rp 1,000 per bond, maturing on 5 January 2013. The bonds were sold to investors at Rp 1,000, or at par value. This meant that no premiums or discounts were involved. In this case, the journal entry would appear as follows:

XXXX	Long-Term Provisions	1,000,000	
XXXX	Domestic Bond Liabilities		1,000,000

- Domestic Bonds Sold over Par (at a premium)

On 5 January 2003, the government issued 1,000 bonds with a face value of Rp 1,000 per bond, maturing on 5 January 2013. The bonds were sold to investors at Rp 1,100. Thus, the bonds were sold at a premium amounting to $(1,000 \times 1,100) - (1,000 \times 1,000) = \text{Rp } 100,000$. Using the straight-line method, the premium was to be amortized at Rp 10,000 per year. Thus, the premium balance at the end of the first year, per 31 December 2003, stood at $\text{Rp } 100,000 - \text{Rp } 10,000 = \text{Rp } 90,000$, and the funds required

to repay Long-Term Liabilities declined to Rp 1,090,000 (Rp 1,100,000 - Rp 10,000). In this case the journal entry would appear as follows:

XXXX	Long-Term Provisions	1,090,000	
XXXX	Bond premium		90,000
XXXX	Domestic Bond Liabilities		1,000,000

- Domestic Bonds Sold at below Par (at a discount)

On 5 January 2003, the government issued 1,000 bonds with a face value of Rp 1,000 per bond, maturing on 5 January 2013. The bonds were sold to investors at Rp 900. Thus, the bonds were sold at a discount amounting to $(1,000 \times 900) - (1,000 \times 1,000) = \text{Rp } 100,000$. Using the straight-line method, the premium was to be amortized at Rp 10,000 per year. Thus, the discount balance at the end of the first year, per 31 December 2003, stood at $\text{Rp } 100,000 - \text{Rp } 10,000 = \text{Rp } 90,000$, and the funds required to repay Long-Term Liabilities increased to Rp 910,000 (Rp 900,000 + Rp 10,000). The bond debt would continue to be presented at face value (Rp 1,000,000). Consequently, in this case the journal entry would appear as follows:

XXXX	Long-Term Provisions	910,000	
XXXX	Bond discount	90,000	
XXXX	Domestic Bond Liabilities		1,000,000

B.4. Other Long-Term Liabilities

Other Long-Term Liabilities are Long-Term Liabilities that are not capable of being included in the Domestic Liabilities - Bank, Domestic Bond Liabilities and External Liabilities, and include such things as Partnership Liabilities. These represent liabilities that arise from partnership arrangements entered into by the government with third parties in the form Build, Transfer, Operate agreements.

A Build, Transfer, Operate agreement is one where a government asset in the form of an infrastructural facility is used by a third party/investor after the third party/investor has constructed the said infrastructural facility and transferred it to the government. The government then allows the third party/investor to operate it for a certain period of time. The transfer of the asset to the government is accompanied by an obligation on the part of the government to make payment to the third

party/investor. A Build, Transfer, Operate agreement may also involve profit-sharing arrangements between the third party/investor and the government.

Partnership Liabilities under such agreements arise if payment to the investor is to be made by installment or where profit-sharing arrangements have been agreed on. Such liabilities are presented in the Balance Sheet as the funds expended by the investor on the construction of the asset. Should payment be made by way of profit-sharing, Partnership Liabilities (Other Liabilities) are presented as the amount of funds expended by the investor less the share of profits that it has been paid.

The opening balance journal entry for Other Liabilities will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term Provisions	XXX	
XXXX	Other Long-Term Liabilities		XXX

Note: Long-Term Provisions is included in Investment Fund Equity (reduces Investment Fund Equity).

Example:

- For the purpose of improving public services, the government, under Agreement No. 123/KSO/1/2001, entered into a Build, Transfer, Operate agreement with PT Ranggataksaka for the construction of a hospital based on a profit-sharing arrangement. PT Ranggataksaka invested Rp 500,000,000 in the project, while the land supplied by the government was valued at Rp 100,000,000. The BTO project was completed on time and duly transferred to the government. As per 31 December 2003, the government had paid the investor Rp 50,000,000 under the profit-sharing arrangement.

From the above description, it will be seen that at the time of the transfer of the asset, a Liability arose amounting to the value of the third party's investment, namely, Rp 500,000,000. The share of the profits paid by the government to the investor reduced the amount of this debt, so that by the date of the Opening Balance Sheet the Partnership Liabilities of the government stood at Rp 450,000,000 (Rp 500,000,000 - Rp 50,000,000). Thus, in this case the opening balance journal entry will appear as follows:

Account Code	Description	Debit	Credit
XXXX	Long-Term	450,000,000	

	Provisions		
XXXX	Other Long-Term Liabilities		450,000,000

CHAPTER IX: FUND EQUITY

Fund equity is an account in the government Balance Sheet that accommodates the difference between the value of government assets and liabilities. Fund Equity consists of three categories, namely:

1. Current Fund Equity
2. Investment Fund Equity; and
3. Reserved Fund Equity

In this chapter we will discuss each of these categories of fund equity. As illustrative journal entries have already been provided in the chapters on assets and Liabilities, it is considered unnecessary to provide further illustrations in this chapter.

A. Current Fund Equity

Current Fund Equity represents the difference between Current Assets and Current/Short-Term Liabilities, and consists of, among other things, Surplus Budget Balance, Surplus after Budget Financing, Deferred Revenue, Receivables Provision, Inventory Provision and Short-Term Provisions.

Surplus Budget Balance and Surplus after Budget Financing are the accounts that correspond to Cash and Cash Equivalents, and Short-Term Investments, while Deferred Revenue corresponds to Cash at Receiving Treasurers, Receivables Provision to Accounts Receivable, and Inventory Provision to Inventory.

On the Short-Term Liabilities side, besides Third Party Liabilities Withheld (which serve to reduce the Surplus after Budget Financing, as explained earlier), there is also the Short-Term Provisions account.

B. Investment Fund Equity

Investment Fund Equity reflects the government's position as regards Long-Term Investments, Fixed Assets, and Other Assets, less Long-Term Liabilities. This account consists of:

1. Long-Term Investment Disposals, which corresponds to the Long-Term Investments account;
2. Fixed Asset Disposals, which corresponds to the Fixed Assets account;
3. Other Asset Disposals, which corresponds to the Other Assets account;

4. Long-Term Provisions, which corresponds to the Long-Term Liabilities account.

C. Reserved Fund Equity

Reserved Fund Equity reflects the amounts that the government has reserved for particular purposes based on the provisions of the laws and regulations in effect. This account corresponds to Reserve Funds.

Illustrative Central Government Balance Sheets

Per 31 December 20X1 and 20X0

(in rupiah)

No.	Description	20X1	20X0
1	Assets		
2	Current Assets		
3	Cash at Bank Indonesia	XXX	XXX
4	Cash at State Treasury Offices (KPPN)	XXX	XXX
5	Cash at Disbursing Treasurers	XXX	XXX
6	Cash at Receiving Treasurers	XXX	XXX
7	Short-Term Investments	XXX	XXX
8	Taxes Receivable	XXX	XXX
9	Non-tax Receivables	XXX	XXX
10	Current Loans to Government Business Enterprises	XXX	XXX

11	Current Loans to Local Governments	XXX	XXX
12	Current Loans to International Institutions	XXX	XXX
13	Current Receivables from Inst. Sales	XXX	XXX
14	Current Treasury Claims	XXX	XXX
15	Current Indemnity Claims	XXX	XXX
16	Other Accounts Receivable	XXX	XXX
17	Inventories	XXX	XXX
18	Total Current Assets (3-17)	XXXX	XXXX
19	Long-Term Investments		
20	Non-Permanent Investments		
21	Loans to Government Business Enterprises	XXX	XXX
22	Loans to Local Governments	XXX	XXX
23	Loans to International Institutions	XXX	XXX
24	Revolving Funds	XXX	XXX
25	Investments in Securities	XXX	XXX
26	Investments in Development Projects	XXX	XXX
27	Other Non-Permanent Investments	XXX	XXX
28	Total Non-Permanent Investments (21-27)	XXXX	XXXX
29	Permanent Investments		
30	Government Equity Participation	XXX	XXX
31	Other Permanent Investments	XXX	XXX
32	Total Permanent Investments (30-31)	XXXX	XXXX
33	Total Long-Term Investments (28+32)	XXXXX	XXXXX
34	Fixed Assets		
35	Land	XXX	XXX
36	Equipment and Machinery	XXX	XXX
37	Buildings and Properties	XXX	XXX
38	Road, Irrigation and Transmission Networks	XXX	XXX

39	Other Fixed Assets	XXX	XXX
40	Construction in Progress	XXX	XXX
41	Accumulated Depreciation	(XXX)	(XXX)
42	Total Fixed Assets (35-41)	XXXX	XXXX
43	Other Assets		
44	Receivables from Installment Sales	XXX	XXX
45	Treasury Claims	XXX	XXX
46	Indemnity Claims	XXX	XXX
47	Partnerships with Third Parties	XXX	XXX
48	Intangible Assets	XXX	XXX
49	Miscellaneous Assets	XXX	XXX
50	Total Other Assets (44-49)	XXXX	XXXX
51	Total Assets (18+33+42+50)	XXXXX	XXXXX
52			
53	Liabilities		
54	Short-Term Liabilities		
55	Third Party Liabilities Withheld	XXX	XXX
56	Accrued Interest	XXX	XXX
57	Current Portion of Long-Term		
58	Liabilities	XXX	XXX
59	Other Short-Term Liabilities	XXX	XXX
60	Total Short-Term Liabilities (55-58)	XXXX	XXXX
61	Long-Term Liabilities		
62	External Liabilities	XXX	XXX
63	Domestic Liabilities - Bank	XXX	XXX
64	Domestic Bond Liabilities	XXX	XXX
65	Other Long-Term Liabilities	XXX	XXX
66	Total Long-Term Liabilities (61-64)	XXXX	XXXX
67	Total Liabilities (59+65)	XXXX	XXXX
68			
69	Fund Equity		

70	Current Fund Equity		
71	Surplus after Budget Financing	XXX	XXX
72	Deferred Revenues	XXX	XXX
73	Receivables Provision	XXX	XXX
74	Inventory Provision	XXX	XXX
75	Short-Term Provisions	(XXX)	(XXX)
76	Total Current Fund Equity (70-74)		
77	Investment Fund Equity		
78	Long-Term Investment Disposals	XXX	XXX
79	Fixed Asset Disposals	XXX	XXX
80	Other Asset Disposals	XXX	XXX
81	Long-Term Provisions	(XXX)	(XXX)
82	Total Investment Fund Equity (77-80)	XXXX	XXXX
83	Total Fund Equity (75+81)	XXXX	XXXX
	Total Liabilities and Fund Equity (66+82)	XXXXX	XXXXX

Source: PSAP 01 on Presentation of Financial Reports

Government Accounting Standards Committee

Consultative Committee

1. Director General of the Treasury, Ministry of Finance, Chair
2. Director General of Local Government Financial Management Development, Ministry of Home Affairs, Deputy Chair
3. Director General of Local Autonomy, Ministry of Home Affairs, Member
4. Expert Advisor to the Minister of Finance on State Expenditure, Member
5. Chair of the Indonesian Association of Accountants, Member
6. Chair of the All-Indonesia Association of Provincial Governments, Member
7. Chair of the All-Indonesia Association of District Governments, Member
8. Chair of the All-Indonesia Association of Municipal Governments, Member
9. Chair of the Accounting Doctoral Advisory Board, University of Indonesia, Member

Working Committee

1. Dr. Binsar H. Simanjuntak, CMA, Chair
2. Dr. Ilya Avianti, SE, M.Si., Ak., Deputy Chair
3. Sonny Loho, Ak., MPM., Secretary and Member
4. Drs. Sugijanto, Ak., MM, Member
5. Dr. Soepomo Prodjoharjono, Ak., M.Soc.Sc., Member
6. Dr. Hekinus Manao, M.Acc., CGFM, Member
7. Jan Hoesada, Ak., MM., Member
8. Drs. AB Trihartata, Ak., MM, Member
9. Gatot Supiartono, Ak., M.Acc, Member

Secretariat

1. Mulat Handayani, SE., Ak, Chair
2. Hamim Mustofa, Ak., SE., Ak, MAFIS, Deputy Chair
3. Rahayu Puspasari, SE, MBA, Member
4. Joko Supriyanto, SST., Ak, Member
5. Farida Aryani, SST., Ak, Member
6. Yulia Candra Kusumarini SE, S.Sos, Member
7. Yusron Kamal, SE., Member
8. Andri Fuadhy, SE., Member

9. Zulfikar Aragani, Member

Working Group

1. Yuniar Yanuar Rasyid, Ak., MM, Chair
2. Firmansyah N. Nazaroedin, Ak., M.Sc, Deputy Chair
3. Margustienny OA, Ak., MBA , Member
4. Moh. Hatta, Ak., MBA, Member
5. Amdi Very Dharma, Ak., M.Acc , Member
6. Bambang Pamungkas, SE., Ak., MBA, Member
7. Sumiyati, Ak., MFM, Member.
8. Drs. M. Agus Kristianto, Ak., MA, Member
9. Drs. Syahman Sitompul, SE., Ak., Msi., Member
10. Chalimah Pujihastuti, SE., Ak, MAFIS, Member
11. Edward UP Nainggolan, Ak, Member
12. Rahayu Puspasari, SE, MBA, Member
13. Yulia Candra Kusumarini SE, S.Sos, Member
14. Mulat Handayani, SE., Ak, Member
15. Jamason Sinaga, Ak., SIP, Member
16. Farida Aryani, Ak, Member
17. Eli Tamba, SE., Ak, Member
18. Joko Supriyanto, SST., Ak, Member
19. Dita Yuvrita, SE., Ak, Member

