



TECHNICAL BULLETIN OF GOVERNMENT ACCOUNTING STANDARDS

TECHNICAL BULLETIN 03 PRESENTATION OF LOCAL GOVERNMENT FINANCIAL STATEMENTS WITH CONVERSION

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



**TECHNICAL BULLETIN OF
GOVERNMENT ACCOUNTING
STANDARDS**

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PRESENTATION OF LOCAL GOVERNMENT
FINANCIAL STATEMENTS WITH CONVERSION**

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

***Technical Bulletin on Presentation of Local Government Financial Statements
with Conversion***

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. 03 on the presentation of Local Government Financial Statements with Conversion in accordance with the Government Accounting Standards.

Jakarta, 1 March 2006

The Government Accounting Standards Committee

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Table of Contents

Table of Contents

CHAPTER I: INTRODUCTION

- A. Background
- B. Conversion Strategy for the Fiscal Year 2005 Financial statements

CHAPTER II: SIGNIFICANT ACCOUNTING POLICIES

- A. Recognition of Revenue and Expenditure
- B. Recognition of Assets
- C. Recognition of Liabilities
- D. Valuation of Assets

CHAPTER III: BUDGET REALIZATION STATEMENT: LOCAL GOVERNMENT BUDGET STRUCTURE AND BUDGETARY CLASSIFICATION

- A. Local Government Budget Structure
- B. Classification of Revenue
- C. Classification of Expenditure

CHAPTER IV: BALANCE SHEET ACCOUNTS

- A. Balance Sheet Structure
- B. Asset Account
- C. Liabilities Account
- D. Equity Account

CHAPTER V: ACCOUNTS OF CASH FLOW STATEMENT

- A. Structure of Cash Flow Statement
- B. Cash Flows from Operations
- C. Cash Flows from Non-Financial Investments
- D. Cash Flows from Financing
- E. Cash Flows from Non-Budgetary Activities
- F. Cash Balance

CHAPTER VI: NOTES TO THE FINANCIAL STATEMENTS

- A. General Information
- B. Accounting Policies
- C. Explanations of Balance Sheet Accounts, Budget Realization Statement and Cash Flow Statement
- D. Other Disclosures
- E. Supplemental Information if Required

ILLUSTRATIVE FINANCIAL STATEMENT FORMATS

- A. Illustrative Local Government Budget Realization Statement Format
- B. Illustrative Balance Sheet Format
- C. Illustrative Cash Flow Statement

D. Structure and Contents of Notes to the Financial Statements, see
Government Accounting Standard No. 04

1 **CHAPTER I**

2 **INTRODUCTION**

3
4 **A. Background**

5 The Indonesian Government introduced local autonomy and fiscal decentralization in
6 1999 with the passage of the Local Autonomy Act 1999 (No. 22 of 1999) and the
7 Central-Regional Fiscal Balancing Act 1999 (No. 25 of 1999).

8 For the purpose of facilitating the implementation of these Acts, the Government
9 issued Government Regulation No. 105 of 2005 on the local financial management
10 and accountability, which sets out financial management principles intended to
11 promote good governance. However, in practice various difficulties arose due to the
12 lack of more specific statutory instruments. To remedy this deficiency, the Minister of
13 Home Affairs issued Decree No. 29 of 2002 on guidelines for local financial
14 accountability and supervision, budgeting procedures, financial administration and
15 budgetary calculations. The implementation of Minister of Home Affairs Decree No.
16 29 of 2002 commenced at the outset of fiscal year 2003.

17 The Government has demonstrated its seriousness regarding financial management
18 reform by making wide-ranging legislative changes. This reform process commenced
19 with the enactment of a legislative package consisting of the State Finances Act 2003
20 (Act No. 17 of 2003), the State Treasury Act 2004 (Act No. 1 of 2004) and the State
21 Financial Management and Accountability Audit Act 2004 (No. 15 of 2004).

22 Subsequently, Acts No. 22 of 1999 and No. 25 of 1999 were repealed and
23 superseded by the Local Government Act 2004 (No. 32 of 2004) and the Central-
24 Regional Fiscal Balancing Act 2004 (No. 33 of 2004).

25 The new government financial management acts require governors, district heads or
26 mayors to present accountability reports in the form of financial statements that
27 have been audited by the State Audit Agency (BPK) by not later than 6 months after
28 the end of the fiscal year. Such financial statements must be prepared and presented
29 in compliance with the Government Accounting Standards, as set out in Government
30 Regulation No. 24 of 2005 on the Government Accounting Standards. This
31 Regulation was first applied to the preparation of Local Government financial
32 statements in fiscal year 2005.

33 Various difficulties arose during the preparation and presentation of Local
34 Government financial statements in fiscal year 2005 as a result of the fact that the

1 Local Government had prepared their budgets and implemented then based on
2 Minister of Home Affairs Decree No. 29 of 2002 or other systems. Accordingly, new
3 mechanisms were needed by Local Governments in order to be able to convert their
4 financial statements so as to make them compatible with the requirements of the
5 Government Accounting Standards based on Government Regulation No. 24 of
6 2005. For the purpose of facilitating Local Governments in doing so, the Government
7 Accounting Standards Committee determined that it was necessary to issue a
8 Technical Bulletin on the Conversion of Local Government financial statements so as
9 to bring them into line with the Government Accounting Standards.

10

11 **B. Conversion Strategies for the Fiscal year 2005 Financial Statements**

12 Given that Government Regulation No. 24 of 2005 requires the preparation and
13 presentation of fiscal year 2005 financial statements to be in accordance with the
14 Government Accounting Standards, while the Local Government budgets for that
15 year were prepared based on Minister of Home Affairs Decree No. 29 of 2002, Local
16 Governments needed to adopt implementation strategies so as to comply with
17 Government Regulation No. 24 of 2005. These implementation strategies needed to
18 be set out in the form of decrees of Local Government chief executives. This meant
19 that in fiscal year 2005, Local Governments had to present two versions of their
20 financial statements – one based on Minister of Home Affairs Decree No. 29 of 2002
21 and the other based on Government Regulation No. 24 of 2005.

22 This was brought about by converting the provisions of Minister of Home Affairs
23 Decree No. 29 of 2002 so as to harmonize them with the Government Accounting
24 Standards. The process covered the different types of reports, accounting basis,
25 recognition, measurement, and disclosure in the financial statements, Local
26 Government budget structure, budgetary classifications, assets, Liabilities, equity,
27 cash flow and the Notes to the Financial Statements.

28 Conversion was carried out using a trace-back approach as described below:

- 29 1. Tracing-back the financial statement entries under Minister of Home Affairs
30 Decree No. 29 2002 which then converted to the entries mandated by the
31 Government Accounting Standards;
- 32 2. Where this failed to bring about full conversion, then the
33 ledgers/entries/accounts under Minister of Home Affairs Decree No. 29 of
34 2002 were converted in line with the Government Accounting Standards,
35 having regard to the scope of each ledger;

1 3. Where this also failed to bring about full conversion, the subsidiary
2 ledgers/accounts under Minister of Home Affairs Decree No. 29 of 2002 were
3 converted to the ledgers required by the Government Accounting Standards.

4 4. Where all of the above steps fail to bring about full conversion, the journals or
5 source documents were converted to the ledgers required by the Government
6 Accounting Standards.

7 The above conversion strategy was carried out by first preparing the face of financial
8 statements in accordance with Minister of Home Affairs Decree No. 29 of 2002 which
9 consisted of the Budget Realization Statement, Balance Sheet and Cash Flow
10 Statement. Conversion was then effected using a working paper setting out the
11 conversion process from Minister of Home Affairs Decree No. 29 of 2002 to the
12 Government Accounting Standards. Conversion in respect of the Budget Realization
13 Statement was implemented both in respect of the budget and its realization. The
14 conversion process was presented in the Notes to the Financial Statements, and the
15 conversion working paper was presented as an appendix to the financial statements
16 in accordance with the Government Accounting Standards.

17

18

1 **CHAPTER II**

2 **SIGNIFICANT ACCOUNTING POLICIES**

3
4 **A. Recognition of Revenue and Expenditure**

5 The Government Regulation on government Accounting Standards used the cash
6 basis for recognizing revenue and expenditure. Consequently, revenue may only be
7 recognized after cash has been paid in the Local Government Treasury, and while
8 expenditure will only be recognized after funds have been definitively disbursed
9 from the Local Government Treasury Account, and/or been accounted for. By
10 contrast, Minister of Home Affairs Decree No. 29 of 2002 provided that the
11 accounting basis for recognizing revenue and expenditure was the modified cash
12 basis.

13 Given this difference in accounting base, every Local Government needs to have
14 regard to the revenue and expenditure recognition basis adopted by their respective
15 budgets. Should a Local Government employ the modified cash basis, then the
16 difference between revenue and expenditure arising from different accounting bases
17 needs to be eliminated.

18 As an example, a particular Local Government employs the modified cash basis. The
19 said Local Government recognizes cash in the hands of Receiving Treasurers as per
20 31 December as revenue. However, according to the Government Accounting
21 Standards, this figure does not constitute revenue as it has yet to be paid into the
22 Local Government Treasury, though such cash is recognized as Cash at Receiving
23 Treasurers. Consequently, cash that has been recognized using the modified cash
24 basis needs to be eliminated and added to Deferred Revenues and classified under
25 Liabilities account in the Balance Sheet. However, such adjustment is unnecessary in
26 the case of Local Governments that already employ cash-based accounting.

27 A similar situation arises in the case of expenditure recognition. The Government
28 Accounting Standards provide that expenditure is recognized at the time funds are
29 disbursed from the Local Government Treasury. In the case of disbursements made
30 by Disbursing Treasurers, recognition takes place at the time the disbursement in
31 question is approved by the relevant Unit responsible for treasury functions.
32 Consequently, should a Local Government recognize expenditure at the time of
33 disbursement from the Local Government Treasury, then it will need to have further
34 regard to the substance of the disbursement.

1 In the payment disbursement system, two distinct types of mechanisms are
2 employed, namely, direct payments to third parties (SPMU LS or BT) and payments
3 made out of petty cash (SPMU BS, SPM PK or SPM UP) that is advanced to
4 Disbursing Treasurers/Cash Holders. Should a payment be made using the SPM LS
5 mechanism (direct payment to third party) for goods and/or services received, and
6 the Local Government recognizes this disbursement as expenditure, then this will be
7 correct. However, if a payment is made by a Disbursing Treasurer or Cash Holder out
8 of petty cash, then as the funds extended to the Disbursing Treasurer or Cash Holder
9 cannot be recognized as expenditure, the petty cash payment is also incapable of
10 being recognized as expenditure. Such payment will only be recognized as
11 expenditure after it has been accounted for to the Local Government's financial
12 management Line Unit. Thus if a Local Government recognizes payments from petty
13 cash as expenditure, it will need to make adjustments so as to eliminate this
14 expenditure from the Budget Realization and Cash Flow Statements.

15 Cash balances arising from unspent petty cash in the hands of Disbursing
16 Treasurers/Cash Holders represent Local Government assets. Consequently, these
17 amounts must be presented as Cash at Disbursing Treasurers account in the Balance
18 Sheet.

19

20 **B. Recognition of Assets**

21 Minister of Home Affairs Decree No. 29 of 2002 provides that assets are recognized
22 at the end of the accounting period. By contrast, the Government Accounting
23 Standards state that assets are recognized at the time of receipt and/or transfer of
24 ownership. Thus, differences will arise during the year as regards the time of asset
25 recognition, although the asset balance will be the same at the end of the
26 accounting period.

27

28 **C. Recognition of Liabilities**

29 Minister of Home Affairs Decree No. 29 of 2002 provides that Liabilities shall be
30 recognized at the end of the period, while the Government Accounting Standards
31 state that this shall take place at the time the loan is received or the obligation arises.
32 For Local Governments that apply Minister of Home Affairs Decree No. 29 of 2002,
33 an inventory of all of there Liabilities as per 31 December will be required for
34 subsequent presentation in the Balance Sheet.

1 The Liabilities presented in the Balance Sheet encompass debts arising from loans,
2 Expenses Payable, and Third Party Liabilities Withheld. Consequently, at the end of
3 the year each Local Government Line Unit needs to conduct an inventory of its
4 Liabilities for presentation in the Balance Sheet.

5

6 **D. Valuation of Assets**

7 As regards the valuation of assets for the purpose of preparing the Opening Balance
8 Sheet under Minister of Home Affairs Decree No. 29 of 2002, a Local Government
9 Chief Executive can conduct gradual appraisals of the Local Government's assets, to
10 be carried out by certified appraiser having regard to the Asset Appraisal Manual
11 issued by the Minister of Home Affairs. By contrast, the Government Accounting
12 Standards mandate that measurement is to be based on acquisition value in the case
13 of assets acquired after the date of the Opening Balance Sheet, while assets owned
14 by the Local Government prior to the date of the Opening Balance Sheet are to be
15 measured based on their fair value as per the date of the Opening Balance Sheet.

16 To facilitate Local Governments in preparing their Opening Balance Sheets, including
17 the measurement of assets, the Government Accounting Standards Committee has
18 issued its Technical Bulletin on Preparation of Local Government Opening Balance
19 Sheets, which provides a number of alternative mechanisms for the measurement of
20 assets. Thus, a Local Government that as yet does not present Balance Sheet
21 accounts that are in line with the Government Accounting Standards can make the
22 necessary adjustments based on the illustrative examples given in the said Technical
23 Bulletin. For example, land can be valued based on Taxable Value and buildings
24 based on the cost standards issued by the Ministry of Public Works.

25

26

1 **CHAPTER III**

2 **BUDGET REALIZATION STATEMENT: LOCAL GOVERNMENT BUDGET**
3 **STRUCTURE AND BUDGETARY CLASSIFICATIONS**

4
5 **A. Local Government Budget Structure**

6 The term "Budget Realization Statement" is a new one in both Central and Local
7 Government financial management accounting. The term previously employed was
8 "Budget Calculation Statement."

9 Essentially, both Minister of Home Affairs Decree No. 29 of 2002 and the
10 Government Accounting Standards employ the same budget structure, namely, a
11 budget that consists of a revenue account, expenditure account and financing
12 account. The main differences between the two instruments concern the expenditure
13 account. The Government Accounting Standards provide that the presentations on
14 the face of the financial statements are to be based on the character and types of
15 expenditure, while Minister of Home Affairs Decree No. 29 of 2002 classified
16 expenditure in government apparatus expenditure and public expenditure. In both
17 cases, expenditure is further distinguished between general administrative
18 expenditure, operational and maintenance expenditure, and capital expenditure.

19
20 **B. Classification of Revenue**

21 In principle, the revenue structures employed by the Government Accounting
22 Standards and Minister of Home Affairs Decree No. 29 of 2002 are the same. The
23 Government Accounting Standards provide for the classification of expenditure by
24 source, namely Local Government Own-Source Revenue, Transfers from the Central
25 Government and other Local Governments, and Other Legitimate Revenue, while
26 Minister of Home Affairs Decree No. 29 classifies revenue into three types – Own-
27 Source Revenue, Fiscal Balance Funds and Other Legitimate Revenue.

28 Given the differences that do exist between the two instruments, a reclassification of
29 revenue needs to be conducted. For Local Government that receive Revenue-Sharing
30 Funds from the Central/Provincial Government and funds from the National Budget
31 other than Fiscal Balance Funds, such as Special Autonomy Funds, Contingency
32 Funds, Adjustment Funds or Ad Hoc Funds, which under Minister of Home Affairs
33 Decree No. 29 are classified as Other Legitimate Revenue, those revenues need to be
34 reclassified from Other Legitimate Revenue to the Transfer Revenues account.

1 The conversion scheme for revenue is as follows:

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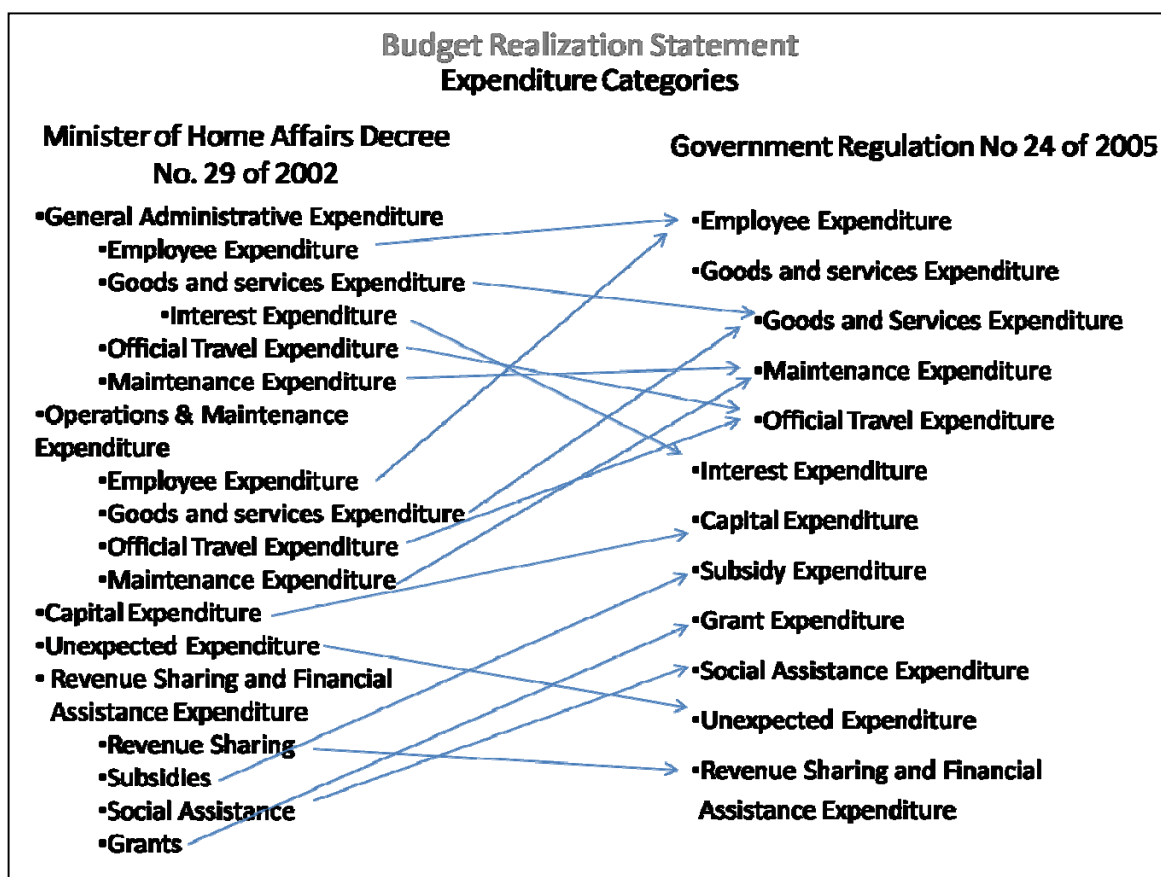
Minister of Home Affairs Decree No. 29/2002	Government Accounting Standards	
Hotel Tax		
Restaurant Tax		
Entertainment Tax		
Advertising Tax	Local Government Tax Revenues	
Street-Lighting Tax		
Class C Mining Tax		
Parking Tax		
Tax on Swallows' Nests		
Healthcare Charges		
Sanitation Charges		
ID Card Printing Charge		
Civil Registration Charges		
Cemetery Charges		
Burial Charges		
On-Street Parking Charges		
Market Charges		
Motor Vehicle Testing Charges		
Fire Prevention Equipment Inspection Charges		
Map Printing Charges		
Fishing Vessel Inspection Charges		
Charges for Use of Local Government Assets		
Wholesaler and Retailer Charges		
Auction Charges	Local Government Charges	
Bus Station Charges		
Reserved Parking Charges		
Accommodation Charges		
Septic Tank Cleaning Charges		
Slaughterhouse Charges		
Port Charges		
Recreation and Sports Facility Charges		
Ferry Charges		
Liquid Waste Management Charges		
Local Production Sale Charges		
Building Erection Charges		
Alcoholic Beverages Charges		
Disturbance Charges		
Bus Route Charges		
Share of profits from Local Government Business Enterprises	Revenues arising from asset management	
Share of profits from banks		
Share of profits from non-bank financial institutions		
Share of profits from equity participation/investments in third parties		
Late Performance Penalties		
Indemnity/Treasury Claims		
Interest on Deposits	Other Legitimate Own-Source Revenue	
Sale of Local Government Assets		
Giro Revenues		
Miscellaneous Revenues		
Share of Tax Revenues	Share of Tax Revenues	
Share of Non-Tax Revenues/Revenues from Natural Resources		
	Share of revenues arising from natural resources sector	
General Transfers	General Transfers	
Reforestation Special Transfers		

		Special Transfers
Non-Reforestation Special Transfers	→	Special Transfers
Share of Provincial Taxes	→	Share of Tax Revenues
Financial Assistance from Province	→	Grant Revenues
Grants	→	Grant Revenues
Contingency Assistance	→	Adjustment Transfers
Emergency Funds	→	Emergency Transfers

1

2 C. Expenditure Classifications

3 If expenditure under Minister of Home Affairs Decree No. 29 of 2002 is to be
 4 converted so as to harmonize it with the Government Accounting Standards, the
 5 process will be as described below:



6

7 The Government Accounting Standards categorize expenditure by economic (type of
 8 expenditure), organizational and functional classifications. The presentation of
 9 expenditure on the face of the Budget Realization Statement is based on economic
 10 classification (type of expenditure). The Government Accounting Standards do not
 11 distinguish between Government Apparatus Expenditure and Public Expenditure,

1 unlike Minister of Home Affairs Decree No. 29. Consequently, in presenting the
 2 Budget Realization Statement based on expenditure type, Government Apparatus
 3 Expenditure and Public Expenditure are combined. An illustration of this is shown
 4 below:

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6

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8

Expenditure	Government Apparatus Expenditure	Public Expenditure	Total Expenditure
General Administrative Expenditure			
Employee Expenditure	400,000,000,000	400,000,000,000	800,000,000,000
Supplies and service Expenditure	200,100,000,000	185,100,000,000	385,200,000,000
Official Travel Expenditure	5,600,000,000	5,500,000,000	11,100,000,000
Maintenance Expenditure	2,000,000,000	20,000,000,000	22,000,000,000
Total General Administrative Expenditure (GAE)	607,700,000,000	610,600,000,000	1.218,300,000,000

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Expenditure	Government Apparatus Expenditure	Public Expenditure	Total Expenditure
Operating & Maintenance Expenditure			
Employee Expenditure	100,000,000,000	100,000,000,000	200000000000
Goods and services Expenditure	200,000,000,000	200,000,000,000	400000000000
Official Travel Expenditure	4,400,000,000	4,000,000,000	8400000000
Maintenance Expenditure	30,000,000,000	30,000,000,000	60000000000
Total OME	334,400,000,000	334,000,000,000	668400000000
Total GAE and OME	942,100,000,000	944,600,000,000	1886700000000
Capital Expenditure	365,000,000,000	350,000,000,000	715000000000

1 Having Government Apparatus Expenditure and Public Expenditure been combined,
2 the figures for each expenditure classification are ready for conversion in the Budget
3 Realization Statement based on the Government Accounting Standards.

4 **1. Classification by Expenditure Type**

5 Under the Government Accounting Standards, there are two types of expenditure –
6 Operating Expenditure and Capital Expenditure. Operating Expenditure consists of
7 expenditure that produces benefit or will be fully used up in the course of
8 government operations during the current year, while Capital Expenditure is
9 expenditure that will produce benefit over the course of more than 1 year and whose
10 value is material. The criteria for determining the level of materiality of expenditure
11 need to be stipulated in a regulation of the Local Government Chief Executive.

12 **a. Operating Expenditure**

13 Operating Expenditure under Minister of Home Affairs Decree No. 29 of 2002 is
14 divided into two categories, namely, General Administrative Expenditure and
15 Operations and Maintenance Expenditure. Each of these categories is further
16 subdivided into Employee Expenditure, Goods and Services Expenditure, Official
17 Travel Expenditure, and Maintenance Expenditure. Thus, expenditure that has already
18 been combined, as illustrated in the above table, is presented as one classification,
19 namely Operating Expenditure. Prior to this, it needs to be ascertained with certainty
20 that each expenditure type has been properly applied, both as regards the scope of
21 expenditure and expenditure amounts, in accordance with the criteria for the
22 recognition of expenditure, as described earlier.

23 Employee Expenditure covers all remuneration and emoluments paid to government
24 employees and Local Government legislators, such as salaries, allowances and social
25 compensation payments.

26 Goods and services Expenditure covers all disbursements for the purchase of goods
27 and services, official travel and maintenance costs. Under Minister of Home Affairs
28 Decree No. 29 of 2002, these three types of expenditure are separate and are
29 entered in three distinct ledgers/accounts. However, under the Government
30 Accounting Standards, they are recorded in one account – Goods and services
31 Expenditure – in the Budget Realization Statement. The breakdown of each
32 expenditure type can be presented in the Notes to the Financial Statements.

33 Under Minister of Home Affairs Decree No. 29, expenditure in the form of interest
34 payments is included in the Goods and Service Expenditure account in General
35 Administrative Expenditure. However, under the Government Accounting Standards,
36 interest is accounted for separately under Interest Expenditure. Those Local

1 Governments which present interest in line with Minister of Home Affairs Decree No.
 2 29 have to remove interest expenditure from Goods ad Services Expenditure for
 3 presentation in a separate Interest Expenditure account.

4 The conversion of General Administrative Expenditure and Operational and
 5 Maintenance Expenditure under Minister of Home Affairs Decree No. 29 to
 6 Operating Expenditure under the Government Accounting Standards may be
 7 illustrated as follows:

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Expenditure under Minister of Home Affairs Decree No. 29 of 2002		Expenditure under Government Accounting Standards	
General Administrative	Total Expenditure	Operating Expenditure	Total Expenditure
Employee Expenditure		Employee Expenditure	
Goods and services Expenditure		Goods and services Expenditure	
Official Travel Expenditure		Interest Expenditure	
Maintenance Expenditure			
Total GAE			
Operating and Maintenance Expenditure			
Employee Expenditure			
Goods and services Expenditure			
Official Travel Expenditure			
Maintenance			

Expenditure			
Total OME			
Total Operating Expenditure		Total Operating Expenditure	

1 Notes:

2 Employee Expenditure under the Government Accounting Standards, as shown
3 above, represents the combining of employee expenditure from the General
4 Administrative Expenditure and Operational and Maintenance Expenditure accounts.
5 Goods and services Expenditure under the Government Accounting Standards
6 represents the combining of Goods and Service Expenditure from the General
7 Administrative Expenditure account and Operations and Maintenance Expenditure
8 after the exclusion of interest expenses, which are included in the Goods and
9 Services Expenditure account in General Administrative Expenditure under Minister
10 of Home Affairs Decree No. 29. Under the Government Accounting Standards,
11 interest expenses are covered by a separate account, namely, Interest Expenditure.

12 **b. Capital Expenditure**

13 Under the Budget Calculation Statement format mandated by Minister of Home
14 Affairs Decree No. 29 of 2009 capital expenditure is presented in one account, while
15 under the Government Accounting Standards capital expenditure is described based
16 on the Balance Sheet assets classifications, namely, Capital Expenditure on Land,
17 Capital Expenditure on Equipment and Machinery, Capital Expenditure on Buildings
18 and Properties, Capital Expenditure on Road, Irrigation and Transmission Networks,
19 Capital Expenditure on Other Fixed Assets, and Capital Expenditure on Other Assets.
20 Consequently, capital expenditure as stated in the Budget Calculation Statement
21 under the Minister of Home Affairs Decree No. 29/2002 cannot be directly converted
22 to the Budget Realization Statement format established by the Government
23 Accounting Standards. Rather, the accounts in the ledgers need to be analyzed first.

24 The presentation of capital expenditure in the Budget Realization Statement is
25 carried out by converting the capital expenditure accounts under Minister of Home
26 Affairs Decree No. 29 of 2002 into the respective capital expenditure classifications
27 established by the Government Accounting Standards. An illustration of how this is
28 effected is presented below:

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Conversion Scheme for Capital Expenditure

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Minister of Home Affairs Decree 29/2002

Government Accounting Standards

Capital expenditure on village land
 Capital expenditure on agricultural land
 Capital expenditure on plantation land
 Capital expenditure on mixed plantations
 Capital expenditure on forestry
 Capital expenditure on aquaculture
 Capital expenditure on lakes/wetlands
 Capital expenditure on idle/degraded land
 Capital expenditure on scrub- and grassland
 Capital expenditure on other land
 Capital expenditure on buildings
 Capital expenditure on mines
 Capital expenditure on non-warehouse buildings

Capital expenditure on Land

Capital expenditure on roads
 Capital expenditure on bridges
 Capital expenditure on irrigation networks
 Capital expenditure on clean water facilities
 Capital expenditure on wastewater facilities
 Capital expenditure on clean water networks
 Capital expenditure on electricity networks
 Capital expenditure on telephone networks

Road, Irrigation and Transmission Network enditure

Capital expenditure on workplaces
 Capital expenditure on dwellings
 Capital expenditure on towers
 Capital expenditure on historic buildings
 Capital expenditure on monuments

Buildings and Properties Expenditure

Capital expenditure on heavy equipment
 Capital expenditure on motorized transportation
 Capital expenditure on non-motorized transportation
 Capital expenditure on motorized floating transportation
 Capital expenditure on non-machine workshop equipment
 Capital expenditure on workshop machinery
 Capital expenditure on processing equipment
 Capital expenditure on office equipment
 Capital expenditure on household equipment
 Capital expenditure on computers
 Capital expenditure on desks and chairs
 Capital expenditure on studio equipment
 Capital expenditure on communications equipment
 Capital expenditure on medical equipment
 Capital expenditure on healthcare equipment
 Capital expenditure on laboratory equipment
 Capital expenditure on school visual aids/practical equipment

Equipment and Machinery Expenditure

Capital expenditure on firearms
 Capital expenditure on non-firearm weapons
 Capital expenditure on books
 Capital expenditure on periodicals

1	Capital expenditure	Other Fixed Asset Expenditure
2	on cultural patrimony	
3	Capital expenditure on animal husbandry	
4	Capital expenditure on plants	

5 Example: In the earlier illustration, total outlay on capital expenditure amounted to
6 Rp 715,000,000,000.00. According to the Government Accounting Standards, this
7 expenditure must be described by the Balance Sheet asset classifications:

8	Capital Expenditure–Land	200,000,000,000
9	Capital Expenditure–Buildings and Properties	200,000,000,000
10	Capital Expenditure – Equipment and Machinery	115,000,000,000
11	Capital Expenditure – Road, Irrigation and Transmission Networks	100,000,000,000
12	Capital Expenditure – Other Fixed Assets	100,000,000,000

13 **C. Revenue-Sharing and Financial Assistance**

14 Under Minister of Home Affairs Decree No. 29 of 2002, Revenue-Sharing and
15 Financial Assistance funds may be paid to subordinate and village
16 governments/religious institutions, social institutions and professional organizations.
17 Under the Government Accounting Standards, however, Revenue-Sharing and
18 Financial Assistance funds must be differentiated as between the following
19 categories: Grant, Subsidy, Social Assistance and Transfer Expenditure, depending on
20 the substantive nature of the expenditure.

21 Expenditure that is made vertically or consists of voluntary and non-binding
22 donations is reclassified and entered in the Grants account. For example, the
23 government of Jakarta Special Province donates a sum of money to the government
24 of Nanggroe Aceh Darussalam Province on a voluntary and non-binding basis. This
25 should be then classified by the Jakarta Government as a Grant.

26 Expenditures arising from the making of payments to providers of goods/services
27 that are essential to the public interest for the purpose of covering the difference
28 between the retail price and the cost of production so as to ensure that such
29 goods/services are affordable to the public are classified as Subsidy Expenditure.
30 Example: subsidies paid to Local Government water companies, and subsidies paid to
31 airline and ferry companies to allow them to serve isolated areas.

32 Expenditure incurred for social purposes is classified as Social Assistance
33 Expenditure. Example: assistance for mosques, healthcare and childcare institutions.

34 Revenue-sharing payments made to subordinate/village governments in accordance
35 with the provisions of the laws and regulations in effect are classified as Revenue-
36 Sharing Expenditure in the Transfer Expenditure account. An example in the case of a
37 provincial government would be the payment of a share of motor vehicle revenues

1 to subordinate district/municipal governments, or the sharing of tax revenues with
2 villages in the case of a district/municipal government.

3 **d. Unanticipated Expenditure**

4 Unexpected or contingent expenditure is referred to in the Government Accounting
5 Standards as Unanticipated Expenditure. Under Minister of Home Affairs Decree No.
6 29 of 2002, this category also covers the repayment of revenue from the previous
7 year. Should this occur, the presentation in the Budget Realization Statement will
8 need to be based on a prior analysis of the revenues repayment. Should the
9 repayments in question be normal and recurring, whether as regards revenue in the
10 current or previous period, under the Government Accounting Standards such
11 expenditure is presented as a reduction in revenue. Consequently, a Local
12 Government that includes such outlay in Unanticipated Expenditure in line with
13 Minister of Home Affairs Decree No. 29 of 2002 will need to remove it from the
14 Unanticipated Expenditure account.

15 In the case of the repayment of revenue on a non-recurring basis in respect of
16 revenue received during the previous period, under the Government Accounting
17 Standards such repayment is accounted for as a reduction in Surplus after Budget
18 Financing (SiLPA). Accordingly, a Local Government that includes such outlay in
19 Unanticipated Expenditure under Minister of Home Affairs Decree No. 29 of 2002 will
20 need to remove it from the Unanticipated Expenditure account.

21 **2. Classification by Organizational Structure**

22 Classification by organizational structure refers to the categorization of expenditure
23 by budget users (Local Government Line Units). Both Minister of Home Affairs
24 Decree No. 29 of 2002 and the Government Accounting Standards are essentially the
25 same in this regard, and require a classification by organizational structure to be
26 presented in the Notes to the Financial Statements.

27 **3. Classification by Function**

28 A total of 10 governmental financial management functions are identified by the
29 Government Accounting Standards, namely:

- 30 1. Public Services;
- 31 2. Public Order and Security;
- 32 3. Economy;
- 33 4. Environmental Protection;
- 34 5. Housing and Residential;
- 35 6. Health;
- 36 7. Tourism and Culture;

- 1 8. Religion;
- 2 9. Education; and
- 3 10. Social Protection.

4 These governmental functions are supposed to be further broken down into sub-
5 functions and micro functions. At the Central Government level, only sub-functions
6 have been formulated to date (as set out in Government Regulation No. 21 of 2004
7 on State Ministry/Institution Work Plans and Budgets), while at the Local
8 Government level these have yet to be formulated. Accordingly, it will be sufficient to
9 provide descriptions based on functions alone in the 2005 financial statements.

10 The classification of expenditure by function based on government administration
11 has been adjusted to take account of the powers of provincial and district/municipal
12 governments, including the categorization of expenditure as mandatory or optional.

13 The categories of mandatory expenditure are as follows:

- 14 a. Education;
- 15 b. Health;
- 16 c. Public Works;
- 17 d. Public housing;
- 18 e. Spatial planning;
- 19 f. Development planning;
- 20 g. Communications;
- 21 h. Environment;
- 22 i. Land affairs;
- 23 j. Population affairs and civil registration
- 24 k. Women's empowerment;
- 25 l. Family planning and welfare;
- 26 m. Social affairs;
- 27 n. Manpower and internal migration;
- 28 o. Cooperatives and SMEs;
- 29 p. capital investment;
- 30 q. Culture and tourism;
- 31 r. Youth affairs and sport;
- 32 s. national unity and politics;
- 33 t. general government affairs and human resources;
- 34 u. social and village empowerment;
- 35 v. statistics;
- 36 w. archives;
- 37 x. communications and information.

38 Meanwhile, optional expenditure is categorized as follows:

- 1 a. agriculture;
- 2 b. forestry;
- 3 c. energy and mineral resources;
- 4 d. marine affairs and fisheries;
- 5 e. trade; and
- 6 f. industry.

7 The classification of expenditure by function can be carried out by analyzing the
8 functions involved in each program/activity.

9 Example:

- 10 1. A literacy campaign will come under the education function.
- 11 2. An infant immunization program will come under the health function.
- 12 3. An affordable homes program will come under the public housing function.
- 13 4. An Own-Source Revenue Optimization Program will come under the Public
14 Services function.
- 15 5. A Food Crop Cultivation program will come under the Economy function.

16 **4. Classification of Financing**

17 Financing classification under Minister of Home Affairs Decree No. 29 of 2002 and
18 the Government Accounting Standards is the same so that there is no need for
19 conversion.

20

1 **CHAPTER IV**

2 **BALANCE SHEET ACCOUNTS**

3

4 **A. Balance Sheet Structure**

5 The structure of the Balance Sheet under Minister of Home Affairs Decree No. 29 of
6 2002 and the Government Accounting Standards is essentially the same, with both
7 employing the Current-Non Current classifications. However, there are some small
8 terminological differences and differences in the classification of equity.

9 **B. Asset Accounts**

10 An asset may be defined as a resource that is capable of providing economic and/or
11 social benefit, which is owned and/or controlled by government, and which is
12 capable of being measured in monetary terms. Non-financial resources that are
13 required to provide services to the public and resources that are maintained for
14 historical or cultural reasons also come within the definition of asset.

15 **1. Current Assets**

16 The definition of "Current Assets" as used in this Government Accounting Standard
17 and that given in Minister of Home Affairs Decree No. 29 of 2002 are the same.
18 Current Assets consist of, among other things, cash, short-term investments,
19 accounts receivable and inventory. A difference is to be found in this regard in the
20 Advance Payments account, which in the Government Accounting Standards refers
21 to payments made to third parties where as of the date of the Balance Sheet the
22 goods or services in question have yet to be delivered. By contrast, under Minister of
23 Home Affairs Decree No. 29 of 2002, the Advance Payments account includes cash
24 that has been accounted for and which is in the hands of a Disbursing
25 Treasurer/Cash Holder.

26 Accordingly, the necessary adjustments need to be made to accommodate this
27 difference. Cash at Disbursing Treasurer/Cash Holder represents a cash balance, and
28 must therefore be excluded from the Advance Payment account and presented
29 instead in the Cash at Disbursing Treasurer/Cash Holder account in Current Assets.

30 The following schematic diagram maps out the structure of the Current Assets
31 account under Minister of Home Affairs Decree No. 29 of 2002 and the Government
32 Accounting Standards:

33

1

2

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Cash & Bank	
Cash } →	Cash at Local Government Treasury
Bank } →	Cash at Receiving Treasury
Securities	
Shares } →	Short-Term Investments
Bonds } →	
Time Deposits (less than 3 months)	
Bank A } →	
Bank B } →	
Time Deposits (more than 3 months)	
Bank A } →	
Bank B } →	
Tax Receivables	
Motor Vehicle Tax Receivables } →	Tax Receivables
Sedans, station wagon, etc. }	
Bus, microbus }	
Motor Fuel Tax Receivables }	
Hotel Tax Receivables }	
Restaurant Tax Receivables }	
Entertainment Tax Receivables }	
Advertising tax Receivables }	
Receivables from Charges	
Healthcare Charge Receivables } →	Receivables from Local Government Charges
Cemetery Charge Receivables }	
Motor Vehicle Testing Charge Receivables }	
Receivables from charges for use of Local Government assets }	
Local Product Sale Charge Receivables }	
Bus Route Charge Receivables }	
	Current Loans to Central Government Business Enterprises
	Current Loans to Local Government Business Enterprises
	Current Loans to Central Government
	Current Loans to Other Local Governments
	Current Credit Sale Receivables
	Current Treasury Claims
	Current Indemnity Claims
Transfer Receivables	
Land & Building Tax Receivables } →	Other receivables
Article 21 Income tax Receivables }	
Fasos/Fasum Receivables }	
Miscellaneous Receivables }	
Receivables from Motor Vehicle Sales on Credit }	
Receivables from sale of Local Government assets }	
Receivables from Indemnity Claims }	
Dividend Receivables }	

Receivables from share of Local Government enterprise profits	
Receivables from third party partnerships	
Inventories	
Drugs	} → Inventory
Seeds	
Livestock	
Prepaid Expenditures	
Advanced cash to be accounted for - Dropping	→ Cash at Disbursing Treasurer
Down payments on procurements	→ Prepaid Expenses

1 **2. Long-Term Investments**

2 Under Minister of Home Affairs Decree No. 29 of 2002, Long-Term Investments are
3 classified as investments in stocks and bonds, while under the Government
4 Accounting Standards such investments are differentiated as between Non-
5 Permanent Investments and Permanent Investments. Conversion should be done at
6 the account level in the following way:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Long-Term Investments	Long-Term Investments
	Non-Permanent Investments
Equity Investments	Loans to Central Government Business Enterprises
Investments in Local Government Business Enterprises	Loans to Local Government Business Enterprises
Investments in Bonds	Loans to Other Local Governments
	Investments in Government Bonds
	Construction in Progress Investments
	Other Non-Permanent Investments
	Permanent Investments
	Local Government Capital Participation
	Other Permanent Investments

7 Another difference concerns valuation. Under Minister of Home Affairs Decree No.
8 29 of 2002, Short-Term Investment on the Balance Sheet are valued based on
9 acquisition value, while under the Government Accounting Standards different
10 valuation methods are applied depending on the type of investment asset.

11 Under the Government Accounting Standards, three valuation methods are
12 employed, namely, the cost method, equity method and net realizable value method.
13 The rules governing which should be applied are as follows:

- 14 • In the case of equity participation of less than 20%, the cost method should
15 be used;

- 1 • In the case of equity participation of between 20% and 50%, or less than 20%
2 but with significant influence, the equity method should be used;
- 3 • In the case of equity participation of more than 50%, the equity method
4 should be used;
- 5 • In the case of non-permanent investments, the net realizable value method
6 should be used.

7 Thus, different valuations will arise depending on whether Minister of Home Affairs
8 Decree No. 29 of 2002 or the Government Accounting Standards are used.
9 Accordingly, the value of equity participation of more than 20% by Local
10 Governments must be recalculated based on the financial statements of the Local
11 Government Business Enterprises concerned, while non-permanent investments
12 need to be revalued based on their net-realizable value.

13 Examples:

14 A Local Government holds 40% of the equity in a Regional Development Bank. The
15 acquisition value of this holding was Rp 20 billion. According to the bank's financial
16 statements, retained earnings in 2005 amounted to Rp 5 billion. Thus, the value of
17 the Local Government's equity participation in the bank as per 31 December 2005 is
18 $Rp\ 20\ billion + (40\% \times 5\ billion) = Rp\ 22\ billion$. Conversely, should the value of the
19 Local Government's holding be only Rp 5 billion, or 5% of the bank's total equity,
20 then the value of the Local Government's Short-Term Investment in the bank will be
21 presented as Rp 5 billion, irrespective of the bank's profit/loss.

22 Based the first example above, if the Local Government applies Minister of Home
23 Affairs Decree No. 29 of 2002, it will present its Long-Term Investment on the
24 Balance Sheet as Rp 20 billion. However, based on the Government Accounting
25 Standards, it needs to be presented as Rp 22 billion. In the case of the second
26 example, however, the value of the Long-Term Investment will continue to be
27 presented as Rp 5 billion. Consequently, at the time of conversion, the Local
28 Government needs to have regards not only to the account structure, but also to the
29 valuation methods employed.

30 **3. Fixed Assets**

31 The treatment of Fixed Assets under both the Government Accounting Standards
32 and Minister of Home Affairs Decree No. 29 of 2002 is similar, although there are
33 some minor differences as regards the description of Fixed Assets. The description of
34 Fixed Assets on the Balance Sheet needs to be in line with the description of Capital
35 Expenditure given in the Budget Realization Statement so as to maintain control over
36 the relationships between accounts. The Balance Sheet classification of Fixed Assets
37 under Minister of Home Affairs Decree No. 29 of 2002 is more detailed than under

1 the Government Accounting Standards. Consequently, the Fixed Asset accounts need
 2 to be converted into the Fixed Asset structure applied by the Government
 3 Accounting Standards, which is as follows:

- 4 • Land
- 5 • Buildings and Properties
- 6 • Equipment and Machinery
- 7 • Road, Irrigation and Transmission Networks
- 8 • Other Fixed Assets
- 9 • Construction in Progress

10 Under Minister of Home Affairs Decree No. 29 of 2002, Construction in Progress is
 11 presented in the Other Assets account, while under the Government Accounting
 12 Standards it is presented in the Fixed Assets account. Thus, the value of Construction
 13 in Progress needs to be reclassified from Other Assets to Fixed Assets.

14 Fixed Asset are valued based on acquisition value. The Government Accounting
 15 Standards also provide for the depreciation of Fixed Assets other than land and
 16 Construction in Progress. This is necessary so as to take account of reduction in the
 17 value of assets arising from use, wear and tear, and damage. Consequently, should
 18 the Local Government not be capable of depreciating its Fixed Assets, this needs to
 19 be set out in its accounting policies and disclosed in the Notes to the Financial
 20 Statements.

21 The following schematic diagram maps out the structure of the Fixed Assets account
 22 under Minister of Home Affairs Decree No. 29 of 2002 and the Government
 23 Accounting Standards:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Land	
Land for offices	
Land for hospitals	
Land for official residences	
Land for meeting halls	
Land for agriculture	
Land for plantations	Land
Land for fisheries	
Land for livestock husbandry	
Land for schools	
Land for dormitories/messes/villas	
Land for factories/workshops/studios	
Land for children’s homes,homes for the elderly, etc.	

Roads and Bridges	
Provincial Roads	
District/Municipal Roads	
Bridges	
Water Installations (irrigation)	Road, Irrigation and Transmission Networks
Reservoirs	
Water towers	
Installations	
Drinking water	
Wastewater	
Buildings	
Office buildings	
Hospital buildings	
Official Residences	
Meeting halls	
Seed nurseries	
Livestock enclosures	
School buildings	Buildings and Properties
Dormitories/Messes/Villas	
Facilities/workshops/studios	
Children's homes/homes for the elderly, etc.	
Stadiums	
Monuments and Statutes	
Monuments	
Statutes	
Heavy Equipment	
Transportation Equipment	
Workshop and Calibration Equipment	
Agricultural Equipment	
Office and Household Equipment	Equipment and Machinery
Studio and Communications Equipment	
Medical Equipment	
Laboratory Equipment	
Books/library collections	
Cultural Patrimony	Other Fixed Asset
Livestock and plants	
Security Equipment	
Miscellaneous Assets	
Receivables from Credit Sales	Other Assets
BOT	

Construction in Progress	
Construction of office buildings	
Construction of hospitals	
Construction of official residences	
Construction of meeting halls	
Construction of seed nurseries	
Construction of livestock enclosures	Construction in Progress
Construction of schools	
Construction of dormitories/messes/villas	
Construction of facilities/workshops/studios	
Construction of bus stations	
Construction of parks	
	Accumulated Depreciation

1 **4. Reserve Funds**

2 The treatment of Reserve Funds under the Government Accounting Standards is the
3 same as under Minister of Home Affairs Decree No. 29 of 2002. Reserve Funds are
4 presented on the Balance Sheet based on their cumulative value.

5 **5. Other Assets**

6 Other Assets covers all assets that do not fit into the asset classifications described
7 above. As previously explained, under the Government Accounting Standards the
8 Construction in Progress category has been moved fro Other Assets to Fixed Assets.
9 In addition, Intangible Assets are presented in the Other Assets group based on
10 acquisition value.

11 The following schematic diagram maps out the structure of the Other Assets account
12 under Minister of Home Affairs Decree No. 29 of 2002 and the Government
13 Accounting Standards:

14

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Miscellaneous Assets	
Receivables from credit sales	Other Assets
BOT	
Construction in Progress	
Construction of office buildings	
Construction of hospitals	
Construction of official residences	

Construction of meeting halls	
Construction of seed nurseries	Fixed Assets
Construction of livestock enclosures	Construction in Progress
Construction of schools	
Construction of dormitories/messes/villas	
Construction of facilities/workshops/studios	
Construction of bus stations	
Construction of parks	

1 **C. Liabilities**

2 The treatment of Liabilities is the same under the Government Accounting Standards
3 and Minister of Home Affairs Decree No. 29 of 2002. In both cases, Liabilities are
4 classified as Short-Term Liabilities (Current Liabilities) and Long-Term Liabilities
5 (Non-Current Liabilities). Liabilities are measured based on the nominal value that
6 must be paid as per the date of maturity. In this regard, it should be noted that
7 Liabilities do not just arise as a result of loans, but also include other liabilities, such
8 as Expenses Payable and Third Party Liabilities Withheld. The value of the latter can
9 be obtained from the expenditure and receipts records set out in cash and
10 accounting (UKP) documents.

11 The following schematic diagram maps out the structure of Liabilities under Minister
12 of Home Affairs Decree No. 29 of 2002 and the Government Accounting Standards:

Minister of Home Affairs Decree 29/2002	Government Accounting Standards
Liabilities	Liabilities
	Short-Term Liabilities
Current Long-Term Liabilities	Third Party Liabilities Withheld
Purchasing Liabilities	
Tax liabilities	Accrued Interest
Article 21 income tax deductions owed	Current Long-Term Liabilities
Article 22 income tax deductions owed	Other Short-Term Liabilities
Value Added Tax deductions owed	
Unearned Revenue	
Excess payments to third parties	
Third party down payments on sale of Local Government products	
Down payments from auction sales of Local Government assets	
Other Liabilities	
Taspen liabilities	
Housing scheme deductions	

KORPRI Dues	
Long-Term Liabilities	Long-Term Liabilities

1 **D. Equity**

2 The approach employed in the classification of equity in the Government Accounting
3 Standards differs from that in Minister of Home Affairs Decree No. 29 of 2002.
4 Consequently, when preparing the Balance Sheet the equity account needs to be
5 brought in line with the requirements of the Government Accounting Standards.

6 The method employed in doing so is based on the "self-balancing group of
7 accounts" approach, as described below:

8 **1. Current Fund Equity**

9 Current Fund Equity is equal to Current Assets less Short-Term Liabilities.
10 Consequently, Current Fund Equity includes:

- 11 • Surplus after Budget Financing (in the form of Cash at Local Government
12 Treasury, Cash at Disbursing Treasurers and Short-Term Investments)
- 13 • Deferred Revenues (in the form of Cash at Receiving Treasurers)
- 14 • Receivables Provision (as the contra account to Receivables)
- 15 • Inventory Provision (as the contra account to Inventory)

16 Less:

- 17 • Short-Term Liabilities Provision (as the contra account to Short-Term
18 Liabilities)

19 **2. Investment Fund Equity**

20 Investment Fund Equity reflects the net asset position of a Local Government in the
21 form of Long-Term Assets. The value of Investment Fund Equity in the Balance Sheet
22 is calculated based on the value of:

- 23 • Short-Term Investments
- 24 • Fixed Assets
- 25 • Other Assets

26 Less:

- 27 • Long-Term Liabilities Provision

1

2 **3. Reserved Fund Equity**

3 Reserved Fund Equity reflects the net assets of the Local Government as invested in
4 Reserve Funds. Thus, the amount presented on the Balance Sheet is equal to the
5 value of the Local Government's Reserve Funds. The provisions governing this under
6 the Minister of Home Affairs Decree No. 29 of 2002 are the same as under the
7 Government Accounting Standards.

8 Having regard to the structure of the Equity Account, there is no need to conduct a
9 prior mapping process prior to Balance Sheet presentation.

10

1 **CHAPTER V**

2 **ACCOUNTS IN CASH FLOW STATEMENT**

3

4 **A. Cash Flow Statement Structure**

5 Under Minister of Home Affairs Decree No. 29 of 2002, the Cash Flow Statement is
6 referred to as the Cash Flow Report. Having regard to the provisions of the laws and
7 regulations in effect, we shall henceforth use the term "Cash Flow Statement."

8 The following schematic diagram maps out the structure of the Cash Flow Statement
9 under Minister of Home Affairs Decree No. 29 of 2002 and the Government
10 Accounting Standards:

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Minister of Home Affairs Decree No. 29/2002	SAP
Cash flow from operations	Cash flow from operations
Cash inflows	Cash inflows
Local Government Own-Source Revenue	Local Government Tax Revenues
Fiscal Balance Transfer Revenues	Local Government Charge Revenues
Other Legitimate Local Government Revenues	Revenues from Management of Separated Local Government Assets
Sales of office requisites/equipment	Other Legitimate Own-Source Revenues
Sale of Machinery/Heavy Equipment	Tax Revenue-Sharing Transfers
Sale of Machinery Shops/Official Residences	Natural Resources Revenue-Sharing Transfers
Sale of two-wheeled vehicles	General Transfers
Sale of 4-wheeled vehicles	Special Transfers
	Special Autonomy Transfers
	Adjustment Transfers
	Tax Revenue-Sharing Transfers
	Other Revenue-Sharing Transfers
	Grants
	Emergency Fund Transfers
	Other Revenues
	Total cash inflows
	Cash outflows
General Administrative Expenditure	Employee Expenditure
Employee/Personnel Expenditure	Goods and services Expenditure
Goods and services Expenditure	Interest
Official Travel Expenditure	Subsidy Expenditure
Maintenance Expenditure	Grant Expenditure
Operating & Maintenance Expenditure	Social Expenditure
Employee/Personnel Expenditure	Unexpected Expenditure
Goods and services Expenditure	Tax Revenue-Sharing Transfers
Official Travel Expenditure	Local Government Charge Revenue-Sharing Transfers
Maintenance Expenditure	Other Revenue-Sharing Transfers
Revenue-Sharing and Financial Assistance Expenditure	Total Cash Outflows
Unanticipated Expenditure	
	Cash flow from investment in non-financial assets
	Cash inflows
Sale of Long-Term Investments	Revenue from land sales
Sale of fixed assets	Revenue from sales of Equipment and Machinery
	Revenue from sale of Buildings and Properties
	Revenue from sale of Road, Irrigation and Transmission Networks
	Revenue from sales of Fixed Assets
	Revenue from sales of other assets
	Total cash inflows
Capital/development expenditure	Outgoing cash flows
Purchase of Long-Term Investments	Land purchases
	Purchase of Equipment and Machinery
	Purchase of Buildings and Properties
	Road, Irrigation and Transmission Networks Expenditure
	Other Fixed Asset Expenditure
	Other Asset Expenditure
	Total outgoing cash flows
Loans and Bonds	
Reserve Fund Transfers	Cash outflows from financing
Sale of Local Government assets	Incoming cash flows
Tax Revenues from previous fiscal year	Reserve Fund Disbursements
	Proceeds from sale of Local Government assets
	Domestic Liabilities – Central Government
	Domestic liabilities – other Local Governments
	Domestic Liabilities - Banks
	Domestic Liabilities – Non-Bank Financial Institutions
	Domestic Liabilities - Bonds
	Domestic Liabilities - Other
	Repayments of loans by Central Government Business Enterprises
	Repayments of loans by Local Government business enterprises
	Repayments of loans by other Local Governments
	Total Outgoing Cash Flows
Loan and Bond Repayments	Outgoing Cash Flows
Transfers to Reserve Fund	Establishment of Reserve Fund
Capital Participation	Local Government Capital Participation
Tax Arrears from Previous Year	Repayment of domestic liabilities – Central Government
	Repayment of Domestic Liabilities – Other Local Governments
	Repayments of Domestic Liabilities – Non-Bank
	Repayments of Domestic Liabilities – Non-Bank Financial Institutions
	Repayment of Domestic Liabilities - Bonds
	Repayments of domestic liabilities - Other
	Loans to Central Government Business Enterprises
	Loans to Local Government Business Enterprises
	Loans to Other Local Governments
	Total Outgoing Cash Flows
	Cash flows from non-budgetary activities
	Cash inflows
	Third Party Liabilities Withheld
	Total cash inflows
	Cash outflows
	Third Party Liabilities Withheld
Source documents	

1 From the above diagram, it is clear that Cash Flow from Non-Budgetary Operations
2 is not provided for in the cash flow report based on the Minister of Home Affairs
3 Decree No. 29 of 2002.

4 **B. Cash Flow from Operations**

5 Both the Government Accounting Standards and Minister of Home Affairs Decree
6 No. 29 of 2002 provide for the reporting of cash flows arising from government
7 operations. Thus, this involves the presentation of revenues and expenditures arising
8 as a result of government operations.

9 Operating revenues consist of Own-Source Revenue, transfer revenues from Central
10 Government and Other Local Governments, Emergency Funds and Other Legitimate
11 Revenues. Broadly speaking, the rules set out in both Minister of Home Affairs
12 Decree No. 29 of 2002 and the Government Accounting Standards are similar.
13 However, if we carefully scrutinize each revenue source, it will be seen that there are
14 particular types of revenue that do not come within the definition of operating
15 revenues.

16 In this regard, revenue arising from the sale of Fixed Assets, whether accruing on a
17 cash or installment basis, needs to be reclassified as incoming cash flows from
18 investment activities.

19 Cash outflows for operations include all cash outflows arising as a result of
20 government operations. Under the Government Accounting Standards, these
21 outflows consist of employee salaries, goods procurements, interest payments,
22 subsidies, grants, social assistance expenditure, unanticipated expenditure, and
23 revenue-sharing expenditure. Under Minister of Home Affairs Decree No. 29 of 2002,
24 cash outflows for operations consist of General Administrative Expenditure,
25 Operational and Maintenance Expenditure, Revenue-Sharing and Financial
26 Assistance Expenditure, and Unexpected Expenditure.

27 In line with the presentation of the Budget Realization Statement, cash outflows for
28 operations needs to be reclassified into the expenditure categories provided for by
29 the Government Accounting Standards, with the scheme of this reclassification being
30 as described in Chapter II.

31 In the context of cash management, a Local Government Treasurer may invest idle
32 funds in short-term investments, such as time deposits with maturities of less than
33 one year, and government bonds. Cash outflows and inflows arising in this regard
34 are the result of government operations and so must also be presented as cash flows
35 from operations. For example, Rp 10 billion is disbursed by the Local Government
36 Treasurer for investment in a 6-month time deposit. This outflow is presented as a

1 cash outflow from operations. Conversely, when the deposit matures, it must be
2 presented as a cash inflow from operations.

3

4

5 **C. Cash Flows from Non-Financial Investments**

6 Cash Flows from Non-Financial Investments in the context are confined to cash flows
7 related to investments in Fixed Assets and/or Other Assets. Investments in Long-
8 Term Time Deposits are not treated as Investments, but rather as Financing.

9 Minister of Home Affairs Decree No. 29 of 2002 provides that cash flows arising from
10 the acquisition/sale of Fixed Assets and from equity participation are to be
11 categorized as investments. As a result, such cash flows must be reclassified under
12 the Government Accounting Standards, and cash flows arising from Local
13 Government equity investments need to be removed from Investments and
14 transferred to Financing.

15 In addition, it also needs to be remembered, as described above, that cash flows
16 arising from the sale of Fixed Assets are treated as cash flows from investments.

17 In order to maintain control over the relationships between accounts, the details of
18 cash inflows and outflows from investments must be presented in line with the
19 sequence presented in the Balance Sheet Fixed Assets account. Consequently, cash
20 flows need to be described based on inflows/outflows related to Land, Buildings and
21 Properties, Equipment and Machinery, Road, Irrigation and Transmission Networks,
22 and Other Fixed Assets.

23 **D. Cash Flows from Financing**

24 Cash flows from financing cover all cash disbursements and receipts that arise as a
25 result of financing activities. Financing refers to receipts that need to be repaid
26 and/or disbursements that should be re-received because of the deficit financing or
27 the use of budget surplus (definition quoted directly from Government Accounting
28 Standard No. 03).

29 Having regard to the above definition of financing, some of the cash inflows and
30 outflows prescribed by Minister of Home Affairs Decree No. 29 of 2002 are not in
31 line with the Government Accounting Standards, namely:

- 32 • Tax receipts from previous year

- 1 • Tax payments/expenditures from previous year

2 If receipts arising from tax arrears or the payment of tax arrears occur as a result of
3 the payment system established by the government, and if such transactions are
4 normal and of a recurring nature, they will be presented as revenue in the year in
5 which they are received. Accordingly, they will be categorized under Operations. For
6 example, a hotel has been presented with a tax assessment of Rp 10 million, and
7 owes Rp 1 million from the previous year. In such case, both amounts are presented
8 as Local Government Tax Revenues under the Operations category.

9 Payment of expenses arising in the previous year also represents cash flows arising
10 from operations provided that they are operating expenditure payments. If such
11 outflows are incurred in connection with capital expenditure, then they will be
12 classified under cash flows from investments, provided that they are not incurred for
13 the purpose of helping cover the budget deficit.

14 Under Minister of Home Affairs Decree No. 29 of 2002, payments of taxes from the
15 previous year are often referred to as Third Party Liabilities Withheld, which have
16 already been made by the Local Government but which as of the end of the fiscal
17 year have yet to be paid into the State Treasury. The collection and payment of such
18 third party Liabilities are not included in Financing but rather in Non-Budgetary
19 Activities. Accordingly, if the Local Government categorizes these as Third Party
20 Liabilities Withheld, a reclassification will need to be made by transferring them to
21 the Non-Budgetary Activities category.

22 **E. Cash Flows from Non-Budgetary Activities**

23 This category of cash flows is intended to present cash inflows and outflows that are
24 not related to budgetary transactions, and is not specifically provided for by Minister
25 of Home Affairs Decree No. 29 of 2002.

26 Under the Government Accounting Standards, cash inflows in this context consist of
27 cash receipts related to Third Party Liabilities Withheld. Similarly, cash outflows in the
28 context refer to payments of Third party Liabilities Withheld to those entitled to
29 receive them. Such Liabilities include income and value added taxes that have been
30 collected by the Local Government, and contributions collected in connection with
31 various social insurance and other schemes (Askes [health insurance], Taspen
32 [pension fund], and Taperum [housing saving scheme]). The value of Third Party
33 Liabilities Withheld can be calculated from the official UKP documents.

34 **F. Cash Balances**

1 Under both Minister of Home Affairs Decree No. 29 of 2002 and the Government
2 Accounting Standards, cash balances must be calculated at both the start and end of
3 the year. However, under Minister of Home Affairs Decree No. 29 of 2002, the
4 closing cash balance consists solely of the Local Government Treasury cash balance,
5 while under the Government Accounting Standards, it consists not only of the Local
6 Government Treasury cash balance, but also the cash balances at Disbursement and
7 Receiving Treasurers.

8

1 **CHAPTER VI**

2 **NOTES TO THE FINANCIAL STATEMENTS**

3
4 The Notes to the Financial Statements are a new component of Local Government
5 financial statements, and replace the Budget Calculation Notes used previously. The
6 structure of the Notes to the Financial Statements as described in Government
7 Accounting Standard No. 04 is not sufficiently covered in Minister of Home Affairs
8 Decree No. 29 of 2002. Accordingly, the presentation of the Notes to the Financial
9 Statements should be based directly on Government Accounting Standard 04, while
10 the substance of the Budget Calculation Notes may be used as backup material.

11 The Notes to the Financial Statements are intended to provide the information and
12 disclosures that are needed in connection with the financial statements. The
13 structure of the Notes to the Financial Statements is as described below:

14 **A. General Information**

15 In the General Information section, the following information is provided:

- 16 a. Procedures governing the preparation of the financial statements;
17 b. Information on funding sources and the monies managed by the accounting
18 entity concerned;
19 c. The number of subordinate accounting entities (including Public Service Bodies);
20 d. A description of the financial performance of the entity;
21 e. Explanations on the financial position of the entity;
22 f. A brief description of Local Government Business Enterprises.

23 The information on the financial statements may be presented in both graphic and
24 tabular form.

25 **B. Accounting Policies**

26 The information on accounting policies shall explain:

- 27 a. The accounting basis employed in the preparation of the financial statements;
28 b. The basic assumptions employed;
29 c. Recognition and measurement in respect of the Balance Sheet and Budget
30 Realization Statement accounts.

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5 **C. Explanations on the Balance Sheet, Budget Realization Statement and**
6 **Cash Flow Statement Accounts**

7 **1. Budget Realization Statement**

8 **a. Revenue**

- 9 • An explanation is given of the difference between budget allocations and
10 actual budget realization (by stating nominal and percentage values)
- 11 • An explanation is given of the difference between revenue in the current
12 period and revenue in the previous period (by stating nominal and
13 percentage values)

14 **b. Expenditure**

- 15 • An explanation is given of the difference between budget expenditure
16 allocations and actual expenditure realization (by stating nominal and
17 percentage values)
- 18 • An explanation is given of the difference between expenditure in the current
19 period and expenditure in the previous period (by stating nominal and
20 percentage values)
- 21 • Explanations are given in respect of each type of expenditure.

22 **C. Transfers**

- 23 • An explanation is given of the difference between budget transfer allocations
24 and actual transfer realization (by stating nominal and percentage values)
- 25 • An explanation is given of the difference between transfers in the current
26 period and transfers in the previous period (by stating nominal and
27 percentage values)
- 28 • Explanations are given in respect of each type of transfer.

29 **d. Financing**

- 1 • An explanation is given of the difference between budget financing
2 allocations and actual financing realization (by stating nominal and
3 percentage values)
- 4 • An explanation is given of the difference between financing in the current
5 period and financing in the previous period (by stating nominal and
6 percentage values)
- 7 • Explanations are given in respect of each type of financing.

8 **2. Balance Sheet**

9 Explanations on the Balance Sheet accounts:

10 a. Explanations are presented on the Current Asset accounts, such as Cash at
11 Disbursement Treasurers, Cash at Receiving Treasurers, Short-Term
12 Investments, Accounts Receivable and Inventory.

13 b. Long-Term Investments

14 Explanations are presented on the Current Asset accounts, such as
15 Government Equity Participation, Investments in Bonds, and Loans to Local
16 Governments.

17 **c. Fixed Assets**

18 Explanations are given of the accounting bases employed for all Fixed Asset
19 accounts. If necessary, explanations may also be given on differences in the
20 recording of Fixed Assets as between financial units and management units. A
21 list of Fixed Assets must be attached as a schedule to the financial statements.

22 **d. Reserve Funds**

23 Descriptions are given of the Local Government's reserve funds, including the
24 Local Government Ordinances establishing them, their purpose, their value,
25 how they are invested and how they are to be used.

26 **e. Other Assets**

27 A description is presented of the accounts contained in Other Assets, such as
28 Receivables from Installment Sales, Treasury/Indemnity Claims, and
29 Partnerships with Third Parties.

30 **f. Short-Term Liabilities**

1 Explanations are given of the accounts contained in Short-Term Liabilities,
2 such as Third Party Liabilities Withheld, Expenses Payable, Current Long-Term
3 Liabilities and Accrued Interest.

4 **g. Long-Term Liabilities**

5 A description is presented of the accounts contained in Long-Term Liabilities,
6 such as Liabilities to Central Government and Liabilities to Banks.

7 **h. Current Fund Equity**

8 Explanations are given of the accounts contained in Current Fund Equity, such
9 as Surplus after Budget Financing, Receivables Provision and Inventory
10 Provision.

11 **i. Investment Fund Equity**

12 A description is presented of the accounts contained in Investment Fund
13 Equity, such as Disinvestment of Long-Term Investments, and Disinvestment
14 of Fixed Assets.

15 **3. Cash Flow Statement**

16 **a. Cash Flows from Operations**

17 A description is given of cash inflows and outflows arising as a result of
18 government operations, such as Tax Revenues and Employee Salaries.

19 **b. Cash Flows from Non-Financial Investments**

20 Explanations are presented of cash inflows and outflows arising from non-
21 financial investments, such as Revenues from Sales of Fixed Assets and Capital
22 Expenditure on Fixed Assets.

23 **c. Cash Flows from Financing**

24 A description is given of cash inflows and outflows arising from financing
25 activities, such as Equity Participation in Local Government Business
26 Enterprises, Loan Receipts and Loan Principal Repayments.

27 **d. Cash Flows from Non-Budgetary Activities**

28 Explanations are given of cash inflows and outflows arising from non-
29 budgetary activities, such as Inflows from Third Party Liabilities Withheld and
30 Outflows on Third Party Liabilities Withheld.

1 **D. Other Disclosures**

2 In this section of the Notes to the Financial Statements, information is disclosed that
3 could have a bearing on the financial statements, such as:

4 **a. Contingencies**

5 A contingency is a condition or situation that is as yet uncertain as per the
6 date of the Balance Sheet, such as a substantive legal case whose final
7 outcome is predictable. Such a contingency must be disclosed in the Notes to
8 the Financial Statements.

9 **b. Commitments**

10 A commitment is an agreement with a third party that must be disclosed in
11 the Notes to the Financial Statements.

12 **c. Subsequent Events**

13 These are events that occur after the date of the Balance Sheet that have a
14 significant effect on the Balance Sheet accounts or other components of the
15 financial statements.

16 **E. Other Necessary Information**

17 This consists of matters that it is deemed necessary to disclose that have not been
18 disclosed elsewhere.

19

20

Illustrative Financial Statement Formats

21 **A. Local Government Budget Realization Statement Format**

22

Provincial Government

23 **Budget Realization Statement for the Years Ended 31 December 20X1 and 20X0**

24

(in rupiah)

No	Description	20X1 Budget	20X1 Realization	(%)	20X0 Realization
1	Revenue				
2	Own-Source Revenue				
3	Local Government Tax Revenues	xxx	xxx	xx	xxx
4	Local Government Charge Revenues	xxx	xxx	xx	xxx

5	Revenues from Management of Separated Local Government Assets	xxx	xxx	xx	xxx
6	Other Legitimate Own-Source Revenue	xxx	xxx	xx	xxx
7	Total Own-Source Revenue (3 to 6)	xxxx	xxxx	xx	xxxx
8					
9	Transfer Revenue				
10	Central Government Fiscal Balance Transfers				
11	Tax Revenue Sharing Transfers	xxx	xxx	xx	xxx
12	Natural resources revenue sharing transfers	xxx	xxx	xx	xxx
13	General Transfers	xxx	xxx	xx	xxx
14	Special Transfers	xxx	xxx	xx	xxx
15	Total Fiscal Balance Transfer Revenues (13 to 12)	xxxx	xxxx	xx	xxxx
16					
17	Other Central Government Transfers				
18	Special Autonomy Transfers	xxx	xxx	xx	xxx
19	Adjustment transfers	xxx	xxx	xx	xxx
20	Total Other Transfer Revenues (18 to 19)	xxxx	xxxx	xx	xxxx
21	Total Transfer Revenues (15+20)	xxxx	xxxx	xx	xxxx
22					
23	Other Legitimate Revenues				
24	Grants	xxx	xxx	xx	xxx
25	Emergency Fund Transfers	xxx	xxx	xx	xxx
26	Miscellaneous Revenues	xxx	xxx	xx	xxx
27	Total Other Legitimate Revenue (24 to 26)	xxxx	xxxx	xx	xxxx
28	Total Revenue (7+21+27)	xxxx	xxxx	xx	xxxx
29	Expenditure				
30	Operating Expenditure				
31	Employee Expenditure	xxx	xxx	xx	xxx
32	Goods and services Expenditure	xxx	xxx	xx	xxx
33	Interest Expenditure	xxx	xxx	xx	xxx
34	Subsidy Expenditure	xxx	xxx	xx	xxx
35	Grant Expenditure	xxx	xxx	xx	xxx
36	Social Assistance Expenditure	xxx	xxx	xx	xxx
37	Total Operating Expenditure (31 to 36)	xxxx	xxxx	xx	xxxx
38					
39	Capital Expenditure				
40	Expenditure on Land	xxx	xxx	xx	xxx
41	Expenditure on Equipment and Machinery	xxx	xxx	xx	xxx
42	Expenditure on Buildings and Properties	xxx	xxx	xx	xxx
43	Expenditure on Road, Irrigation and Transmission Networks	xxx	xxx	xx	xxx
44	Expenditure on Other Fixed Assets	xxx	xxx	xx	xxx
45	Expenditure on Other Assets	xxx	xxx	xx	xxx

46	Total Capital Expenditure (40 to 45)	XXXX	XXXX	XX	XXXX
47					
48	Unexpected Expenditure				
49	Unexpected expenditure	xxx	xxx	xx	xxx
50	Total Unexpected expenditure (49 to 49)	XXXX	XXXX	XX	XXXX
51	Total Expenditure (37+46+50)	XXXX	XXXX	XX	XXXX
52					
53	Transfers				
54	Revenue Sharing Transfers to Districts/Municipalities				
55	Revenue-sharing transfers to districts/municipalities	xxx	xxx	xx	xxx
56	Charge-sharing transfers to districts/municipalities	xxx	xxx	xx	xxx
57	Other-Revenue Transfers to districts/municipalities	xxx	xxx	xx	xxx
58	Total Revenue-sharing transfers to Districts/municipalities (55 to 57)	XXXX	XXXX	XX	XXXX
59	Total Expenditure and Transfers (51+58)	XXXX	XXXX	XX	XXXX
60					
61	Surplus/Deficit (28-59)	XXXX	XXXX	XX	XXXX
	Financing				
	Financing Receipts	xxx	xxx	xx	xxx
	Use of surplus after budget financing	xxx	xxx	xx	xxx
	Disbursements from reserve funds	xxx	xxx	xx	xxx
	Proceeds of sale of Local Government assets	xxx	xxx	xx	xxx
	Domestic loans – Central Government	xxx	xxx	xx	xxx
	Domestic loans – Other Local Governments	xxx	xxx	xx	xxx
	Domestic loans – Banks	xxx	xxx	xx	xxx
	Domestic loans – Non-Bank Financial Institutions	xxx	xxx	xx	xxx
	Domestic loans – Bonds	xxx	xxx	xx	xxx
	Domestic loans – Other	xxx	xxx	xx	xxx
	Repayment of loans by Central Government business enterprises	xxx	xxx	xx	xxx
	Repayment of loans by Local Government Business Enterprises	xxx	xxx	xx	xxx
	Repayment of loans by other Local Governments	xxx	xxx	xx	xxx
	Total Receipts (66 to 77)	XXXX	XXXX	XX	XXXX
	Financing Expenditure				
	Establishment of Reserve Funds	xxx	xxx	xx	xxx

	Local Government capital participation	xxx	xxx	xx	xxx
	Repayment of domestic loans to Central Government	xxx	xxx	xx	xxx
	Repayment of domestic loans to Other Local Governments	xxx	xxx	xx	xxx
	Repayment of domestic loans to banks	xxx	xxx	xx	xxx
	Repayment of domestic loans to non-bank financial institutions	xxx	xxx	xx	xxx
	Repayment of domestic loans – bonds	xxx	xxx	xx	xxx
	Repayment of domestic loans – other	xxx	xxx	xx	xxx
	Loans to Central Government Business enterprises	xxx	xxx	xx	xxx
	Loans to Local Government business enterprises	xxx	xxx	xx	xxx
	Loans to other Local Governments	xxx	xxx	xx	xxx
	Total Expenditure (81 to 91)	xxxx	xxxx	xx	xxxx
	Net Financing (78-92)	xxxx	xxxx	xx	xxxx
	Surplus After Budget Financing (61+93)	xxxx	xxxx	xx	xxxx

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District/Municipal Government

Budget Realization Statement for the Years Ended 31 December 20X1 and 20X0

(in rupiah)

No	Description	20X1 Budget	20X1 Realization	(%)	20X0 Realization
1	Revenue				
2	Own-Source Revenue	xxx	xxx	xx	xxx
3	Local Government Tax Revenues	xxx	xxx	xx	xxx
4	Local Government Charge Revenues	xxx	xxx	xx	xxx
5	Revenues from Management of Separated Local Government Assets	xxx	xxx	xx	xxx
6	Other Legitimate Own-Source Revenue	xxx	xxx	xx	xxx
7	Total Own-Source Revenue (3 to 6)	xxx	xxx	xx	xxx
8					
9	Transfer Revenue				
10	Central Government Fiscal Balance Transfers	xxx	xxx	xx	xxx
11	Tax Revenue Sharing Transfers	xxx	xxx	xx	xxx
12	Natural resources revenue sharing transfers	xxx	xxx	xx	xxx
13	General Transfers	xxx	xxx	xx	xxx
14	Special Transfers	xxx	xxx	xx	xxx
15	Total Fiscal Balance Transfer Revenues (13 to 14)	xxx	xxx	xx	xxx
16					
17	Other Central Government Transfers				
18	Special Autonomy Transfers	xxx	xxx	xx	xxx
19	Adjustment transfers	xxx	xxx	xx	xxx
20	Total Other Central Government Transfer Revenues (18 to 19)	xxx	xxx	xx	xxx
21					
22	Provincial Government Transfers	xxx	xxx	xx	xxx
23	Tax Revenue-sharing transfers	xxx	xxx	xx	xxx
24	Other Revenue-sharing transfers	xxx	xxx	xx	xxx
25	Total Provincial Government Transfers (23 to 24)	xxx	xxx	xx	xxx
26	Total Transfer Revenues (15+20+25)	xxx	xxx	xx	xxx
27					
28	Other Legitimate Revenues	xxx	xxx	xx	xxx
29	Grants	xxx	xxx	xx	xxx
30	Emergency Fund Transfers	xxx	xxx	xx	xxx
31	Miscellaneous Revenues	xxx	xxx	xx	xxx
32	Total Other Legitimate Revenue (29 to 31)	xxx	xxx	xx	xxx
33	Total Revenue (7+26+32)	xxx	xxx	xx	xxx
34					

35	Expenditure				
36	Operating Expenditure	xxx	xxx	xx	xxx
37	Employee Expenditure	xxx	xxx	xx	xxx
38	Goods and services Expenditure	xxx	xxx	xx	xxx
39	Interest Expenditure	xxx	xxx	xx	xxx
40	Subsidy Expenditure	xxx	xxx	xx	xxx
41	Grant Expenditure	xxx	xxx	xx	xxx
42	Social Assistance Expenditure	xxx	xxx	xx	xxx
43	Total Operating Expenditure (37 to 42)	xxx	xxx	xx	xxx
44					
45	Capital Expenditure				
46	Expenditure on Land	xxx	xxx	xx	xxx
47	Expenditure on Equipment and Machinery	xxx	xxx	xx	xxx
48	Expenditure on Buildings and Properties	xxx	xxx	xx	xxx
49	Expenditure on Road, Irrigation and Transmission Networks	xxx	xxx	xx	xxx
50	Expenditure on Other Fixed Assets	xxx	xxx	xx	xxx
51	Expenditure on Other Assets	xxx	xxx	xx	xxx
52	Total Capital Expenditure (46 to 51)	xxx	xxx	xx	xxx
53					
54	Unexpected Expenditure	xxx	xxx	xx	xxx
55	Unexpected expenditure	xxx	xxx	xx	xxx
56	Total Unexpected expenditure (55 to 55)	xxx	xxx	xx	xxx
57	Total Expenditure (43+52+56)	xxx	xxx	xx	xxx
58					
59	Transfers	xxx	xxx	xx	xxx
60	Revenue Sharing Transfers to Villages	xxx	xxx	xx	xxx
61	Tax Revenue sharing transfers	xxx	xxx	xx	xxx
62	Charge revenue sharing transfers	xxx	xxx	xx	xxx
63	Other-Revenue Transfers	xxx	xxx	xx	xxx
64	Total Revenue-sharing transfers to villages (61 to 63)	xxx	xxx	xx	xxx
65					
66	Surplus/Deficit (33-64)	xxx	xxx	xx	xxx
67					
68	Financing				
69					
70	Financing Receipts	xxx	xxx	xx	xxx
71	Use of surplus after budget financing	xxx	xxx	xx	xxx
72	Disbursements from reserve funds	xxx	xxx	xx	xxx
73	Proceeds of sale of Local Government assets	xxx	xxx	xx	xxx
74	Domestic loans – Central Government	xxx	xxx	xx	xxx
75	Domestic loans – Other Local Governments	xxx	xxx	xx	xxx
76	Domestic loans – Banks	xxx	xxx	xx	xxx

77	Domestic loans – Non-Bank Financial Institutions	xxx	xxx	xx	xxx
78	Domestic loans – Bonds	xxx	xxx	xx	xxx
79	Domestic loans – Other	xxx	xxx	xx	xxx
80	Repayment of loans by Central Government business enterprises	xxx	xxx	xx	xxx
81	Repayment of loans by Local Government Business Enterprises	xxx	xxx	xx	xxx
82	Repayment of loans by other Local Governments	xxx	xxx	xx	xxx
83	Total Receipts (71 to 82)	xxx	xxx	xx	xxx
84					
85	Financing Expenditure	xxx	xxx	xx	xxx
86	Establishment of Reserve Funds	xxx	xxx	xx	xxx
87	Local Government capital participation	xxx	xxx	xx	xxx
88	Repayment of domestic loans to Central Government	xxx	xxx	xx	xxx
89	Repayment of domestic loans to Other Local Governments	xxx	xxx	xx	xxx
90	Repayment of domestic loans to banks	xxx	xxx	xx	xxx
91	Repayment of domestic loans to non-bank financial institutions	xxx	xxx	xx	xxx
92	Repayment of domestic loans – bonds	xxx	xxx	xx	xxx
93	Repayment of domestic loans – other	xxx	xxx	xx	xxx
94	Loans to Central Government Business enterprises	xxx	xxx	xx	xxx
95	Loans to Local Government business enterprises	xxx	xxx	xx	xxx
96	Loans to other Local Governments	xxx	xxx	xx	xxx
97	Total Expenditure (86 to 90)	xxx	xxx	xx	xxx
98	Net Financing (83-91)	xxx	xxx	xx	xxx
99					
100	Surplus After Budget Financing (66+92)	xxx	xxx	xx	xxx

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1 B. Balance Sheet

2 Illustrative Provincial/Municipal/District Balance Sheets Per 31 December 20X1 and
3 20X0

4 (in rupiah)

No.	Description	20X1	20X0
1	Assets		
2			
3	Current Assets		
4	Cash at the Local Government Treasury	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	Local-Government Charges Receivable	xxx	xxx
10	Current Loans to Central Government Business Enterprises	xxx	xxx
	Current Loans to Local Government Business Enterprises	xxx	xxx
11	Current Loans to Central Government	xxx	xxx
	Current Loans to Other Local Governments	xxx	xxx
12	Current Receivables from Credit Sales	xxx	xxx
13	Current Treasury/Indemnity Claims	xxx	xxx
	Other Accounts Receivable	xxx	xxx
14	Inventory	xxx	xxx
15	Total Current Assets (4 to 17)	xxx	xxx
16			
17	Long-Term Investments		
18	Non-Permanent Investments	xxx	xxx
19	Long-Term Debts Receivable	xxx	xxx
20	Investments in Central Government Securities	xxx	xxx
21	Investments in Development Projects	xxx	xxx
22	Other Non-Permanent Investments	xxx	xxx
23	Total Non-Permanent Investments (22 to 25)	xxx	xxx
	Permanent Investments		
24	Local Government Equity Participation		
25	Other Permanent Investments		
26	Total Permanent Investments (28 to 29)		
	Total Long-Term Investments (26+30)		
27			
28	Fixed Assets		
29	Land		
30	Equipment and Machinery		
31	Buildings and Properties		
32	Road, Irrigation and Transmission Networks		

33	Other Fixed Assets		
34	Construction in Progress		
35	Accumulated Depreciation		
36	Total Fixed Assets (34 to 40)		
37			
	Reserve Funds		
38	Reserve Funds		
39	Total Reserve Funds (44)		
40			
41	Other Assets		
42	Receivables from Credit Sales		
43	Treasury/Indemnity Claims		
44	Partnerships with Third Parties		
45	Intangible Assets		
46	Miscellaneous Assets		
47	Total Other Assets (48 to 52)		
48			
49	Total Assets (18+31+41+45+53)		
50			
51	Liabilities		
52			
53	Short-Term Liabilities		
54	Third Party Liabilities Withheld		
55	Accrued Interest		
56	Current Portion of Long-Term Liabilities		
57	Other Short-Term Liabilities		
58	Total Short-Term Liabilities (60 to 63)		
59			
60	Long-Term Liabilities		
61	Domestic Liabilities – Banking Sector		
62	Domestic Bond Liabilities		
	Other Long-Term Liabilities		
63	Total Long-Term Liabilities (67 to 69)		
64	Total Liabilities (64+70)		
65			
66	Fund Equity		
67			
68	Current Fund Equity		
69	Surplus after Budget Financing		
70	Deferred Revenues		
71	Receivables Provision		
72	Inventory Provision		
73	Short-Term Provisions		
74	Total Current Fund Equity (76 to 80)		
75			

76	Investment Fund Equity		
77	Long-Term Investment Disposals		
78	Fixed Asset Disposals		
79	Other Asset Disposals		
80	Long-Term Provisions		
81	Total Investment Fund Equity (84-87)		
82			
83	Reserved Fund Equity		
84	Reserved Fund Equity Disposals		
85	Total Reserved Fund Equity (91)		
86	Total Fund Equity (81+88+92)		
87			
88	Total Liabilities and Fund Equity (71+93)		
89			
90			
91			
92			
93			
94			
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1 C. Cash Flow Statementa

2 **Provincial Government Cash Flow Statement for the Years Ending 31 December**
 3 **20X1 and 20X0**

4 **Direct Method**

5 (In rupiah)

No.	Description	20X1	20X0
1	Cash from Operations		
	Cash Inflows		
	Local Government Tax Revenues		
	Local Government Charge Revenues		
	Revenues from management of separated Local Government assets		
	Other legitimate Own-Source Revenue		
	Tax revenue-sharing transfers		
	Natural resources revenue-sharing transfers		
	General Transfers		
	Special Transfers		
	Special Autonomy Transfers		
	Adjustment transfers		
	Grants		
	Emergency fund transfers		
	Other revenues		
	Total Cash Inflows (3 to 15)		
	Cash Outflows		
	Employee Expenditure		
	Goods and services Expenditure		
	Interest Expenditure		
	Subsidy Expenditure		
	Grants		
	Social Assistance Expenditure		
	Unexpected Expenditure		
	Tax revenue-sharing transfers to district/municipal governments		
	Local government charge transfers to districts/municipalities		
	Other revenue transfers to districts/municipalities		
	Total Cash Outflows (18 to 27)		
	Net Cash from Operations (16-28)		
	Cash from investments in non-financial assets		
	Cash inflows		
	Revenues from sale of land		
	Revenues from sale of Equipment and Machinery		
	Revenues from sale of Buildings and Properties		
	Revenues from sale of Road, Irrigation and Transmission		

	Networks		
	Revenues from sale of other Fixed Assets		
	Revenues from sale of Other Assets		
	Total Cash Inflows (32 to 37)		
	Cash Outflows		
	Purchase of land		
	Purchase of Equipment and Machinery		
	Purchase of Buildings and Properties		
	Purchase of Road, Irrigation and Transmission Networks		
	Purchase of Other Fixed Assets		
	Purchase of Other Assets		
	Total Cash Outflows (40 to 45)		
	Net Cash Flow from Investments in Non-Financial Assets		
	Cash Flow from Financing		
	Cash inflows		
	Disbursements from Reserve Funds		
	Proceeds of Sale of Separated Local Government Assets		
	Domestic loans – Central Government		
	Domestic loans – Bank		
	Domestic loans – Non-Bank Financial Institutions		
	Domestic loans – Bonds		
	Domestic loans – Other		
	Repayments of loans by Central Government Business Enterprises		
	Repayments of loans by Local Government Enterprises		
	Repayments of loans by other Local Governments		
	Total Cash Inflows (50 to 60)		
	Cash Outflows		
	Establishment of Reserve Funds		
	Local Government capital participation		
	Repayment of domestic loans – Central Government		
	Repayment of domestic loans – Other Local Governments		
	Repayment of domestic loans – bank		
	Repayment of domestic loans – Non-Bank Financial Institutions		
	Repayment of domestic loans – bonds		
	Repayment of domestic loans – other		
	Loans to Central Government Business Enterprises		
	Loans to Local Government Business Enterprises		
	Loans to Other Local Governments		
	Total Cash Outflows (63 to 73)		
	Net Cash Flow from Financing (61-74)		
	Cash Flows from Non-Budgetary Activities		
	Cash Inflows		
	Third Party Liabilities Withheld		

	Total Cash Inflows (78 to 78)		
	Cash Outflows		
	Third Party Liabilities Withheld		
	Total Cash Outflows (81 to 81)		
	Net Cash Flow from Non-Budgetary Activities (79-82)		
	Increase/Reduction in Cash (29+47+75+83)		
	Opening Balance at Local Government Treasury		
	Closing Balance at Local Government Treasury (84+85)		
	Closing Balance at Disbursing Treasurers		
	Closing Balance at Receiving Treasurers		
	Cash Closing Balance (86+87+88)		

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**District/Municipal Government Cash Flow Statement for the Years Ending 31
December 20X1 and 20X0**

Direct Method

(In rupiah)

No.	Description	20X1	20X0
1	Cash from Operations		
	Cash Inflows		
	Local Government Tax Revenues		
	Local Government Charge Revenues		
	Revenues from management of separated Local Government assets		
	Other legitimate Own-Source Revenue		
	Tax revenue-sharing revenues		
	Natural resources revenue-sharing revenues		
	General Transfers		
	Special Transfers		
	Special Autonomy Transfers		
	Adjustment transfers		
	Tax Revenue Sharing Receipts		
	Other Revenue Sharing Receipts		
	Grants		
	Emergency fund transfers		
	Other revenues		
	Total Cash Inflows (3 to 17)		
	Cash Outflows		
	Employee Expenditure		
	Goods and services Expenditure		
	Interest Expenditure		
	Subsidy Expenditure		
	Grants		
	Social Assistance Expenditure		
	Unexpected Expenditure		
	Tax revenue-sharing transfers		
	Local government charge transfers		
	Other revenue transfers		
	Total Cash Outflows (20 to 29)		
	Net Cash from Operations (18-30)		
	Cash from investments in non-financial assets		
	Cash inflows		
	Revenues from sale of land		
	Revenues from sale of Equipment and Machinery		
	Revenues from sale of Buildings and Properties		

	Revenues from sale of Road, Irrigation and Transmission Networks		
	Revenues from sale of other Fixed Assets		
	Revenues from sale of Other Assets		
	Total Cash Inflows (34 to 39)		
	Cash Outflows		
	Purchase of land		
	Purchase of Equipment and Machinery		
	Purchase of Buildings and Properties		
	Purchase of Road, Irrigation and Transmission Networks		
	Purchase of Other Fixed Assets		
	Purchase of Other Assets		
	Total Cash Outflows (42 to 47)		
	Net Cash Flow from Investments in Non-Financial Assets (40-48)		
	Cash Flow from Financing		
	Cash inflows		
	Disbursements from Reserve Funds		
	Proceeds of Sale of Separated Local Government Assets		
	Domestic loans – Central Government		
	Domestic loans – Other Local Governments		
	Domestic loans – Bank		
	Domestic loans – Non-Bank Financial Institutions		
	Domestic loans – Bonds		
	Domestic loans – Other		
	Repayments of loans by Central Government Business Enterprises		
	Repayments of loans by Local Government Enterprises		
	Repayments of loans by other Local Governments		
	Total Cash Inflows (52 to 62)		
	Cash Outflows		
	Establishment of Reserve Funds		
	Local Government capital participation		
	Repayment of domestic loans – Central Government		
	Repayment of domestic loans – Other Local Governments		
	Repayment of domestic loans – bank		
	Repayment of domestic loans – Non-Bank Financial Institutions		
	Repayment of domestic loans – bonds		
	Repayment of domestic loans – other		
	Loans to Central Government Business Enterprises		
	Loans to Local Government Business Enterprises		
	Loans to Other Local Governments		
	Total Cash Outflows (65 to 75)		
	Net Cash Flow from Financing (64-76)		
	Cash Flows from Non-Budgetary Activities		

	Cash Inflows		
	Third Party Liabilities Withheld		
	Total Cash Inflows (80 to 80)		
	Cash Outflows		
	Third Party Liabilities Withheld		
	Total Cash Outflows (83 to 83)		
	Net Cash Flow from Non-Budgetary Activities (81-84)		
	Increase/Reduction in Cash (31+49+77+85)		
	Opening Balance at Local Government Treasury		
	Closing Balance at Local Government Treasury (86+87)		
	Closing Balance at Disbursing Treasurers		
	Closing Balance at Receiving Treasurers		
	Cash Closing Balance (88+89+90)		

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D. For structure and contents of the Notes to the Financial Statements, see Government Accounting Standards No. 04.

1 **Government Accounting Standards Committee**

2 **Consultative Committee**

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

14
15 **Work Committee**

- 16 1. Dr. Binsar H. Simanjuntak, CMA, Chair
17 2. Dr. Ilya Avianti, SE, M.Si., Ak., Deputy Chair
18 3. Sonny Loho, Ak., MPM., Secretary and Member
19 4. Drs. Sugijanto, Ak.,MM, Member
20 5. Dr. Soepomo Prodjoharjono, Ak., M.Soc.Sc., Member
21 6. Dr. Hekinus Manao, M.Acc.,CGFM, Member
22 7. Jan Hoesada, Ak., MM., Member
23 8. Drs. AB Triharta, Ak., MM, Member
24 9. Gatot Supiartono, Ak., M.Acc, Member

25
26 **Secretariat**

- 27 1. Mulat Handayani, SE., Ak, Chair
28 2. Hamim Mustofa, Ak., SE., Ak, MAFIS, Deputy Chair
29 3. Rahayu Puspasari, SE, MBA, Member
30 4. Joko Supriyanto, SST., Ak, Member

- 1 5. Farida Aryani, SST., Ak, Member
- 2 6. Yulia Candra Kusumarini SE, S.Sos, Member
- 3 7. Yusron Kamal, SE., Member
- 4 8. Andri Fuadhy, SE., Member
- 5 9. Zulfikar Aragani, Member

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7 **Working Group**

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

