



GOVERNMENT ACCOUNTING STANDARDS

GOVERNMENT ACCOUNTING STANDARDS COMMITTEE

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GOVERNMENT ACCOUNTING STANDARDS

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GOVERNMENTAL ACCOUNTING STANDARD

CONCEPTUAL FRAMEWORK

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

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GOVERNMENT ACCOUNTING CONCEPTUAL FRAMEWORK

INTRODUCTION

OBJECTIVE

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

- (a) Government accounting standard setters in performing their duties;
- (b) Compilers of financial reports in addressing accounting issues which have yet to regulated in the standards;
- (c) Auditors in providing an opinion as to whether the financial reports have been prepared in accordance with the governmental accounting standards; and
- (d) Users of financial reports in interpreting the information presented in the financial reports that have been prepared in accordance with the Governmental Accounting Standards.

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

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

SCOPE

4. This conceptual framework discusses the:

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

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

GOVERNMENT ACCOUNTING ENVIRONMENT

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

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

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

14 **GENERAL FORM OF GOVERNMENT AND SEPARATION OF** 15 **POWERS**

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

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

29 **SYSTEM OF GOVERNMENT AUTONOMY AND REVENUE** 30 **TRANSFERS BETWEEN GOVERNMENTS**

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

38 **EFFECT OF THE POLITICAL PROCESS**

39 11. One of the government's main objectives is to improve the welfare of all
40 people. Accordingly, the government seeks to achieve fiscal balance by
41 maintaining state financial capacity which is derived from tax revenues and other
42 sources to fulfill the needs of the community. One of the characteristics that is

1 important in achieving that balance is the ongoing political process to harmonize
2 the different interests in society.

3 **RELATIONSHIP BETWEEN TAX PAYMENTS AND GOVERNMENT** 4 **SERVICES**

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

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

24 **THE BUDGET AS A PUBLIC POLICY STATEMENT, FISCAL** 25 **TARGET AND CONTROL DEVICE**

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

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

INVESTMENT IN ASSETS INDIRECTLY PRODUCING REVENUE

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

POSSIBLE USE OF FUND ACCOUNTING FOR THE PURPOSES OF CONTROL

15. Fund accounting is an accounting and financial reporting system commonly applied in the government spheres that divides the funds according to their objective, so that each is an accounting entity that is able to demonstrate a balance between expenditure and revenues or transfers received. Fund accounting can be applied for control purposes. Each group of funds other than the group of general funds (the general fund) should be considered in the development of government financial reporting.

FIXED ASSET DEPRECIATION

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

USERS AND USER INFORMATION NEEDS

FINANCIAL REPORT USERS

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

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

FINANCIAL REPORT USER'S INFORMATION NEEDS

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

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

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

13 **ACCOUNTING AND REPORTING ENTITIES**

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

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

- 21 (a) The Central Government;
- 22 (b) The local government;
- 23 (c) Each state ministry or agency within the central government;
- 24 (d) Organizational units within the Central/local government or other
25 organizations, which according to laws and regulations are required to present
26 financial reports.

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

31 **ROLE AND OBJECTIVES OF FINANCIAL REPORTING**

32 **ROLE OF FINANCIAL REPORTING**

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

39 25. Each reporting entity has an obligation to report on the efforts that have
40 been made and the results achieved the implementation of activities systematically
41 and structured in a reporting period for the following purposes:

- 42 (a) Accountability

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

- 1 (b) Management
2 Assist users evaluate the implementation of activities of a reporting entity in
3 the reporting period to facilitate functional planning, management and control
4 over all assets, liabilities, and government equity in the public interest.
- 5 (c) Transparency
6 Provide financial information that is open and honest to the public on the basis
7 that the public has a right to know, openly and comprehensively, the
8 government's accountability for the management of the resources entrusted to
9 it, and obedience to the laws and regulations.
- 10 (d) Intergenerational Equity
11 Assist users in knowing the adequacy of government revenues in the reporting
12 period to cover all the expenditures allocated and whether future generations
13 will be assumed to share the burden of such expenditures.
- 14 (e) Performance evaluation
15 Evaluating the performance of the reporting entity, especially in the use of
16 economic resources managed by the government to achieve planned
17 performance.

18 **OBJECTIVES OF FINANCIAL REPORTING**

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

- 22 (a) provide information about the source, allocation and use of financial resources;
23 (b) Provide information about the adequacy current period receipts to cover all the
24 expenditures;
25 (c) Provide information on the amount of economic resources that are used in the
26 activities of the reporting entity and the results that have been achieved;
27 (d) Provide information on how the reporting entity funds its activities and meets
28 its cash needs;
29 (e) Providing information on the financial position and condition of the reporting
30 entity associated with the sources of revenues, both short and long term,
31 including those derived from taxation and loans;
32 (f) Providing information on changes in the financial position of the reporting
33 entity, whether an increase or decrease, as a result of activities undertaken
34 during the reporting period.

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

40 **FINANCIAL REPORT COMPONENTS**

- 41 28. The principal financial reports consist of the:
42 (a) Budget Realization Report (LRA);
43 (b) Statement of Changes in the Excess Budget Balance;

- 1 (c) Balance Sheet;
- 2 (d) Statement of Operations (LO);
- 3 (e) Statement of Cash Flows (LAK);
- 4 (f) Statement of Changes in Equity (LPE);
- 5 (g) Notes to the Financial Statements (CaLK).

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

10 **LEGAL BASIS FOR FINANCIAL REPORTING**

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

- 13 (a) The Constitution of the Republic of Indonesia 1945, particularly the section that
14 governs state finances;
- 15 (b) Laws in the field of state finance;
- 16 (c) Laws on the State Budget and local government regulations regarding local
17 government budgets;
- 18 (d) Laws and regulations governing local government, particularly local finances;
- 19 (e) Laws and regulations governing the fiscal balance between central and local
20 governments;
- 21 (f) Laws and regulations on the implementation of the State/Local Budget; and
22 other laws and regulations governing central and local government finances.

23 **BASIC ASSUMPTIONS**

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

- 27 (a) Assumption of entity independence;
- 28 (b) Assumption of entity continuity; dan
- 29 (c) Assumption of monetary measurement.

30 **ENTITY INDEPENDENCE**

31 32. The assumption of entity independence means that each unit of the
32 organization is considered as an independent unit and has the obligation to present
33 financial statements so as to avoid chaos among government units in financial
34 reporting. One indication of the fulfillment of this assumption is the existence an
35 entity authorized to formulate and execute budgets with full responsibility. The
36 entity is responsible for the management of assets and off-balance sheet
37 resources for the benefit of their main duty jurisdiction, including any loss or
38 damage to assets and resources in question, debts arising from an entity's
39 decision, as well as the performance or non-performance of programs that have
40 been established.

1 **ENTITY CONTINUITY**

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

5 **MONETARY MEASUREMENT**

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

9 **QUALITATIVE CHARACTERISTICS OF FINANCIAL** 10 **REPORTS**

11 35. Qualitative characteristics of financial statements are normative
12 measurements that need to be embodied in accounting information so that it can
13 fulfill its purpose. All four of the following characteristics is a necessary normative
14 prerequisite in order to meet the government's financial statements have the
15 following desired qualities:

- 16 (a) Relevant;
- 17 (b) Reliable;
- 18 (c) Comparable; dan
- 19 (d) Understandable.

20 **RELEVANT**

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

26 37. Relevant information:

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

1 **RELIABLE**

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

7 (a) Honest Presentation,

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

10 (b) Verifiability

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

14 (c) Neutrality

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

17 **COMPARABLE**

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

26 **UNDERSTANDABLE**

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

32 **PRINCIPLES OF ACCOUNTING AND FINANCIAL** 33 **REPORTING**

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

39 (a) Accounting basis;

40 (b) Historical value principle;

41 (c) Realization principle;

42 (d) Substance over formal form principle;

- 1 (e) Periodicity principle;
- 2 (f) Consistency principle;
- 3 (g) Full disclosure principle; and
- 4 (h) Fair presentation principle.

5 **ACCOUNTING BASIS**

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

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

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

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

29 **HISTORICAL COST**

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

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

38 **REALIZATION**

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

1 recognized when it has been authorized by the budget and adds to or reduces
2 cash.

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

5 **SUBSTANCE OVER FORM**

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

12 **PERIODICITY**

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

18 **CONSISTENCY**

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

26 **FULL DISCLOSURE**

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

30 **FAIR PRESENTATION**

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

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

1 liabilities or expenditure, so that financial statements become non-neutral and
2 unreliable.

3 **RELEVANT AND RELIABLE INFORMATION** 4 **CONSTRAINTS**

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

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

14 **MATERIALITY**

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

20 **CONSIDERATION OF COSTS AND BENEFITS**

21 58. The resulting benefits of information should exceed the cost of
22 preparation. Therefore, government financial reports should not present any
23 information the benefits of which are less than the cost of preparation. However,
24 the evaluation of costs and benefits is a substantial consideration process. The
25 costs should not be borne by the users who enjoy the benefits of the information.
26 Benefits may also be enjoyed by other users beside those for whom the information
27 was intended, such as the provision of further information to lenders which may
28 reduce the costs borne by the reporting entity.

29 **BALANCE BETWEEN QUALITATIVE CHARACTERISTICS**

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

36 **ELEMENTS OF FINANCIAL STATEMENTS**

37 60. Government financial reports consist of the budget execution report
38 (budgetary reports), financial reports, and CaLK. The budget execution report
39 consists of the LRA and the Statement of Changes in SAL. Financial reports
40 consist of the Balance Sheet, LO, LPE, and LAK. The CaLK is a report detailing or
41 further explaining the items in the budget execution report as well as financial

1 reports and forms a report that is an integral part of the budget execution reports
2 and financial reports.

3 **BUDGET REALIZATION REPORT**

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

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

- 11 (a) Revenue-LRA is a receipt by the State General Treasurer/Local General
12 Treasurer or by other government entities that adds to the Excess Budget
13 Balance in the corresponding period of the fiscal year and becomes the right
14 of the government, and does not need to be repaid.
- 15 (b) Expenditure is all spending by the the State General Treasurer/Local General
16 Treasurer which reduces the Excess Budget Balance in the period
17 corresponding to the fiscal year, and will not be paid back to the government.
- 18 (c) Transfers are receipts or expenditures of money by a reporting entity from/to
19 other reporting entities, including the balance funds and the revenue sharing
20 fund.
- 21 (d) Financing is any receipt/expenditure that has no effect on the net assets of the
22 entity and that needs to be paid back and/or will be received again, either in
23 the relevant fiscal year as well as subsequent fiscal years, which in
24 government budgeting is mainly intended to cover or utilize a budget surplus
25 or deficit. Financing receipts, among others, can come from loans and the
26 proceeds from divestment. Financing expenditure, among others, is used for
27 the repayment of the loan principal, lending to other entities, and equity
28 investment by the government.

29 **STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE**

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

33 **BALANCE SHEET**

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

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

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

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

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

5 **Assets**

6 66. The future economic benefits embodied in an asset refer's to the asset's
7 potential to contribute, either directly or indirectly, to the operations of government,
8 in the form of a stream of income or expenditure savings for the government.

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

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

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

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

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

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

30 **Liabilities**

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

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

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

42 76. Liabilities are classified into short-term liabilities and long term liabilities.
43 Short-term liabilities forms a group of liabilities that will be settled in less than

1 twelve months after the reporting date. Long-term liabilities form a group of
2 liabilities whose settlement is after 12 (twelve) months from the date of reporting.

3 **Equity**

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

8 **OPERATING STATEMENT**

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

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

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

25 **CASH FLOW STATEMENT**

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

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

- 32 (a) Cash receipts are all cash flows into the State/Local General Treasury.
33 (b) Cash Expenditures are all cash flows from the State/Local General Treasury.

34 **STATEMENT OF CHANGES IN EQUITY**

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

37 **NOTES TO FINANCIAL STATEMENTS**

38 83. Notes to the Financial Statements include narrative explanations or
39 details of the figures shown in the Budget Realization Report, the Statement of
40 Changes in SAL, the Operating Statement, the Statement of Changes in Equity,

1 the Balance Sheet and the Statement of Cash Flows. The Notes to the Financial
2 Statements also include information about the accounting policies used by the
3 reporting entity and other information required and recommended to be disclosed
4 in the Government Accounting Standards, and expressions required to produce
5 financial statements that are presented fairly. The Notes to the Financial
6 Statements disclose/present/provide:

- 7 (a) General information about the Reporting and Accounting Entities;
- 8 (b) Information on the fiscal/financial and macro-economic policies;
- 9 (c) An overview of the achievement of financial targets for the reporting year and
10 the constraints and obstacles encountered in achieving the targets;
- 11 (d) Information about the basis of preparation of the financial statements and
12 accounting policies chosen to be applied to the selected transactions and other
13 significant events;
- 14 (e) The details and explanation of each item presented on the face of the financial
15 statements;
- 16 (f) Information required by the Governmental Accounting Standards that has not
17 been presented on the face of financial statements;
- 18 (g) Other information necessary for a fair presentation, which is not presented on
19 the face of the financial statements;

20 **RECOGNITION OF FINANCIAL STATEMENTS ELEMENTS**

21 84. Recognition in accounting is the process of determining the fulfillment
22 of criteria for recording an event or occurrence in the accounting records that will
23 become a complementary part of the elements of assets, liabilities, equity,
24 revenue-LRA, expenditure, financing, revenue-LO, and expenses, as contained in
25 the reporting entity's financial statements. Recognition is realized in recording
26 amounts of money for the items in the financial statements that are affected by the
27 related event or occurrence.

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

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

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

36 **POSSIBILTiy OF FUTURE ECONOMICS BENEFITS**

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

1 **RELIABILITY OF MEASUREMENT**

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

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

10 **ASSET RECOGNITION**

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

13 91. In line with the implementation of the accrual basis, assets in the form
14 of receivables or prepaid expenses are recognized when the right to obtain cash
15 flows or other economic benefits from other entities have been or are still being
16 met, and the value of those claims can be measured or estimated.

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

28 **RECOGNITION OF LIABILITIES**

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

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

35 **REVENUE RECOGNITION**

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

39 **RECOGNITION OF EXPENSES AND EXPENDITURE**

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

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

5 **MEASUREMENT OF FINANCIAL STATEMENT** 6 **ELEMENTS**

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

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 01

PRESENTATION OF FINANCIAL STATEMENT

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

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STATEMENT No. 01

FINANCIAL STATEMENT PRESENTATION

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

INTRODUCTION

OBJECTIVE

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

SCOPE

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

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

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

ACCOUNTING BASIS

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26
27 **Interim financial reports** are financial reports issued between two annual
28 financial reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

21 **State General Treasury Account** is a depository account of State funds
22 prescribed by the Minister of Finance as General Treasurer of the State to
23 accommodate all State receipts and pay all State expenditures in the central
24 bank.

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

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

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

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

36 **Budget Financing SURPLUS/DEFICIT Balance (SiLPA/SiKPA)** is the excess/
37 shortfall difference between realized revenue-LRA and expenditures, as well
38 as financing receipts and expenditures in the APBN/APBD during one
39 reporting period.

40 **SURPLUS/DEFICIT-LO** is the difference between revenue-LO and expenses
41 during one reporting period, after taking into account the SURPLUS/DEFICIT
42 from non-operational activities dan extraordinary items.

43 **SURPLUS/DEFICIT-LRA** is the excess/shortfall difference between revenue-
44 LRA and expenditures during one reporting period.

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

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

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

6 **OBJECTIVES OF FINANCIAL REPORTING**

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

- 15 (a) information about the position of the government's economic resources,
16 liabilities and equity;
- 17 (b) information on the changes in the position of the government's economic
18 resources, liabilities and equity;
- 19 (c) information about the source, allocation and use of economic resources;
- 20 (d) information on conformity of the realization to the budget;
- 21 (e) information about the way thereporting entity funds its activities and meets its
22 cash requirements;
- 23 (f) information on the government's potential to finance the implementation of
24 government activities;
- 25 (g) useful information for evaluating the ability of the reporting entity to finance its
26 activities.

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

- 32 (a) been obtained and used in accordance with the budget; and
33 (b) been obtained and used in accordance with the relevant provisions, including
34 the budget limits set by the DPR / DPRD.

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

- 37 (a) assets;
- 38 (b) liabilities;
- 39 (c) equity;
- 40 (d) revenue-LRA;
- 41 (e) expenditure;
- 42 (f) transfers;
- 43 (g) financing;
- 44 (h) excess budget balance

- 1 (i) revenue-LO;
- 2 (j) expenses; and
- 3 (k) cash flows.

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

9 **RESPONSIBILITY FOR FINANCIAL REPORTING**

10 13. Responsibility for the preparation and presentation of financial reports
11 lies with the leadership of the entity.

12 **COMPONENTS OF FINANCIAL REPORTS**

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

- 16 (a) *Budget Realization Report;*
- 17 (b) *Statement of Changes in the Excess Budget Balance;*
- 18 (c) *Balance Sheet;*
- 19 (d) *Statement of Operations;*
- 20 (e) *Statement of Cash Flows;*
- 21 (f) *Statement of Changes in Equity;*
- 22 (g) *Notes to the Financial Statements.*

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

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

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

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

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

41 19. Financial reports provide information about the economic resources
42 and obligations of the reporting entity at the reporting date and the flow of economic

1 resources during the period. This information is required by users to assess the
2 ability of the reporting entity to conduct government activities in the future.

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

6 21. Entities that have the general treasury function provide information
7 about the source, use, change in cash and cash equivalents during the accounting
8 period and the balance of cash and cash equivalents at the reporting date.

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

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

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

17 **STRUCTURE AND CONTENTS**

18 **INTRODUCTION**

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

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

31 **Identification of Financial Statements**

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

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

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

- 1 (a) the name of the reporting entity or other means of identification;
2 (b) the scope of the financial report, whether it be for a single entity or the
3 consolidated report of multiple entities;
4 (c) the reporting date or the period covered by the financial report, in accordance
5 with the components of the financial report;
6 (d) the reporting currency; and
7 (e) the level of precision used in the presentation of the figures in financial reports.

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

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

16 **Reporting Period**

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

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

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

31 **Timeliness**

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

37 **BUDGET REALIZATION REPORT**

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

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

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

- 3 (a) **revenue-LRA;**
- 4 (b) **expenditure;**
- 5 (c) **transfers;**
- 6 (d) **SURPLUS/DEFICIT-LRA;**
- 7 (e) **financing;**
- 8 (f) **budget financing surplus / deficit balance.**

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

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

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

18 **STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE**

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

- 22 (a) **Opening Excess Budget Balance;**
- 23 (b) **Use of the Excess Budget Balance;**
- 24 (c) **Budget Financing SURPLUS/DEFICIT Balance for the current year;**
- 25 (d) **Accounting error correction in the previous year; and**
- 26 (e) **Others;**
- 27 (f) **Closing Excess Budget Balance.**

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

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

35 **BALANCE SHEET**

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

38 **Classification**

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

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

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

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

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

- 18 (a) ***cash and cash equivalents;***
- 19 (b) ***short-term investments;***
- 20 (c) ***tax and non-tax receivables;***
- 21 (d) ***inventories;***
- 22 (e) ***long-term investments;***
- 23 (f) ***fixed assets;***
- 24 (g) ***short-term liabilities;***
- 25 (h) ***long-term liabilities;***
- 26 (i) ***equity.***

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

31 51. Examples of the balance sheet format are presented in illustrations
32 PSAP 01.A and 01.B of this Standard. The illustrations are examples only and are
33 not part of the standard. The purpose of the illustrations is to describe the
34 application of the standard to assist in financial reporting.

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

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

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

1 **Current Assets**

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

- 3 (a) ***It is expected to be soon realized, used, or held for sale within 12 (twelve)***
4 ***months from the date of reporting, or***
5 (b) ***Is in the form of cash and cash equivalents.***
6 (c) ***All assets other than those included in (a) and (b), are classified as***
7 ***non-current assets.***

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

18 **Non-current Assets**

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

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

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

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

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

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

- 33 (a) ***Investments in Government Securities;***
34 (b) ***Capital investment in development projects that can be transferred to***
35 ***third parties; and***
36 (c) ***Other non-permanent investments.***

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

- 38 (a) ***Government Equity Participation in state/local enterprises, state***
39 ***financial institutions, state-owned legal entities, international***
40 ***organizations and other legal entities that do not belong to the state.***
41 (b) ***Other permanent investments.***

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

4 64. *Fixed assets consist of:*

- 5 (a) *Land;*
6 (b) *Equipment and machinery;*
7 (c) *Building and construction;*
8 (d) *Roads, irrigation, and networks;*
9 (e) *Other fixed assets; and*
10 (f) *Construction in progress.*

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

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

20 **Asset Recognition**

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

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

26 **Asset Measurement**

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

- 28 (a) *Cash is recorded at nominal value;*
29 (b) *Short-term investments are recorded at the value of acquisition;*
30 (c) *Accounts receivable recorded at nominal value;*
31 (d) *Inventories are recorded at:*
32 (1) *Acquisition cost if acquired by purchase;*
33 (2) *The Standard Cost if obtained through self-production;*
34 (3) *The fair value if obtained by other means such as donations/booty.*

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

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

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

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

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

8 **Short-term Liabilities**

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

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

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

19 **Long-term Liabilities**

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

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

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

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

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

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

5 **Liability Recognition**

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

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

12 **Liability Measurement**

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

17 **Equity**

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

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

23 **INFORMATION PRESENTED IN THE BALANCE SHEET OR IN** 24 **THE NOTES TO THE FINANCIAL STATEMENTS**

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

30 87. The details included in the subclassification on the Balance Sheet or
31 in the Notes to the Financial Statements depends on the requirements of
32 Government Accounting Standards and the materiality of the amount of the post
33 in question. The factors mentioned in paragraph 86 may be used in determining
34 the basis for the subclassification.

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

- 36 (a) accounts receivable are specified according to amounts for taxes receivable,
37 levies, sales, related parties, advances and other amounts; transfers
38 receivable are specified according to source;
- 39 (b) inventories are further detailed in accordance with the standards governing
40 the accounting for inventories;
- 41 (c) fixed assets are classified by group in accordance with the standards set for
42 fixed assets;
- 43 (d) debt transfers are analyzed according to receiving entity;

- 1 (e) reserve funds are classified in accordance with their purpose;
2 (f) disclosure of the interests of the government in state/local/other enterprises is
3 subclassified into the amount of the investment provided, the level of control
4 and valuation methods.

5 **STATEMENT OF CASH FLOWS**

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

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

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

14 **STATEMENT OF OPERATIONS**

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

- 17 (a) ***Revenue-LO from operational activities;***
18 (b) ***Expenses from operational activities ;***
19 (c) ***SURPLUS/DEFICIT from Non Operational Activities, if any;***
20 (d) ***Extraordinary Items, if any;***
21 (e) ***SURPLUS/DEFICIT-LO.***

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

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

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

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

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

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

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

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

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

18 **STATEMENT OF CHANGES IN EQUITY**

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

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

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

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

37 **NOTES TO THE FINANCIAL STATEMENTS**

38 **Structure**

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

- 42 (a) ***General Information about the Reporting Entity and the Accounting***
43 ***Entity;***
44 (b) ***Information on fiscal/financial policies and macroeconomy;***

- 1 (c) **Summary of achievement of financial targets during the reporting year**
2 **together with the constraints and obstacles encountered in achieving the**
3 **target;**
- 4 (d) **Information about the basis of preparation of the financial statements**
5 **and accounting policies selected to be applied to transactions and other**
6 **significant events;**
- 7 (e) **Details and explanation of each item presented on the face of the**
8 **financial statements;**
- 9 (f) **The information required by the Governmental Accounting Standards**
10 **that have not been presented on the face of the financial statements;**
- 11 (g) **Other information necessary for a fair presentation, which is not**
12 **presented on the face of the financial statements.**

13 105. **The Notes to the Financial Statements are presented**
14 **systematically. Each item in the Budget Realization Report, Statement of**
15 **Changes in the Excess Budget Balance, Balance Sheet, Statement of**
16 **Operations, Statement of Cash Flows, and Statement of Changes in Equity**
17 **should have cross-references to the related information in the Notes to the**
18 **Financial Statements.**

19 106. **The Notes to the Financial Statements include an explanation or**
20 **a detailed list or analysis of the value of the items presented in the Budget**
21 **Realization Report, Statement of Changes in the Excess Budget Balance,**
22 **Balance Sheet, Statement of Operations, Statement of Cash Flows, and**
23 **Statement of Changes in Equity. Included also in the Notes to the Financial**
24 **Statements is the presentation of information required and recommended by**
25 **the Government Accounting Standards and other disclosures necessary for**
26 **a fair presentation of the financial statements, such as contingent liabilities**
27 **and other commitments.**

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

32 **Presentation of Accounting Policies**

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

- 35 (a) **the measurement basis used in the preparation of the financial**
36 **statements;**
- 37 (b) **the extent to which the accounting policies related to the transition**
38 **provisions of the Government Accounting Standards have been applied**
39 **by the reporting entity, and**
- 40 (c) **each specific accounting policy that is necessary to understand the**
41 **financial statements.**

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

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

- 6 (a) Recognition of revenue-LRA and revenue-LO;
- 7 (b) Recognition of expenditure;
- 8 (c) Recognition of expenses;
- 9 (d) Principles for the preparation of the consolidated statements;
- 10 (e) Investments;
- 11 (f) Recognition of termination / disposal of tangible and intangible assets;
- 12 (g) Construction contracts;
- 13 (h) Expenditure capitalization policy;
- 14 (i) Partnerships with third parties;
- 15 (j) Research and development costs;
- 16 (k) Inventories, whether for sale or for their own use;
- 17 (l) Reserve funds;
- 18 (m) Foreign currency translation and hedging.

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

24 112. An accounting policy may be significant even if the value of the items
25 presented in the current and previous period are not material. In addition, any
26 accounting policies selected and applied that are not regulated in this Statement
27 also need to be disclosed.

28 **Other Disclosures**

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

- 31 (a) ***domicile and legal form of the entity, and the jurisdiction in which the***
32 ***entity operates;***
- 33 (b) ***explanation about the nature of the principal activities and operations of***
34 ***the entity;***
- 35 (c) ***statutory provisions that underlie its operations.***

36 **EFFECTIVE DATE**

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

39 115. ***For reporting entities that are not able to implement this***
40 ***Standard, the reporting entities can apply the Cash Towards Accrual Basis***
41 ***Standards for a maximum of 4 (four) years after Budget Year 2010.***
42

CENTRAL GOVERNMENT
BALANCE SHEET
DEC 31 20X1 DAN 20X0

(In Rupiah)

No	Description	20X1	20X0
1	ASSET		
2			
3	CURRENT ASSET		
4	Cash in Central Bank	xxx	xxx
5	Cash in State Treasury Service Office	xxx	xxx
6	Cash in Expenditure Treasurer	xxx	xxx
7	Cash in Receipt Treasurer	xxx	xxx
8	Short term Investment	xxx	xxx
9	Taxes Receivable	xxx	xxx
10	Non tax Receivable	xxx	xxx
11	Allotment Receivable	(xxx)	(xxx)
12	Prepaid expense	xxx	xxx
13	Current portion of loans to State Enterprises	xxx	xxx
14	Current portion of loans to Local Enterprises	xxx	xxx
15	Current portion of loans to International Institution	xxx	xxx
16	Current portion of instalment sales	xxx	xxx
17	Current portion of compensation claims	xxx	xxx
18	Other receivables	xxx	xxx
19	Inventories	xxx	xxx
20	Total Current Assets (4 until 19)	xxx	xxx
21			
22	Longterm Investment		
23	Nonpermanent Investment		
24	Longterm Loans	xxx	xxx
25	Revolving fund	xxx	xxx
26	Invesment in Bond	xxx	xxx
27	Investment in Development Project	xxx	xxx
28	Other nonpermanent Investment	xxx	xxx
29	Total nonpermanent Investment (24 until 28)	xxx	xxx
30	Permanent Investment		
31	Government Equity Participation	xxx	xxx
32	Other Permanent Investment	xxx	xxx
33	Total Permanent Investment (31 until 32)	xxx	xxx
34	Total Longterm Investment (29 + 33)	xxx	xxx
35			
36	Fixed Assets		
37	Land	xxx	xxx
38	Equipment and Machine	xxx	xxx
39	Buildings and Construction	xxx	xxx
40	Road, Irrigation and networks	xxx	xxx
41	Other Fixed Assets	xxx	xxx
42	Construction in Progress	xxx	xxx
43	Accumulated depreciation	(xxx)	(xxx)
44	Total Fixed Assets (37 until 43)	xxx	xxx
45			
46	Other Assets		
47	Installment Sales	xxx	xxx
48	Compensation claims	xxx	xxx
49	Partnership with third parties	xxx	xxx

50	Intangible Assets	xxx	xxx
51	Other Assets	xxx	xxx
52	Total Other Assets (47 until 51)	xxx	xxx
54	TOTAL ASSETS (20+34+44+52)	xxx	xxx
55			
56	LIABILITIES		
58	Short term Liabilities		
59	Third party debt (PFK)	xxx	xxx
60	Interest payable	xxx	xxx
61	Current portion of Longterm Liabilities	xxx	xxx
62	Deferred Income	xxx	xxx
63	Expenditure Payable	xxx	xxx
64	Other Short term Payable	xxx	xxx
65	Total Short term Liabilities (59 until 64)	xxx	xxx
66			
67	Long term Liabilities		
68	Foreign debt	xxx	xxx
69	Domestic debt-non bank	xxx	xxx
70	Domestic debt-Bond	xxx	xxx
71	Premium on Bond	xxx	xxx
72	Other longterm Debt	xxx	xxx
73	Total Long term Liabilities (68 until 72)	xxx	xxx
74	TOTAL LIABILITIES (65 + 73)	xxx	xxx
75			
76	EQUITY		
77	EQUITY	xxx	xxx
78	TOTAL LIABILITIES AND EQUITIES (74 + 77)	xxx	xxx

PROVINCE/DISTRICT/CITY GOVERNMENT
BALANCE SHEET
DEC 31 20X1 DAN 20X0

(In Rupiah)

No	Description	20X1	20X0
1	ASSET		
2			
3	CURRENT ASSET		
4	Cash in Local Treasury	xxx	xxx
5	Cash in Expenditure Treasurer	xxx	xxx
6	Cash in Receipt Treasurer	xxx	xxx
7	Short term Investment	xxx	xxx
8	Taxes Receivable	xxx	xxx
9	Levies Receivable	xxx	xxx
10	Provision for Doubtful Debts	(xxx)	(xxx)
11	Prepaid expense	xxx	xxx
12	Current portion of loans to State Enterprises	xxx	xxx
13	Current portion of loans to Local Enterprises	xxx	xxx
14	Current portion of loans to Central Government	xxx	xxx
15	Current portion of loans to Other Local Government	xxx	xxx
16	Current portion of instalment sales	xxx	xxx
17	Current portion of compensation claims	xxx	xxx
18	Other Receivables	xxx	xxx
19	Inventories	xxx	xxx
20	Total Current Assets (4 until 19)	xxx	xxx
21			
22	Longterm Investment		
23	Nonpermanent Investment		
24	Longterm Loans	xxx	xxx
25	Investment in Government Securities	xxx	xxx
26	Investment in Development Projects	xxx	xxx
27	Other Non-permanent Investment	xxx	xxx
28	Total Nonpermanent Investments (24 until 27)	xxx	xxx
29	Permanent Investment		
30	Local Government Equity Participation	xxx	xxx
31	Other Permanent Investment	xxx	xxx
32	Total Permanent Investments (30 until 31)	xxx	xxx
33	Total Longterm Investments (28 + 32)	xxx	xxx
34			
35	Fixed Assets		
36	Land	xxx	xxx
37	Equipment and Machinery	xxx	xxx
38	Building and Construction	xxx	xxx
39	Road, Irrigation and networks	xxx	xxx
40	Other Fixed Assets	xxx	xxx
41	Construction in Progress	xxx	xxx
42	Accumulated Depreciation	(xxx)	(xxx)
43	Total Fixed Assets (36 until 42)	xxx	xxx
44			
45	Reserve Fund		
46	Reserve Fund	xxx	xxx
47	Total Reserve Funds (46)	xxx	xxx

48			
49	Other Assets		
50	Installment Sales	xxx	xxx
51	Compensation Claims	xxx	xxx
52	Partnerships with Third Parties	xxx	xxx
53	Intangible Assets	xxx	xxx
54	Other Assets	xxx	xxx
55	Total Other Assets (50 until 54)	xxx	xxx
56			
57	Total Assets (20+33+43+47+55)	xxx	xxx
58			
59	LIABILITIES		
61	Short Term Liabilities		
62	Third Party Debt Calculation (PFK)	xxx	xxx
63	Interest Payable	xxx	xxx
64	Current Portion of Longterm Debt	xxx	xxx
65	Deferred Revenue	xxx	xxx
66	Debt Expenditure	xxx	xxx
67	Other Short term Debt	xxx	xxx
68	Total Short term Liabilities (62 until 67)	xxx	xxx
69			
70	Long Term Liabilites		
71	Domestic Debt - Banking Sector	xxx	xxx
72	Domestic Debt - Banking Bonds	xxx	xxx
73	Premium (Discount) Bonds	xxx	xxx
74	Other Long-term Debt	xxx	xxx
75	Total Long Term Debt (71 until 74)	xxx	xxx
76	Total Liabilities (68+75)	xxx	xxx
77			
78	Equity		
79	Equity	xxx	xxx
80	Total Liabilities and Equity Funds (76+79)	xxx	xxx

CENTRAL GOVERNMENT
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDING DEC 31, 20X1 AND 20X0

(in rupiah)

No	Description	20X1	20X0
1	Opening Equity	xxx	xxx
2	SURPLUS/DEFICIT-LO	xxx	xxx
3	Cumulative Effect of Changes in Policy/Fundamental Errors:	xxx	xxx
4	Correction to the Value of Inventories	xxx	xxx
5	Fixed Assets Revaluation Difference	xxx	xxx
6	Others	xxx	xxx
7	Closing Equity	xxx	xxx

(Illustration 01.D)

PROVINCE/DISTRICT/CITY GOVERNMENT
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDING DEC 31, 20X1 AND 20X0

(in rupiah)

NO	URAIAN	20X1	20X0
1	Opening Equity	xxx	xxx
2	SURPLUS/DEFICIT-LO	xxx	xxx
3	Cumulative Effect of Changes in Policy/Fundamental Errors:	xxx	xxx
4	Correction to the Value of Inventories	xxx	xxx
5	Fixed Assets Revaluation Difference	xxx	xxx
6	Others	xxx	xxx
7	Closing Equity	xxx	xxx

CENTRAL GOVERNMENT
STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE
DEC 31, 20X1 AND 20X0

(in rupiah)

No	DESCRIPTION	20X1	20X0
1	Opening Excess Budget Balance	xxx	xxx
2	Use of Excess Budget Balance	(xxx)	(xxx)
3	Subtotal (1 - 2)	xxx	xxx
4	SURPLUS/DEFICIT Budget Financing Balance (SiLPA/SiKPA)	xxx	xxx
5	Subtotal (3 + 4)	xxx	xxx
6	Error Correction of Prior Year Accounting	xxx	xxx
7	Others	xxx	xxx
8	Closing Excess Budget Balance	xxx	xxx

(Illustration 01.F)

PROVINCE/DISTRICT/CITY GOVERNMENT
STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE
DEC 31, 20X1 AND 20X0

(in rupiah)

NO	DESCRIPTION	20X1	20X0
1	Opening Excess Budget Balance	xxx (xxx)	xxx (xxx)
2	Use of Excess Budget Balance	xxx	xxx
3	Subtotal (1 - 2)	xxx	xxx
4	SURPLUS/DEFICIT Budget Financing Balance (SiLPA/SiKPA)	xxx	xxx
5	Subtotal (3 + 4)	xxx	xxx
6	Error Correction of Prior Year Accounting	xxx	xxx
7	Others	xxx	xxx
8	Closing Excess Budget Balance	xxx	xxx

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 02

BUDGET REALIZATION REPORT CASH BASIS

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

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1 **STATEMENT No. 02**

2 **BUDGET REALIZATION REPORT CASH BASIS**

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

7 **INTRODUCTION**

8 **OBJECTIVE**

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

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

17 **SCOPE**

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

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

23 **BENEFITS OF BUDGET REALIZATION INFORMATION**

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

- 29 (a) providing information about the source, allocation and use of economic
30 resources;
- 31 (b) providing information about the realization of budget as a whole that is useful
32 in evaluating the government's performance in terms of efficiency and
33 effectiveness of the use of budget.

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

- 39 (a) has been carried out in an efficient, effective, and efficient;
- 40 (b) has been implemented in accordance with the budget (APBN/APBD),

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

2 **DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 ***Local enterprise is a business entity wholly or partially owned by the Local***
10 ***Government.***

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

13 ***State General Treasury Account is a depository account of State funds***
14 ***prescribed by the Minister of Finance as General Treasurer of the State to***
15 ***accommodate all State receipts and pay all State expenditures in the central***
16 ***bank..***

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

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

23 ***Budget Financing SURPLUS/DEFICIT Balance (SiLPA/SiKPA) is the excess/***
24 ***shortfall difference between realized revenue-LRA and expenditures, as well***
25 ***as financing receipts and expenditures in the APBN/APBD during one***
26 ***reporting period.***

27 ***SURPLUS/DEFICIT-LRA is the excess/shortfall difference between revenue-***
28 ***LRA and expenditures during one reporting period.***

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

32 **BUDGET REALIZATION REPORT STRUCTURE**

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

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

- 38 (a) ***the name of the reporting entity or other means of identification;***
39 (b) ***the scope of the reporting entity;***
40 (c) ***the period covered;***
41 (d) ***the reporting currency, and;***
42 (e) ***units of the figures used.***

1 **REPORTING PERIOD**

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

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

9 **TIMELINESS**

10 11. The benefits of the Budget Realization Report are reduced if the report
11 is not available on time. Factors such as the complexity of government operations
12 cannot justify the inability of the reporting entity to present its financial statements
13 on time. A reporting entity must present the Budget Realization Report no later than
14 6 (six) months after the end of financial year.

15 **BUDGET REALIZATION REPORT CONTENTS**

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

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

- 28 ***(a) Revenue-LRA;***
29 ***(b) Expenditure;***
30 ***(c) Transfers;***
31 ***(d) SURPLUS/DEFICIT-LRA;***
32 ***(e) Financing receipts;***
33 ***(f) Financing expenditures;***
34 ***(g) Net financing; and***
35 ***(h) Excess/shortfall budget financing balance (SiLPA/SiKPA).***

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

40 15. Examples the Budget Realization Report formats are shown in the
41 illustration PSAP 02.A, 02.B, and 02.C of this Standard. These illustrations are
42 examples and do not form part of the Standard. The purpose of these illustrations

1 is to provide a description of the implementation of the standards to assist in
2 clarifying their meaning.

3 **INFORMATION PRESENTED IN THE BUDGET** 4 **REALIZATION REPORT OR IN THE NOTES TO THE** 5 **FINANCIAL STATEMENTS**

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

10 *17. The reporting entity presents the classification of expenditures*
11 *according to the type expenditure in the Budget Realization Report. The*
12 *classification of expenditures according to the organization is shown in the*
13 *Budget Realization Report or in the Notes to the Financial Statements.*
14 *Classification of expenditures by function is presented in the Notes to the*
15 *Financial Statements.*

16 **BUDGET ACCOUNTING**

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

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

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

27 **REVENUE-LRA ACCOUNTING**

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

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

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

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

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

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

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

4 **28. Corrections and refunds that are non-recurring for revenue-LRA**
5 **receipts that occur in the period of revenue-LRA receipt are recorded as**
6 **reductions of revenue-LRA in the same period.**

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

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

13 **EXPENDITURE ACCOUNTING**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27	Expenditures :	
28	- General Services	xxx
29	- Defense	xxx
30	- Order and Security	xxx
31	- Economy	xxx
32	- Environmental Protection	xxx
33	- Housing and Settlement	xxx
34	- Health	xxx
35	- Tourism and Culture	xxx
36	- Religion	xxx
37	- Education	xxx
38	- Social protection	xxx

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

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

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

5 **SURPLUS/DEFICIT-LRA ACCOUNTING**

6 ***47. The difference between the revenue-LRA and expenditure during***
7 ***a reporting period is recorded in the post SURPLUS/DEFICIT-LRA.***

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

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

12 **ACCOUNTING FOR FINANCING**

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

19 **ACCOUNTING FOR FINANCING RECEIPTS**

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

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

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

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

31 **ACCOUNTING FOR FINANCING EXPENDITURES**

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

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

38 57. The formation of Reserve Fund adds to the relevant Reserve Fund. The
39 proceeds obtained from the management of the Reserve Fund in local government

1 are additions to the Reserve Fund. The proceeds are recorded as revenue-LRA in
2 the post other local government own-source revenue.

3 **ACCOUNTING FOR NET FINANCING**

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

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

8 **ACCOUNTING FOR THE SURPLUS/DEFICIT AFTER** 9 **BUDGET FINANCING (SILPA/SIKPA)**

10 60. The SURPLUS/DEFICIT after budget financing is the
11 SURPLUS/DEFICIT difference between the realization of receipts and
12 expenditures for one reporting period.

13 **61. The SURPLUS/DEFICIT balance between the realization of**
14 **revenue-LRA and expenditure, as well as financing receipts and**
15 **expenditures for one reporting period are recorded in the SiLPA/SiKPA**
16 **account.**

17 62. The SURPLUS/DEFICIT balance for budget financing at the end of the
18 reporting period is transferred to the Statement of Changes in the Excess Budget
19 Balance.

20 **FOREIGN CURRENCY TRANSACTIONS**

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

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

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

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

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

38 **EFFECTIVE DATE**

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

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

**CENTRAL GOVERNMENT
BUDGET REALIZATION REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	Budget 20x1	Realization 20x1	%	Realization 20x0
1	REVENUE:				
2	TAXATION REVENUE				
3	Income Tax Revenue	xxx	xxx	xx	xxx
4	Value Added and Luxury Goods Sales Tax Revenue	xxx	xxx	xx	xxx
5	Land and Building Tax Revenue	xxx	xxx	xx	xxx
6	Land and Building Acquisition Rights Duties Revenue	xxx	xxx	xx	xxx
7	Excise Revenue	xxx	xxx	xx	xxx
8	Import Duties Revenue	xxx	xxx	xx	xxx
9	Export Tax Revenue	xxx	xxx	xx	xxx
10	Other Tax Revenue	xxx	xxx	xx	xxx
11	Total Taxation Revenue (3 until 10)	xxx	xxx	xx	xxx
12					
13	NON TAX REVENUE				
14	Natural Resources Revenue	xxx	xxx	xx	xxx
15	Government Share of Profit Revenue	xxx	xxx	xx	xxx
16	Other Non Tax Revenue	xxx	xxx	xx	xxx
17	Total Non Tax Revenue (14 until 16)	xxx	xxx	xx	xxx
18					
19	GRANT REVENUE				
20	Grant Revenue	xxx	xxx	xx	xxx
21	Total Grant Revenue (20 until 20)	xxx	xxx	xx	xxx
22	TOTAL REVENUE (11+17+21)	xxx	xxx	xx	xxx
23					
24	EXPENDITURES:				
25	OPERATING EXPENDITURES:				
26	Civil Servant Expenditure	xxx	xxx	xx	xxx
27	Goods Expenditure	xxx	xxx	xx	xxx
28	Interest Expenditure	xxx	xxx	xx	xxx
29	Subsidies Expenditure	xxx	xxx	xx	xxx
30	Grant Expenditure	xxx	xxx	xx	xxx
31	Social Expenditure	xxx	xxx	xx	xxx
32	Others Expenditure	xxx	xxx	xx	xxx
33	Total Operating Expenditures (26 until 32)	xxx	xxx	xx	xxx
34					
35	CAPITAL EXPENDITURES:	xxx	xxx	xx	xxx
36	Land Expenditure	xxx	xxx	xx	xxx
37	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
38	Building and Construction Expenditure	xxx	xxx	xx	xxx
39	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
40	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
41	Other Assets Expenditure	xxx	xxx	xx	xxx
42	Total Capital Expenditures (36 until 41)	xxx	xxx	xx	xxx
43	TOTAL EXPENDITURES (33+42)	xxx	xxx	xx	xxx
44					
45	TRANSFERS:				
46	BALANCE FUNDS:				
47	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
48	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
49	General Allocation Fund	xxx	xxx	xx	xxx
50	Special Allocation Fund	xxx	xxx	xx	xxx
51	Total Balance Funds (47 until 50)	xxx	xxx	xx	xxx
52					
53	OTHER TRANSFERS (Adjusted to Existing Programs)				
54	Special Autonomy Fund	xxx	xxx	xx	xxx

55	Adjusment Fund	xxx	xxx	xx	xxx
56	Total Other Transfers (54 until 55)	xxx	xxx	xx	xxx
57	TOTAL TREANSFERS (51+56)	xxx	xxx	xx	xxx
58	TOTAL EXPENDITURE AND TRANSFER (43+57)	xxx	xxx	xx	xxx
59					
60	SURPLUS/DEFICIT (22-58)	xxx	xxx	xx	xxx
61	<u>FINANCING:</u>				
62	RECEIPTS:				
63	DOMESTIC FINANCING RECEIPTS:				
64	Use of Excess Budget Balance	xxx	xxx	xx	xxx
65	Domestic Loan Receipt-Banking Sector	xxx	xxx	xx	xxx
66	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
67	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
68	Receipt from Divesment	xxx	xxx	xx	xxx
69	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
70	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
71	Total Domestic Financing Receipt (64 until 70)	xxx	xxx	xx	xxx
72					
73	FOREIGN FINANCING RECEIPTS:				
74	Foreign Loan Receipts	xxx	xxx	xx	xxx
75	Repayment Receipt from International Agencies	xxx	xxx	xx	xxx
76	Total Foreign Financing Receipts (74 until 75)	xxx	xxx	xx	xxx
77	TOTAL FINANCING RECEIPTS (71+76)	xxx	xxx	xx	xxx
78					
79	EXPENDITURES:				
80	DOMESTIC FINANCING EXPENDITURES:				
81	Domestic Loan Principal Payments-Banking Sector	xxx	xxx	xx	xxx
82	Domestic Loan Principal Payments-Bonds	xxx	xxx	xx	xxx
83	Domestic Loan Principal Payments-Other	xxx	xxx	xx	xxx
84	Government Equity Participation Expenditure	xxx	xxx	xx	xxx
85	Provision of Loans to State Enterprises	xxx	xxx	xx	xxx
86	Provision of Loans to Local Enterprises	xxx	xxx	xx	xxx
87	Total Domestic Financing Expenditures (81 until 86)	xxx	xxx	xx	xxx
88					
89	FOREIGN FINANCING EXPENDITURES:	xxx	xxx	xx	xxx
90	Foreign Loan Payment	xxx	xxx	xx	xxx
91	Provision of Loans to International Agencies	xxx	xxx	xx	xxx
92	Total Foreign Financing Expenditures (90 until 91)	xxx	xxx	xx	xxx
93	TOTAL FINANCING EXPENDITURES (87+92)	xxx	xxx	xx	xxx
94	NET FINANCING (77-93)	xxx	xxx	xx	xxx
95	SURPLUS/DEFICIT BUDGET FINANCING BALANCE (60+94)	xxx	xxx	xx	xxx

**PROVINCIAL GOVERNMENT
LOCAL BUDGET REALIZATION REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	Budget 20X1	Realization 20X1	(%)	Realization 20X0
1	REVENUE:				
2	LOCAL OWN SOURCE REVENUE:				
3	Local Tax Revenue	xxx	xxx	xx	xxx
4	Local Levies Revenue	xxx	xxx	xx	xxx
5	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xx	xxx
6	Other Legal Local Own Source Revenue	xxx	xxx	xx	xxx
7	Total Local Own Sources Revenue (3 until 6)	xxxx	xxxx	xx	xxxx
8					
9	TRANSFER REVENUE:				
10	CENTRAL GOVERNMENT TRANSFER REVENUE-BALANCE FUND				
11	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
13	General Allocation Fund	xxx	xxx	xx	xxx
14	Special Allocation Fund	xxx	xxx	xx	xxx
15	Total Balance Fund Transfer Revenue Transfer Dana Perimbangan (11 until 14)	xxxx	xxxx	xx	xxxx
16					
17	OTHER CENTRAL GOVERNMENT TRANSFR				
18	Special Autonomy Fund	xxx	xxx	xx	xxx
19	Adjustment Fund	xxx	xxx	xx	xxx
20	Total Other Transfer Revenue (18 until 19)	xxxx	xxxx	xx	xxxx
21	Total Transfer Revenue (15 + 20)	xxxx	xxxx	xx	xxxx
22					
23	OTHER LEGAL REVENUE:				
24	Grant Revenue	xxx	xxx	xx	xxx
25	Emergency Fund Revenue	xxx	xxx	xx	xxx
26	Other Revenue	xxx	xxx	xx	xxx
27	Total Other Legal Revenue (24 until 26)	xxx	xxx	xx	xxx
28	TOTAL REVENUE (7 + 21 + 27)	xxxx	xxxx	xx	xxxx
29	EXPENDITURES:				
30	OPERATING EXPENDITURES:				
31	Civil Servant Expenditure	xxx	xxx	xx	xxx
32	Goods Expenditure	xxx	xxx	xx	xxx
33	Interest Expenditure	xxx	xxx	xx	xxx
34	Subsidies Expenditure	xxx	xxx	xx	xxx
35	Grant Expenditure	xxx	xxx	xx	xxx
36	Social Expenditure	xxx	xxx	xx	xxx
37	Total Operating Expenditures (31 until 36)	xxxx	xxxx	xx	xxxx
38					
39	CAPITAL EXPENDITURES:				
40	Land Expenditure	xxx	xxx	xx	xxx
41	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
42	Building and Construction Expenditure	xxx	xxx	xx	xxx
43	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
44	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
45	Other Assets Expenditure	xxx	xxx	xx	xxx
46	Total Capital Expenditures (40 until 45)	xxxx	xxxx	xx	xxxx
47	UNEXPECTED EXPENDITURES:				
48	Unexpected Expenditure	xxx	xxx	xx	xxx
49	Total Unexpected Expenditure (49 until 49)	xxx	xxxx	xx	xxxx
50	TOTAL EXPENDITURES (37 + 46 + 50)	xxx	xxxx	xx	xxxx
51	TRANSFER				
52	TRANSFER/REVENUE SHARING TO DISTRICTS/CITIES				
53	Tax Revenue Sharing to Districts/Cities	xxx	xxx	xx	xxx

54	Levies Sharing to Districts/Cities	xxx	xxx	xx	xxx
55	Other Revenue Sharing to Districts/Cities	xxx	xxx	xx	xxx
56	Total Revenue Sharing Transfer to Districts/Cities (55 until 57)	xxx	xxxx	xx	xxxx
57	TOTAL EXPENDITURES & TRANSFERS (51+58)	xxx	xxxx	xx	xxxx
58	SURPLUS/DEFICIT (28 - 59)	xxx	xxx	xxx	xxx
59	FINANCING:				
60	FINANCING RECEIPTS:				
61	Use of Exceed Budget Realization (SiLPA/SiKPA)	xxx	xxx	xx	xxx
62	Disbursement of Reserve Funds	xxx	xxx	xx	xxx
63	Proceeds from Sales of Local Managed Assets Revenue	xxx	xxx	xx	xxx
64	Domestic Loan Receipt - Central Government	xxx	xxx	xx	xxx
65	Domestic Loan Receipt - Other Local Government	xxx	xxx	xx	xxx
66	Domestic Loan Receipt - Banking Institution	xxx	xxx	xx	xxx
67	Domestic Loan Receipt - Non Banking Institution	xxx	xxx	xx	xxx
68	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
69	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
70	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
71	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
72	Other Local Government Loan Repayment Receipt	xxx	xxx	xx	xxx
73	Total Financing Receipts (66 until 77)	xxxx	xxxx	xx	xxxx
74					
75	FINANCING EXPENDITURES:				
76	Establishment of Reserve Fund	xxx	xxx	xx	xxx
77	Local Government Equity Participation	xxx	xxx	xx	xxx
78	Domestic Loan Principal Payments - Central Govt	xxx	xxx	xx	xxx
79	Domestic Loan Principal Payments - Other Local Government	xxx	xxx	xx	xxx
80	Domestic Loan Principal Payments - Banking Institution	xxx	xxx	xx	xxx
81	Domestic Loan Principal Payments - Non Banking Institution	xxx	xxx	xx	xxx
82	Domestic Loan Principal Payments - Bonds	xxx	xxx	xx	xxx
83	Domestic Loan Principal Payments - Other	xxx	xxx	xx	xxx
84	Provision of Loans to State Enterprises	xxx	xxx	xx	xxx
85	Provision of Loans to Local Enterprises	xxx	xxx	xx	xxx
86	Provision of Loans to Other Local Government	xxx	xxx	xx	xxx
87	Total Financing Expenditures (81 until 91)	xxx	xxx	xx	xxx
88	NET FINANCING (78 - 92)	xxxx	xxxx	xx	xxxx
89	SURPLUS/DEFICIT FINANCING BALANCE(61+93)	xxxx	xxxx	xx	xxxx

**DISTRICT/CITY GOVERNMENT
LOCAL BUDGET REALIZATION REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(Dalam Rupiah)

No	DESCRIPTION	Budget 20x1	Realization 20x1	%	Realization 20x0
1	REVENUE:				
2	LOCAL OWN SOURCE REVENUE:				
3	Local Tax Revenue	xxx	xxx	xx	xxx
4	Local Levies Revenue	xxx	xxx	xx	xxx
5	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xx	xxx
6	Other Legal Local Own Source Revenue	xxx	xxx	xx	xxx
7	Total Local Own Sources Revenue (3 until 6)	xxxx	xxxx	xx	xxxx
8					
9	TRANSFER REVENUE:				
10	CENTRAL GOVERNMENT TRANSFER REVENUE-BALANCE FUND				
11	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xx	xxx
13	General Allocation Fund	xxx	xxx	xx	xxx
14	Special Allocation Fund	xxx	xxx	xx	xxx
15	Total Balance Fund Transfer Revenue Transfer (11 until 14)	xxxx	xxxx	xx	xxxx
16					
17	OTHER CENTRAL GOVERNMENT TRANSFER				
18	Special Autonomy Fund	xxx	xxx	xx	xxx
19	Adjustment Fund	xxx	xxx	xx	xxx
20	Total Other Central Government Transfer (18 until 19)	xxxx	xxxx	xx	xxxx
21					
22	PROVINCIAL GOVERNMENT TRANSFER				
23	Tax Revenue Sharing Fund	xxx	xxx	xx	xxx
24	Other Revenue Sharing	xxx	xxx	xx	xxx
25	Total Provincial Government Transfer (23 until 24)	xxxx	xxxx	xx	xxxx
26	Total Revenue Transfer (15+20+25)	xxxx	xxxx	xx	xxxx
27					
28	OTHER LEGAL REVENUE:				
29	Grant Revenue	xxx	xxx	xx	xxx
30	Emergency Fund Revenue	xxx	xxx	xx	xxx
31	Other Revenue	xxx	xxx	xx	xxx
32	Total Other Legal Revenue (29 until 31)	xxx	xxx	xx	xxx
33	TOTAL REVENUE (7+26+32)	xxxx	xxxx	xx	xxxx
34					
35	EXPENDITURE				
36	OPERATING EXPENDITURE				
37	Civil Servant Expenditure	xxx	xxx	xx	xxx
38	Goods Expenditure	xxx	xxx	xx	xxx
39	Interest Expenditure	xxx	xxx	xx	xxx
40	Subsidies Expenditure	xxx	xxx	xx	xxx
41	Grant Expenditure	xxx	xxx	xx	xxx
42	Social Expenditure	xxx	xxx	xx	xxx
43	Total Operating Expenditure (37 until 42)	xxxx	xxxx	xx	xxxx
44					
45	CAPITAL EXPENDITURE				
46	Land Expenditure	xxx	xxx	xx	xxx
47	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
48	Building and Construction Expenditure	xxx	xxx	xx	xxx
49	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
50	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx

51	Other Assets Expenditure	xxx	xxx	xx	xxx
52	Total Capital Expenditure (46 until 51)	xxxx	xxxx	xx	xxxx
53					
54	UNEXPECTED EXPENDITURES:				
55	Unexpected Expenditure	xxx	xxx	xx	xxx
56	Total Unexpected Expenditure (55 until 55)	xxx	xxxx	xx	xxxx
57	Total Expenditure (43+52+56)	xxxx	xxxx	xx	xxxx
58					
59	<u>TRANSFER</u>				
60	TRANSFER/REVENUE SHARING TO VILLAGES				
61	Tax Revenue Sharing	xxx	xxx	xx	xxx
62	Levies Sharing	xxx	xxx	xx	xxx
63	Other Revenue Sharing	xxx	xxx	xx	xxx
64	Total Transfer/Revenue Sharing to Villages (61 until 63)	xxx	xxxx	xx	xxxx
65	TOTAL EXPENDITURE AND TRANSFER (57+64)				
66					
67	SURPLUS/DEFICIT (33-65)	xxx	xxx	xxx	xxx
68					
69	<u>FINANCING</u>				
70					
71	FINANCING RECEIPT				
72	Use of Exceed Budget Realization (SiLPA/SiKPA)	xxx	xxx	xx	xxx
73	Disbursement of Reserve Funds	xxx	xxx	xx	xxx
74	Proceeds from Sales of Local Managed Assets Revenue	xxx	xxx	xx	xxx
75	Domestic Loan Receipt - Central Government	xxx	xxx	xx	xxx
76	Domestic Loan Receipt - Other Local Government	xxx	xxx	xx	xxx
77	Domestic Loan Receipt - Banking Institution	xxx	xxx	xx	xxx
78	Domestic Loan Receipt - Non Banking Institution	xxx	xxx	xx	xxx
79	Domestic Loan Receipt-Bonds	xxx	xxx	xx	xxx
80	Domestic Loan Receipt-Other	xxx	xxx	xx	xxx
81	State Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
82	Local Enterprise Loan Repayment Receipt	xxx	xxx	xx	xxx
83	Other Local Government Loan Repayment Receipt	xxx	xxx	xx	xxx
84	Total Financing Receipt (72 until 83)	xxxx	xxxx	xx	xxxx
85					
86	FINANCING EXPENDITURE				
87	Establishment of Reserve Fund	xxx	xxx	xx	xxx
88	Local Government Equity Participation	xxx	xxx	xx	xxx
89	Domestic Loan Principal Payments - Central Government	xxx	xxx	xx	xxx
90	Domestic Loan Principal Payments - Other Local Government	xxx	xxx	xx	xxx
91	Domestic Loan Principal Payments - Banking Institution	xxx	xxx	xx	xxx
92	Domestic Loan Principal Payments - Non Banking Institution	xxx	xxx	xx	xxx
93	Domestic Loan Principal Payments - Bonds	xxx	xxx	xx	xxx
88	Domestic Loan Principal Payments - Other	xxx	xxx	xx	xxx
89	Provision of Loans to State Enterprises	xxx	xxx	xx	xxx
90	Provision of Loans to Local Enterprises	xxx	xxx	xx	xxx
91	Provision of Loans to Other Local Government	xxx	xxx	xx	xxx
92	Total Financing Expenditure (87 until 91)	xxx	xxx	xx	xxx
93	NET FINANCING (84-92)	xxxx	xxxx	xx	xxxx
94					
95	SURPLUS/DEFICIT BUDGET FINANCING BALANCE (67 + 93)	xxxx	xxxx	xx	xxxx

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 03

STATEMENT OF CASH FLOW

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

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1 STATEMENT NO. 03

2 STATEMENT OF CASH FLOWS

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

7 INTRODUCTION

8 PURPOSE

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

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

18 SCOPE

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

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

28 BENEFITS OF CASH FLOW INFORMATION

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

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

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

38 DEFINITIONS

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

40 ***Assets*** *are economic resources controlled and/or owned by the government*
41 *as a result of past events and from which future economic and/or social*
42 *benefits are expected to be obtained, either by the government or the public,*

1 *and can be measured in terms of money, including non-financial resources*
2 *required for the provision of public services and resources that are*
3 *maintained for reasons of history and culture.*

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

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

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

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

14 **Non-budget activities are activities relating to cash receipts or**
15 **disbursements that do not affect revenue-LRA, expenditures, transfers, and**
16 **government financing.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 **CASH AND CASH EQUIVALENTS**

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

41 **10. Cash equivalents of the government are intended to meet short-term**
42 **cash requirements or for other purposes. To be eligible to be classified as cash**
43 **equivalents, short-term investments must be able to be converted immediately into**
44 **cash in the amount that can be known without significant risk of changes in value.**

1 Therefore, an investment is called a cash equivalent if the maturity period is three
2 (3) months or less from the date of acquisition.

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

7 **CASH FLOW REPORTING ENTITY**

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

- 12 (a) The central government;
13 (b) Local governments;
14 (c) Each state ministry or agency in the central government, and;
15 (d) Organizational units within the central / local governments or any other
16 organization, if, according to laws and regulations, the organizational unit is
17 required to present financial reports.

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

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

23 **PRESENTATION OF THE STATEMENT OF CASH FLOWS**

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

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

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

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

42 19. ***In the case the relevant entity still records receipts and***
43 ***expenditures in the cash book based on budget execution accounts the cash***

1 ***flow statement can be presented with reference to the budget execution***
2 ***accounts.***

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

7 **OPERATING ACTIVITIES**

8 ***21. Operating activities are cash receipt and expenditure activities***
9 ***intended for government operational activities during an accounting period.***

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

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

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

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

- 23 (a) Personnel;
24 (b) Goods;
25 (c) Interest;
26 (d) Subsidies;
27 (e) Grants;
28 (f) Social assistance;
29 (g) Other / Extraordinary Events; and
30 (h) Transfers.

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

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

39 **INVESTMENT ACTIVITIES**

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

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

5 29. Cash inflows from investing activities consist of:

- 6 (a) Sales of Fixed Assets;
- 7 (b) Sales of Other Assets;
- 8 (c) Disbursement of Reserve Funds;
- 9 (d) Proceeds from divestments;
- 10 (e) Sale of Investments in Securities.

11 30. Cash outflows from investing activities consist of:

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

17 **FINANCING ACTIVITIES**

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

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

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

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

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

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

34 **TRANSITORY ACTIVITIES**

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

37 36. The cash flows from transitory activities reflect gross cash receipts and
38 expenditures that do not affect revenues, expenses, and government financing.
39 The cash flows from transitory transactions include Third Party Calculation (PFK),
40 the distribution/readmission of the inventory money to / from the expenditure
41 treasurer and remittances. PFK describes the cash derived from the funds

1 deducted from Payment Orders or receipts in cash for a third party such as Taspen
2 and Askes deductions. Remittances of cash describe movements of cash between
3 State/local General Treasury accounts.

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

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

10 **REPORTING CASH FLOWS FROM OPERATING,** 11 **INVESTMENTS, FINANCING, AND TRANSITORY** 12 **ACTIVITIES**

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

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

18 **(a) Direct method**

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

21 **(b) Indirect method**

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

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

- 29 (a) It provides better information to estimate cash flows in the future;
30 (b) Is more easily understood by users reports, and;
31 (c) Data on the gross cash receipts and expenditures can be directly obtained
32 from the accounting records.

33 **REPORTING CASH FLOWS ON THE BASIS OF NET CASH** 34 **FLOWS**

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

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

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

1 FOREIGN CURRENCY CASH FLOWS

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

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

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

10 INTEREST AND SHARES OF PROFITS

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

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

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

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

26 ACQUISITION AND DISPOSAL OF INVESTMENTS IN THE 27 STATE/LOCAL/PARTNERSHIP ENTERPRISES AND 28 OTHER OPERATING UNITS

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

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

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

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

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

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

- 1 **(b) The part of the purchase or disposal price paid with cash and cash**
2 **equivalents;**
- 3 **(c) Total cash and cash equivalents in the state/local enterprise and other**
4 **operating units acquired or disposed of, and**
- 5 **(d) Total assets and liabilities other than cash and cash equivalents**
6 **recognized by state/local enterprises and other operating units acquired**
7 **or disposed.**

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

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

17 **NON CASH TRANSACTIONS**

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

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

27 **COMPONENTS OF CASH AND CASH EQUIVALENTS**

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

31 **OTHER DISCLOSURES**

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

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

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

39 **EFFECTIVE DATE**

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

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

STATE GOVERNMENT
STATEMENT OF CASH FLOWS
For the Periods Ending Dec 31, 20x1 and 20x0
Direct Methods

(in Rupiah)

No.	Description	20X1	20X0
1	Cash Flows from Operating Activities		
2	Cash Inflows:		
3	Income Tax Receipts	xxx	xxx
4	Value Added and Luxury Sales Tax Receipts	xxx	xxx
5	Land and Building Tax Receipts	xxx	xxx
6	Land and Building Acquisition Rights Duties Receipts	xxx	xxx
7	Excise Receipts	xxx	xxx
8	Other Tax Receipts	xxx	xxx
9	Import Duties Receipts	xxx	xxx
10	Export Tax Receipts	xxx	xxx
11	Natural Resources Receipts	xxx	xxx
12	Government Share of State Enterprise Profits Receipts	xxx	xxx
13	Other State Non Taxation Receipts	xxx	xxx
14	Grant Receipts	xxx	xxx
15	Receipt from Extraordinary Revenue	xxx	xxx
16	Total Cash Inflows (3 until 15)	xxx	xxx
17	Cash Outflows:		
18	Civil Servant Payments	xxx	xxx
19	Goods Payments	xxx	xxx
20	Interest Payments	xxx	xxx
21	Subsidies Payments	xxx	xxx
22	Social Assistance Payments	xxx	xxx
23	Grant Payments	xxx	xxx
24	Other Payments	xxx	xxx
25	Tax Revenue Sharing Fund Payments	xxx	xxx
26	Natural Resources Revenue Sharing Fund Payments	xxx	xxx
27	General Allocation Fund Payments	xxx	xxx
28	Special Allocation Fund Payments	xxx	xxx
29	Special Autonomy Fund Payments	xxx	xxx
30	Adjustment Fund Payments	xxx	xxx
31	Extraordinary Payments	xxx	xxx
32	Total Cash Outflows (18 until 31)	xxx	xxx
33	Net Cash Flow from Operating Activities (16 - 32)	xxx	xxx
34	Cash Flows from Investing Activities		
35	Cash Inflows:		
36	Sales of Land	xxx	xxx
37	Sales of Equipment and Machinery	xxx	xxx
38	Sales of Building and Construction	xxx	xxx
39	Sales of Roads, Irrigation and Networks	xxx	xxx
40	Sales of Other Fixed Assets	xxx	xxx
41	Sales of Other Assets	xxx	xxx
42	Receipt from Divestment	xxx	xxx
43	Receipt from Sales of Non permanent Investment	xxx	xxx
44	Total Cash Inflows (36 until 43)	xxx	xxx
45	Cash Outflows:		
46	Acquisition of Land	xxx	xxx
47	Acquisition of Equipment and Machinery	xxx	xxx
48	Acquisition of Building and Construction	xxx	xxx

49	Acquisition of Road, Irrigation and Networks	XXX	XXX
50	Acquisition of Other Fixed Assets	XXX	XXX
51	Acquisition of Other Assets	XXX	XXX
52	State Government Equity Participation	XXX	XXX
53	Purchases of Nonpermanent investment Expenditure	XXX	XXX
54	Total Cash Outflows (46 until 53)	XXX	XXX
55	Net Cash Flow from Investing Activities (44 - 54)	XXX	XXX
56	Cash Flow from Financing Activities		
57	Cash Inflows:		
58	Domestic Loan - Banking Institution	XXX	XXX
59	Domestic Loan - Bonds	XXX	XXX
60	Domestic Loan - Other	XXX	XXX
61	Foreign Loan Receipt	XXX	XXX
62	Receipt from Local Loan Repayment	XXX	XXX
63	Receipt from State Enterprise Loan Repayment	XXX	XXX
64	Receipt from Local Enterprise Loan Repayment	XXX	XXX
65	Total Cash Inflows (58 until 64)	XXX	XXX
66	Cash Outflows:		
67	Domestic Loan Payment - Banking Institution	XXX	XXX
68	Domestic Loan Payment - Bonds	XXX	XXX
69	Domestic Loan Payment - Others	XXX	XXX
70	Foreign Loan Payment Payments	XXX	XXX
71	Provision of Loans to Local Government	XXX	XXX
72	Provision of Loans to State Enterprises	XXX	XXX
73	Provision of Loans to Local Enterprises	XXX	XXX
74	Total Cash Outflows (67 until 73)	XXX	XXX
75	Net Cash Flows from Financing Activities (65 - 74)	XXX	XXX
76	Cash Flow from Transitory Activities		
77	Cash Inflows:		
78	Third Party Calculation Receipts (PFK)	XXX	XXX
79	Remittance	XXX	XXX
80	Total Cash Inflows (78 until 79)	XXX	XXX
81	Cash Outflows:		
82	Third Party Calculation Expenditures (PFK)	XXX	XXX
83	Remittance	XXX	XXX
84	Total Cash Outflows (82 until 83)	XXX	XXX
85	Net Cash Flow from Transitory Activities (80 - 84)	XXX	XXX
86	Increase/Decrease Cash (33+55+75+85)	XXX	XXX
87	Opening Balance in State General Treasurer & Cash in Expenditure Treasurer	XXX	XXX
88	Closing Balance in State General Treasurer & Cash in Expenditure Treasurer (86+87)	XXX	XXX
89	Closing Balance in Receipts Treasurer	XXX	XXX
90	Closing Balance (88+89))	XXX	XXX

(Illustration 3.B)

**PROVINCE GOVERNMENT
STATEMENT OF CASH FLOWS**
For the Periods Ending Dec 31, 20x1 and 20x0
Direct Methods

(in Rupiah)

No.	Description	20X1	20X0
1	Cash Flows from Operating Activities		
2	Cash Inflows:		
3	Local Tax Receipts	xxx	xxx
4	Local Levies Receipts	xxx	xxx
5	Receipt from Separated Local Managed Assets	xxx	xxx
6	Other Legal Local Own Source Receipts	xxx	xxx
7	Tax Revenue Sharing Fund Receipt	xxx	xxx
8	Natural Resources Revenue Sharing Fund Receipts	xxx	xxx
9	General Allocation Fund	xxx	xxx
10	Special Allocation Fund	xxx	xxx
11	Special Autonomous Fund	xxx	xxx
12	Adjustment Fund	xxx	xxx
13	Grant Receipts	xxx	xxx
14	Emergency Fund Receipts	xxx	xxx
15	Other Receipts	xxx	xxx
16	Receipt from Extraordinary Revenue		
17	Total Cash Inflows (3 s.d 16)	xxx	xxx
18	Cash Outflows:		
19	Civil Servant Payments	xxx	xxx
20	Goods Payments	xxx	xxx
21	Interest Payments	xxx	xxx
22	Subsidies Payments	xxx	xxx
23	Grant Payments	xxx	xxx
24	Social Assistance Expense Payments	xxx	xxx
25	Unexpected Payments	xxx	xxx
26	Tax Sharing Payments	xxx	xxx
27	Levies Sharing Payments	xxx	xxx
28	Other Revenue Sharing Payments	xxx	xxx
29	Extraordinary Events Payments	xxx	xxx
30	Total Cash Outflows (19 until 29)	xxx	xxx
31	Net Cash Flow from Operating Activities (17 s.d 30)	xxx	xxx
32	Cash Flows from Investing Activities		
33	Cash Inflows:		
34	Disbursement from Reserve Funds	xxx	xxx
35	Sales of Land	xxx	xxx
36	Sales of Equipment and Machinery	xxx	xxx
37	Sales of Building and Construction	xxx	xxx
38	Sales of Roads, Irrigation and Networks	xxx	xxx
39	Sales of Other Fixed Assets	xxx	xxx
40	Sales of Other Assets	xxx	xxx
41	Proceeds from Sales of Separated Local Assets	xxx	xxx
42	Receipts from sales of Non permanent Investment	xxx	xxx
43	Total Cash Inflows (34 until 42)	xxx	xxx
44	Cash Outflows:		
45	Establishment of Reserve Funds	xxx	xxx
46	Acquisition of Land	xxx	xxx
47	Acquisition of Equipment and Machinery	xxx	xxx
48	Acquisition of Building and Construction	xxx	xxx

49	Acquisition of Road, Irrigation and Networks	xxx	xxx
50	Acquisition of Other Fixed Assets	xxx	xxx
51	Acquisition of Other Assets	xxx	xxx
52	Local Government Equity Participation	xxx	xxx
53	Purchases of Nonpermanent investment Expenditure	xxx	xxx
54	Total Cash Outflows (45 until 53)	xxx	xxx
55	Net Cash Flow from Investing Activities (43 - 54)	xxx	xxx
56	Cash Flow from Financing Activities		
57	Cash Inflows:		
58	Domestic Loans - Central Government	xxx	xxx
59	Domestic Loans - Other Local Government	xxx	xxx
60	Domestic Loans - Bank Institutions	xxx	xxx
61	Domestic Loans - Non Bank Institutions	xxx	xxx
62	Domestic Loans - Bonds	xxx	xxx
63	Domestic Loans - Others	xxx	xxx
64	State Enterprise Loan Repayment Receipts	xxx	xxx
65	Local Enterprise Loan Repayment Receipts	xxx	xxx
66	Other Local Government Loan Repayment Receipts	xxx	xxx
67	Total Cash Inflows (58 until 66)	xxx	xxx
68	Cash Outflows:		
69	Domestic Loan Payments - Central Government	xxx	xxx
70	Domestic Loan Payments - Other Local Government	xxx	xxx
71	Domestic Loan Payments - Bank Institutions	xxx	xxx
72	Domestic Loan Payments - Non Bank Institutions	xxx	xxx
73	Domestic Loan Payments - Bonds	xxx	xxx
74	Domestic Loan Payments - Others	xxx	xxx
75	Provision of Loans to State Enterprises	xxx	xxx
76	Provision of Loans to Local Enterprises	xxx	xxx
77	Provision of Loans to Other Local Government	xxx	xxx
78	Total Cash Outflows (69 until 77)	xxx	xxx
79	Net Cash Flow from Financing Activities (67 - 78)	xxx	xxx
80	Cash Flows from Transitory Activities		
81	Cash Inflows:		
82	Third Party Calculation Receipts (PFK)	xxx	xxx
83	Total Cash Outflows (82)	xxx	xxx
84	Cash Outflows:		
85	Third Party Calculation Expenditures (PFK)	xxx	xxx
86	Total Cash Outflows (85)	xxx	xxx
87	Net Cash Flow from Transitory Activities (83 - 86)	xxx	xxx
88	Increase/Decrease in Cash (31+55+79+87)	xxx	xxx
89	Opening Balance in Local General Treasurer & Cash in Expenditure Treasurer	xxx	xxx
90	Closing Balance in Local General Treasurer & Cash in Expenditure Treasurer	xxx	xxx
91	Closing Balance in Receipts Treasurer	xxx	xxx
92	Closing Balance (90+91)	xxx	xxx

DISTRICT/CITY GOVERNMENT
STATEMENT OF CASH FLOWS
For the Periods Ending Dec 31, 20x1 and 20x0
Direct Methods

(in Rupiah)

No	Description	20X1	20X0
1	Cash Flows from Operating Activities		
2	Cash Inflows:		
3	Local Tax Receipts	xxx	xxx
4	Local Levies Receipts	xxx	xxx
5	Receipt from Separated Local Managed Assets	xxx	xxx
6	Other Legal Local Own Source Receipts	xxx	xxx
7	Tax Revenue Sharing Fund Receipt	xxx	xxx
8	Natural Resources Revenue Sharing Fund Receipts	xxx	xxx
9	General Allocation Fund	xxx	xxx
10	Special Allocation Fund	xxx	xxx
11	Special Autonomous Fund	xxx	xxx
12	Adjustment Fund	xxx	xxx
13	Tax Revenue Sharing Receipts	xxx	xxx
14	Other Revenue Sharing Receipts	xxx	xxx
15	Grat Receipts	xxx	xxx
16	Emergency Fund Receipts	xxx	xxx
17	Other Receipts	xxx	xxx
18	Receipt from Extraordinary Revenue	xxx	xxx
19	Total Cash Inflows (3 until 18)	xxx	xxx
20	Cash Outflows:		
21	Civil Servant Payments	xxx	xxx
22	Goods Payments	xxx	xxx
23	Interest Payments	xxx	xxx
24	Subsidies Payments	xxx	xxx
25	Grant Payments	xxx	xxx
26	Social Assistance Expense Payments	xxx	xxx
27	Unexpected Payments	xxx	xxx
28	Tax Sharing Payments	xxx	xxx
29	Levies Sharing Payments	xxx	xxx
30	Other Revenue Sharing Payments	xxx	xxx
31	Extraordinary Events Payments	xxx	xxx
32	Total Cash Outflows (21 until 31)	xxx	xxx
33			
34	Cash Flows from Investing Activities		
35	Cash Inflows:		
36	Disbursement from Reserve Funds	xxx	xxx
37	Sales of Land	xxx	xxx
38	Sales of Equipment and Machinery	xxx	xxx
39	Sales of Building and Construction	xxx	xxx
40	Sales of Roads, Irrigation and Networks	xxx	xxx
41	Sales of Other Fixed Assets	xxx	xxx
42	Sales of Other Assets	xxx	xxx
43	Proceeds from Sales of Separated Local Assets	xxx	xxx
44	Receipts from sales of Non permanent Investment	xxx	xxx
45	Total Cash Inflows (36 until 44)	xxx	xxx
46	Cash Outflows:		
47	Establishment of Reserve Funds	xxx	xxx
48	Acquisition of Land	xxx	xxx
49	Acquisition of Equipment and Machinery	xxx	xxx
50	Acquisition of Building and Construction	xxx	xxx

51	Acquisition of Road, Irrigation and Networks	xxx	xxx
52	Acquisition of Other Fixed Assets	xxx	xxx
53	Acquisition of Other Assets	xxx	xxx
54	Local Government Equity Participation	xxx	xxx
55	Purchases of Nonpermanent investment Expenditure	xxx	xxx
56	Total Cash Outflows (47 until 55)	xxx	xxx
57	Net Cash Flows from Investing Activities (45 - 56)	xxx	xxx
58	Cash Flows from Financing Activities		
59	Cash Inflows:		
60	Domestic Loans - Central Government	xxx	xxx
61	Domestic Loans - Other Local Government	xxx	xxx
62	Domestic Loans - Bank Institutions	xxx	xxx
63	Domestic Loans - Non Bank Institutions	xxx	xxx
64	Domestic Loans - Bonds	xxx	xxx
65	Domestic Loans - Others	xxx	xxx
66	State Enterprise Loan Repayment Receipts	xxx	xxx
67	Local Enterprise Loan Repayment Receipts	xxx	xxx
68	Other Local Government Loan Repayment Receipts	xxx	xxx
69	Total Cash Inflows (60 until 68)	xxx	xxx
70	Cash Outflows:		
71	Domestic Loan Payments - Central Government	xxx	xxx
72	Domestic Loan Payments - Other Local Government	xxx	xxx
73	Domestic Loan Payments - Bank Institutions	xxx	xxx
74	Domestic Loan Payments - Non Bank Institutions	xxx	xxx
75	Domestic Loan Payments - Bonds	xxx	xxx
76	Domestic Loan Payments - Others	xxx	xxx
77	Provision of Loans to State Enterprises	xxx	xxx
78	Provision of Loans to Local Enterprises	xxx	xxx
79	Provision of Loans to Other Local Government	xxx	xxx
80	Total Cash Outflows (71 until 79)	xxx	xxx
81	Net Cash Flow from Investing Activities (69 - 80)	xxx	xxx
82	Cash Flow from Transitory Activities		
83	Cash Inflows:		
84	Third Party Calculation Receipts (PFK)	xxx	xxx
85	Total Cash Inflows (84)	xxx	xxx
86	Cash Outflows:		
87	Third Party Calculation Expenditures (PFK)	xxx	xxx
88	Total Cash Outflows (87)	xxx	xxx
89	Net Cash Flow from Transitory Activities (84 - 87)	xxx	xxx
90	Increase/Decrease in Cash (33+57+81+89)	xxx	xxx
91	Opening Balance in Local General Treasurer & Cash in Expenditure Treasurer	xxx	xxx
92	Closing Balance in Local General Treasurer & Cash in Expenditure Treasurer	xxx	xxx
93	Closing Balance in Receipts Treasurer	xxx	xxx
94	Closing Balance (92+93)	xxx	xxx

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 04

NOTES TO FINANCIAL STATEMENT

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

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1 **STATEMENT NO. 04**
2 **NOTES TO THE FINANCIAL STATEMENTS**

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

7 **INTRODUCTION**

8 **PURPOSE**

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

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

15 **SCOPE**

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

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

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

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

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

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

34 **DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 **GENERAL PROVISIONS**

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

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

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

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

26 **STRUCTURE AND CONTENTS**

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

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

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

- 41 ***(a) General information about Reporting Entities and Accounting Entities;***
42 ***(b) Information on fiscal / financial and macroeconomic policy;***

- 1 (c) ***A summary of the achievement of financial targets for the reporting year***
2 ***together with constraints and obstacles encountered in achieving the***
3 ***target;***
- 4 (d) ***Information on the basic presentation of the financial statements and***
5 ***the selected accounting policies applied to transactions and other***
6 ***significant events;***
- 7 (e) ***Details and explanations of each item presented on the face of the***
8 ***financial statements;***
- 9 (f) ***Information required by the Government Accounting Standards that has***
10 ***not been presented on the face of the financial statements, and;***
- 11 (g) ***Other information necessary for a fair presentation, that is not***
12 ***presented on the face of the financial statements.***

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

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

23 **PRESENTATION OF GENERAL INFORMATION**

24 **REGARDING REPORTING ENTITIES AND ACCOUNTING**

25 **ENTITIES**

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

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

- 31 (a) the domicile and legal form of the entity and the jurisdiction where the entity
32 is located;
- 33 (b) an explanation of the nature of the entity's operations and principal activities,
34 and;
- 35 (c) the statutory provisions that underlie its operations.

36 **PRESENTATION OF INFORMATION ON FISCAL/**

37 **FINANCIAL POLICIES AND THE MACROECONOMY**

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

41 20. To help readers of Financial Reports, the Notes to the Financial
42 Statements must provide information that can answer questions such as how the

1 the realization and financial/fiscal position of the reporting entity developed and
2 how this was achieved.

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

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

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

22 **PRESENTATION OF THE SUMMARY OF FINANCIAL** 23 **TARGET ACHIEVEMENT DURING THE CURRENT** 24 **REPORTING YEAR AND CONSTRAINTS AND OBSTACLES** 25 **ENCOUNTERED IN TARGET ACHIEVEMENT**

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

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

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

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

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

- 1 (a) total target value;
- 2 (b) total realization value;
- 3 (c) percentage ratio between the target and realization, and
- 4 (d) The main reason for the difference between the target and the realization.

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

9 **BASIC PRESENTATION OF THE FINANCIAL STATEMENTS AND** 10 **DISCLOSURE OF FINANCIAL ACCOUNTING POLICIES**

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

13 **BASIC ACCOUNTING ASSUMPTIONS**

14 *31. The basic assumption or the particular basic accounting*
15 *concepts that underlie the preparation of the financial reports, usually do not*
16 *need to be specifically disclosed. Disclosure is required if the reporting*
17 *entity does not follow the assumptions or the concepts, accompanied with*
18 *the reasons and explanations.*

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

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

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

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

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

41 **FINANCIAL REPORT USERS**

42 *36. The users of government financial reports include:*
43 *(a) The public;*

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

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

11 38. Disclosure of accounting policies in financial reports are intended so
12 that the financial reports can be understood. Disclosure policy is an integral part of
13 the financial reports that helps users of financial reports, because sometimes the
14 improper or incorrect treatment is used for a component of the budget realization
15 report, statement of changes of the excess budget balance, balance sheet,
16 statement of operations, statement of cash flows, statement of changes in equity
17 that are biased by the disclosure policy selected.

18 **ACCOUNTING POLICIES**

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

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

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

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

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

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

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

18 44. Although the Government Accounting Conceptual Framework has
19 suggested the use of a certain accounting basis for the government's preparation
20 of financial reports, a statement of the accounting basis underlying the use of the
21 government's financial statements should be disclosed in the Notes to the
22 Financial Statements. The statement also includes a statement of compliance with
23 the Government Accounting Conceptual Framework. This makes it easy readers
24 of the report who do not have to revisit the basis of accounting shown in the
25 Government Accounting Conceptual Framework.

26 45. Users of financial reports need to know the measurement bases used
27 for preparing the financial reports. If more than one measurement basis is used in
28 the preparation of the financial reports, the information presented must be
29 sufficiently adequate to indicate the measurement basis used for assets and
30 liabilities.

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

- 37 (a) Recognition of revenue-LRA;
38 (b) Recognition of revenue-LO;
39 (c) Recognition of expenditure;
40 (d) Recognition of expenses;
41 (e) Principles of consolidated report preparation;
42 (f) Investments;
43 (g) Recognition and termination/removal of tangible and intangible assets;
44 (h) Construction contracts;
45 (i) Expenditure capitalization policy;

- 1 (j) Partnerships with third parties;
- 2 (k) Research and development costs;
- 3 (l) Inventories, whether for sale or for their own use;
- 4 (m) The establishment of a reserve fund;
- 5 (n) The creation of the welfare of employees;
- 6 (o) Foreign currency translation and hedging.

7 47. Each entity needs to consider the type of activities and policies that
8 need to be disclosed in the Notes to the Financial Statements. For example,
9 disclosure of information on the recognition of income taxes, levies and other forms
10 of mandatory fees, foreign currency translation and the accounting treatment of
11 foreign exchange.

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

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

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

22 PRESENTATION OF DETAILS AND EXPLANATIONS OF 23 EACH ITEM PRESENTED ON THE FACE OF THE FINANCIAL 24 STATEMENTS

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

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

- 32 (a) Budget;
- 33 (b) Realization;
- 34 (c) Percentage of achievement;
- 35 (d) The explanation of the difference between budget and realization;
- 36 (e) Comparison with the previous period;
- 37 (f) The explanation of the difference between the current period and the previous
38 period;
- 39 (g) Further details of revenue-LRA by source of revenue;
- 40 (h) Further details of expenditure by economic classification, organization, and
41 function;
- 42 (i) Further details of financing, and

1 (j) Explanation of required important matters.

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

7 (a) Comparison with the previous period;

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

10 (c) Necessary details; and

11 (d) Explanation of important matters required.

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

14 (a) Comparison with the previous period;

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

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

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

20 (e) Explanation of important matters required.

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

23 (a) Comparison with the previous period;

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

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

28 (d) Explanation of important matters required.

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

32 (a) Comparison with the previous period;

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

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

36 (d) Explanation of important matters required.

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

41 (a) Comparison with the previous period;

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

- 1 (c) Necessary details; and
2 (d) Explanation of important matters required.

3 **DISCLOSURE OF INFORMATION REQUIRED BY THE** 4 **GOVERNMENT ACCOUNTING STANDARDS NOT** 5 **PRESENTED ON THE FACE OF THE FINANCIAL** 6 **STATEMENTS**

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

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

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

29 **OTHER DISCLOSURES**

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

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

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

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

COMPOSITION

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

- (a) General information about the reporting entity and accounting entities;
- (b) Fiscal / financial and macroeconomic policies;
- (c) Summary of financial target achievement together with obstacles and constraints;
- (d) Significant accounting policies:
 - i. The reporting entity;
 - ii. The accounting basis underlying the preparation of financial statements;
 - iii. The measurement bases used in the preparation of financial statements;
 - iv. Compliance of the accounting policies applied with the provisions of the Statements of Government Accounting Standards by a reporting entity;
 - v. Each specific accounting policy necessary to understand the financial statements.
- (e) Explanation of the items in the Financial Report:
 - i. Details and an explanation of each item in the Financial Report;
 - ii. Disclosure of information required by the Governmental Accounting Standards that is not presented on the face of Financial Report.
- (f) Any additional information required.

EFFECTIVE DATE

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

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 05

ACCOUNTING FOR INVENTORIES

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

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STATEMENT NO. 05

ACCOUNTING FOR INVENTORIES

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

INTRODUCTION

OBJECTIVE

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

SCOPE

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

3. This Standard does not regulate:

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

DEFINITIONS

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

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

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

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

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

GENERAL

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

- (a) *Goods or supplies that used for the purpose of government operations;*
- (b) *Materials or supplies to be used in the production process;*
- (c) *Goods in the production process that are intended to be sold or delivered to the public;*

1 **(d) Goods stored to be sold or delivered to the public in the ordinary course**
2 **of government activities.**

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

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

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

12 9. Inventories can consist of:

- 13 (a) Consumables;
14 (b) Ammunition;
15 (c) Materials for maintenance;
16 (d) Spare parts;
17 (e) Inventories for strategic/precautionary objectives;
18 (f) Excise stamps and certification fee;
19 (g) Raw materials;
20 (h) Goods in process/progress;
21 (i) Land/buildings to be sold or delivered to the public;
22 (j) Animals and plants, to be sold or delivered to the public.

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

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

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

31 **RECOGNITION**

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

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

38 **MEASUREMENT**

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

- 40 **(a) Acquisition cost, if acquired through purchase;**
41 **(b) Cost of production, if obtained through own-production;**

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

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

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

6 **(a) A systematic method such as FIFO or weighted average**

7 **(b) The final purchase price per unit of inventory if the value is not material**
8 **and of various types.**

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

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

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

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

19 **INVENTORIES EXPENSES**

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

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

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

27 25. In terms of inventory recorded periodically, the measurement of
28 inventory usage is calculated based on physical inventory, i.e. the beginning
29 inventory balance plus purchases or acquisitions of inventory minus the ending
30 inventory balance multiplied by the value per unit in accordance with the method
31 of assessment used.

32 **DISCLOSURE**

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

34 **(a) The accounting policies adopted in measuring inventories;**

35 **(b) Further explanation of inventories, such as goods or supplies used in**
36 **public services, goods or supplies used in the production process,**
37 **goods kept for sale or delivered to the public, and goods still in the**
38 **production process that are intended to be sold or delivered to the**
39 **public, and**

40 **(c) The type, number, and value of inventory in damaged or worn condition.**

1 **EFFECTIVE DATE**

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

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 06

ACCOUNTING FOR INVESTMENT (REV 2016)

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

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1 **STATEMENT NO. 06**
2 **ACCOUNTING FOR INVESTMENTS (REV 2016)**

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

7 **INTRODUCTION**

8 **OBJECTIVE**

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

12 **SCOPE**

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

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

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

24 5. This Standard does not regulate:

- 25 (a) The placement of money included in the scope of cash equivalents;
26 (b) Investments in associated companies;
27 (c) Joint arrangement that include joint operation and joint venture;
28 (d) Investment Property.

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

31 **DEFINITIONS**

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

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

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

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

1 **Long-term investments are investments intended to be held for more than**
2 **12 (twelve) months.**

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

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

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

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

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

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

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

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

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

28 **FORMS OF INVESTMENTS**

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

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

37 **CLASSIFICATION OF INVESTMENT**

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

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

43 (a) Can be immediately sold/liquidated;

1 (b) The investment is intended in the context of cash management, which means
2 that the government can sell such investments when cash needs arises and
3 purchase those investments when cash excess, to increase asset
4 productivity; and

5 (c) Low risk.

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

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

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

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

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

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

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

23 (c) Acquired securities which purposed to sold in 12 months or less after period
24 date.

25 (d) Mutual funds.

26 **13. Long-term investments are divided according to investment**
27 **purposes, i.e. permanent and non-permanent. Permanent investments are**
28 **long-term investments which are held on an continuous basis, whereas non-**
29 **permanent investments are long-term investments which are not intended**
30 **to held on a continuous basis.**

31 14. The definition of continuous refers to investments intended to be held
32 continuously and without any intention to trade or redeem. Whereas the definition
33 of non-continous refers to the ownership of investments with a maturity of more
34 than 12 (twelve) months, but are not intended to be owned continuously or there
35 is an intention to trade or redeem.

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

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

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

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

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

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

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

16 **RECOGNITION OF INVESTMENT**

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

- 20 (a) ***There is the possibility of economic benefits and social benefits or***
21 ***service potential in the future that can be obtained from investments***
22 ***by the government;***
- 23 (b) ***The acquisition value or fair value of the investments can be measured***
24 ***appropriately (reliable).***

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

33 21. The criteria for the recognition of investments as stated in paragraph
34 19 item b, can usually be met because the exchange or purchase transaction is
35 supported by evidence that states/identifies the acquisition cost. In certain
36 circumstances, an investment may be obtained not based on the acquisition cost,
37 or the fair value at the date of acquisition. In such cases, the use of appropriate
38 value estimates may be used.

39 **MEASUREMENT OF INVESTMENTS**

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

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

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

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

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

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

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

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

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

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

32 32. In terms of the investments are in the context of national policy that will
33 be disposed/sold, investment value recorded at disposal/sale value reduced
34 disposal cost. In terms of investment in the form of bills, investment value recorded
35 at investment reduced allowance for doubtful.

36 **33. If long-term investments are acquired through the exchange of**
37 **government assets, the investment recognized at fair value. If fair value does**
38 **not exist, the value of the investment recognized at fair value of the assets**
39 **or book value of the assets submitted or the book value of the assets**
40 **delivered if the fair value does not exist.**

41 34. Investment can be obtained through exchange with non-monetary
42 asset or monetary and non-monetary asset combination.

43 **35. The acquisition price of a foreign currency investment paid with**
44 **the same foreign currency must be stated in rupiah using the exchange rate**
45 **(middle rate of the central bank) applied at the transaction date.**

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

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

9 38. If government investment recorded at face value or cost value suffered
10 an impairment, the reduction shall be disclosed in the financial statement.
11 Impairment occur if recorded value is over the fair value of the investment.

12 **INVESTMENT VALUATION METHODS**

13 **39. Accounting for government investment is carried out by two**
14 **methods, they are:**

15 **(a) Cost method;**

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

19 **(b) Equity method;**

20 **The initial investment is recorded at the acquisition cost and increased**
21 **or decreased by the government's share of profits or losses after the**
22 **date of acquisition. Government's share of profit is recorded as**
23 **investment returns revenue in the Statement of Operations and**
24 **increased government investment value.**

25 **Cash dividend when announced in the General/Board Meeting**
26 **recognized as dividend receivable and reduce government investment.**
27 **Cash dividend obtained by the government will reduce dividend**
28 **receivable. Reception of cash dividend recorded as investment revenue**
29 **in Statement of Budget Realization.**

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

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

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

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

40 **(c) Ownership more than 50% using the equity method.**

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

- 1 (a) The ability to influence the composition of the board of commissioners;
2 (b) The ability to appoint or replace directors;
3 (c) The ability to control the majority of votes in a meeting/board meeting.

4 **RECOGNITION OF INVESTMENT PROCEEDS**

5 ***42. Investment returns earned from short-term investments, which***
6 ***include interest on deposits and bonds, are recognized as investment***
7 ***returns receivable in the balance sheet and investment returns revenue in***
8 ***the statement of operations. Reception of investment returns recognized as***
9 ***reduction of investment returns receivable when the cash received.***
10 ***Investment returns received by cash recognized as investment returns***
11 ***revenue in the statement of budget realization.***

12 ***43. Investment returns received from short-term investment or long-***
13 ***term non-permanet investment in the form of cash dividend recognized as***
14 ***dividend receivable in the balance sheet and investment returns revenue in***
15 ***the statement of operations when the dividend announced in the***
16 ***General/Board Meeting. At the time of cash reception the cash dividend***
17 ***revenue recognized as reduction of dividend receivable. The reception of***
18 ***cash dividend recognized as investment returns revenue in the statement of***
19 ***budget realization.***

20 ***44. Investment returns in the form of cash dividends earned from***
21 ***government equity participation which recorded using the cost method***
22 ***when announced in the General/Board Meeting recorded as dividend***
23 ***receivable and investment returns revenue in statements of operations.at***
24 ***the time of cash reception the investment returns in the form of cash***
25 ***dividend recognized as redution to dividend receivable. The reception of***
26 ***cash dividend recognized as investment returns revenue in the statement of***
27 ***budget realization.***

28 ***45. Investment returns in the form of share of profit earned from***
29 ***government equity participation which recorded using the cost method,***
30 ***recorded as investment returns revenue in the statement of operations and***
31 ***as addition to government's investment value in the balance sheet. Cash***
32 ***dividend recognized as dividend receivable and reduction to government's***
33 ***investment when announced in the General/Board Meeting. Cash dividend***
34 ***obtained by the government will reduce dividend receivable. The cash***
35 ***dividend reception recorded as investment returns revenue in the statement***
36 ***of budget realization. Received dividend in the form of stock do not increase***
37 ***government's investment value, thus it is not recognized as revenue.***
38 ***Received dividend in the form of stock disclosed in the notes to financial***
39 ***statement.***

40 ***46. In equity method, recognition of loss in government's investment***
41 ***value which is presented in the balance sheet recognized until the***
42 ***investment becomes zero. The difference of unrecognized loss in***
43 ***government invesment disclosed in the notes to financial statement.***

44 ***47. In the equity method, the investment may be reduced so that it***
45 ***becomes zero or negative due to losses suffered. If as a result of losses suffered,***
46 ***the investment value becomes negative, the investment will be presented in the***

1 balance sheet at zero point, but the negative values will be disclosed in the notes
2 to financial statements.

3 **48. Recognition of share of profit can be done again when the share**
4 **of profit has been closed unrecognized accumulated losses value when the**
5 **negative investment value presented at zero point.**

6 49. In the condition of negative investment value presented at zero point,
7 the share of profit is used in advance to cover the accumulated losses. Additional
8 investment from recognition of share of profit is allowed after accumulated losses
9 covered. Those condition disclosed in the notes to the financial statements.

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

14 51. Recognition of share profit when part of accumulated losses are
15 recognized as liabilities will reduce the value of the obligation. This condition is
16 disclosed in the notes to the financial statement.

17 **DISPOSAL OF INVESTMENTS**

18 **52. The disposal of government investment can be in the form of sale**
19 **of investment assets, exchanged with other assets, compensation of**
20 **government obligation, grants and donations, debt exemptions for issuers**
21 **of obligation, and so forth.**

22 **53. The difference between the investment disposal proceeds with the**
23 **carrying amount must be recognized as gains/losses on disposal of**
24 **investments. Gains/losses on disposal of investments are presented in the**
25 **statement of operations.**

26 **DISCLOSURE**

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

- 29 (a) **The accounting policies for the determination of investment values;**
30 (b) **The types of investments, permanent and non-permanent;**
31 (c) **Changes in the market price of investments both for short term and**
32 **long term investments;**
33 (d) **A significant decline in the value of investments and the cause of the**
34 **decline;**
35 (e) **Investments carried at fair value and the reason for its application;**
36 (f) **Reconciliation of beginning and ending investment value on**
37 **investment with equity methods;**
38 (g) **Investments which presented at zero values and part of accumulated**
39 **losses which over the investment values;**
40 (h) **Incurred liabilities from part of accumulated losses which exceeding**
41 **investment values in the case of government has a legal responsibility;**
42 (i) **Changes in investment posts classification;**

1 *(j) Changes in interest portion or significant influence which causing*
2 *changes in accounting methods.*

3 **EFFECTIVE DATE**

4 *55. This Statement of Governmental Accounting Standards is*
5 *effective for financial statements from Budget Year 2017.*

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 07

ACCOUNTING FOR FIXED ASSETS

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

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1 **STATEMENT NO. 07**
2 **ACCOUNTING FOR FIXED ASSETS**

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

7 **INTRODUCTION**

8 **OBJECTIVE**

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

13 **SCOPE**

14 2. *This Standard is applied to all units of government that present*
15 *general purpose financial reports and regulates the accounting treatment,*
16 *including the recognition, valuation, presentation, and the disclosures*
17 *required unless other Government Accounting Standards require different*
18 *accounting treatment.*

19 3. This Standard does not apply to:

- 20 (a) Forests and natural resources that can be renewed (regenerative natural
21 resources); and
22 (b) Authorization of mining, exploration and extraction of minerals, oil, natural
23 gas, and natural resources and the like which are non-renewable (non-
24 regenerative natural resources).

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

28 **DEFINITIONS**

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

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

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

39 *Acquisition cost* *is the amount of cash or cash equivalents that have been*
40 *and are still required to be paid or the fair value of other benefits that have*
41 *been and are still required to be given to acquire an asset at the time of*
42 *acquisition or construction until the asset is in a condition and place ready*
43 *to be used.*

1 **Useful life is:**

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

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

6 **Residual value is the net amount expected to be obtained by the end of the**
7 ***useful life of the asset after deducting the estimated costs of disposal.***

8 **Carrying amount of assets is the book value of assets, which is calculated**
9 ***from the cost of acquisition of an asset less accumulated depreciation.***

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

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

14 **GENERAL**

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

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

20 (b) Land rights.

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

23 **FIXED ASSET CLASSIFICATION**

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

27 ***(a) Land;***

28 ***(b) Equipment and Machinery;***

29 ***(c) Buildings and Construction;***

30 ***(d) Roads, Irrigation, and Networks;***

31 ***(e) Other Fixed Assets; and***

32 ***(f) Construction In Progress.***

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

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

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

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

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

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

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

10 **FIXED ASSET RECOGNITION**

11 **15. To be recognized as fixed assets an asset must meet the following**
12 **criteria:**

13 **(a) Has a useful life of more than 12 (twelve) months;**

14 **(b) The acquisition cost an asset can be measured reliably;**

15 **(c) Not intended for sale in the normal operation of the entity; and**

16 **(d) Obtained or constructed with the intention to use.**

17 16. In determining whether an asset continues to have the benefit of more
18 than 12 (twelve) months, an entity must assess the future economic benefits that
19 can be provided by the asset, either directly or indirectly, for government
20 operations. The benefits can be either a stream of income or expenditure savings
21 for the government. The future economic benefits will flow to the entity can be
22 ensured if the entity will accept the benefits and associated risks. Certainty is
23 usually only available if the benefits and risks have been accepted. Before this
24 happens, the asset cannot be recognized.

25 17. The main purpose of the acquisition of fixed assets is that they are used
26 by the government in support of its operations and are not intended for sale.

27 18. Recognition of fixed assets will be very reliable when fixed assets have
28 been received or delivered and ownership rights or when control is transferred.

29 19. The recognition of an asset will be reliable if there is evidence that there
30 has been a transfer of ownership and / or control legally, such as land certificates
31 and proof of vehicle ownership. If the acquisition of a fixed asset is not supported
32 by legal evidence because the required administrative process is still underway,
33 such as an unsettled land purchase where the buying and selling process (deed)
34 and a certificate of ownership is still with the authorities, then the asset must be
35 recognized when there is evidence that control of the asset has been transferred,
36 for example where payments and control over land titles in the name of the
37 previous owner have occurred.

38 **FIXED ASSET MEASUREMENT**

39 **20. Fixed assets are valued at acquisition cost. If the valuation of fixed**
40 **assets using the cost of acquisition is not possible then the value of fixed**
41 **assets is based on the fair value at the time of acquisition.**

42 21. Measurement can be considered reliable if there is an exchange
43 transaction with proof of purchase for the fixed assets which identifies cost. In the
44 case where an asset that is constructed by way of self-management, a reliable

1 measurement of the cost can be obtained from external transactions with such
2 entities for the acquisition of raw materials, labor and other costs that are used in
3 the construction process.

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

8 INITIAL VALUATION OF FIXED ASSETS

9 **23. Tangible goods that meet the qualifications to be recognized as an**
10 **asset and classified as a fixed asset should be measured initially at**
11 **acquisition cost.**

12 **24. If the fixed assets are acquired without value, the cost of the asset**
13 **is measured at fair value at the time the asset is acquired.**

14 25. A fixed asset may be received by the government as a gift or donation.
15 For example, land may be awarded to a local government by a developer without
16 value that enables the local government to build a parking lot, street, or a place for
17 pedestrians. An asset may also be obtained free of value through the
18 implementation of government authority. For example, due to authority and
19 regulations, local governments confiscate land and buildings that will then be used
20 as a place of government operation. For both of the above, the fixed assets
21 acquired must be measured at fair value at the time the asset is acquired.

22 26. For the purposes of this statement, the use of fair value at the time of
23 acquisition for the conditions in paragraph 25 does not constitute a process of
24 revaluation and remains consistent with the cost as in paragraph 24. Revaluation
25 referred to in paragraph 58 and other related paragraphs only applies to valuations
26 for the next reporting period, not at the time of the initial acquisition.

27 **27. For the purposes of the initial balance sheet of an entity, the**
28 **acquisition cost of fixed assets used is the fair value at the time the initial**
29 **balance sheet is prepared. For the next period after the initial balance sheet**
30 **date, for the acquisition of new fixed assets, the entity uses the acquisition**
31 **cost or fair price if there is no acquisition cost.**

32 COMPONENT COSTS

33 **28. The cost of a fixed asset comprises the purchase price or**
34 **construction, including import duties and any costs directly attributable for**
35 **bringing the asset to the condition that the asset can be made to work for its**
36 **intended use.**

37 29. Examples of costs that are directly attributable are:

- 38 (a) the cost of site preparation;
39 (b) initial shipping charges (initial delivery), cost savings and handling costs;
40 (c) installation costs;
41 (d) professional fees such as architects and engineers; and
42 (e) construction costs.

43 30. Land is recognized the first time at acquisition cost. Acquisition cost
44 includes the purchase price or the cost of land clearance, costs incurred in order

1 to acquire rights, the cost of maturation, measurement, accumulation, and other
2 costs incurred as well as those yet to be incurred until the land is ready for use.
3 The value of land also includes the value of old buildings located on the land
4 purchased if the old building is intended to be destroyed.

5 31. The acquisition cost of equipment and machinery describes the amount
6 of expenditure that has been and remains to be conducted to acquire equipment
7 and machinery until it is ready to use. These costs include the purchase price,
8 freight costs, installation costs, and other direct costs to acquire and prepare until
9 the equipment and machinery is ready for use.

10 32. The acquisition cost of buildings and structures describes all expenses
11 incurred and yet to be incurred to acquire the building and structures until it is ready
12 to use. These costs include the purchase price or construction cost, including the
13 cost of IMB administration, notaries and tax.

14 33. The acquisition cost of roads, irrigation, and networks describes all
15 costs incurred and yet to be incurred to acquire the roads, irrigation, and networks
16 until they are ready to use. These costs include the cost of acquisition or
17 construction costs and other costs incurred until the roads, irrigation and networks
18 are ready to use.

19 34. The acquisition cost of other fixed assets describes all costs incurred
20 and yet to be incurred to acquire those assets until they are ready to use.

21 35. Administrative costs and other general costs do not constitute
22 components of the cost of a fixed asset as long as these costs are not directly
23 attributable to the cost of acquisition of the asset or bringing the assets to their
24 working condition. Similarly, start-up costs and similar pre-production costs do not
25 constitute part of the cost of an asset unless they are necessary to bring the asset
26 to its working condition.

27 36. The acquisition cost of an asset to be constructed by a way of self-
28 management is determined using the same principles as assets that are
29 purchased.

30 37. Any trade discounts and rebates are deducted from the purchase price.

31 CONSTRUCTION IN PROGRESS

32 ***38. If the completion of the construction of a fixed asset exceeds and***
33 ***or passes one budget year period, the asset remains unfinished is classified***
34 ***and reported as construction in progress until the asset is completed and***
35 ***ready for use.***

36 39. The Statement of Government Accounting Standards No. 08 regarding
37 Construction In Progress regulates in detail the treatment of assets under
38 construction, including the details of the construction cost of a fixed asset that is
39 carried out by self-management or carried out by a contractor. If not otherwise
40 stated in this PSAP then the principles and details in PSAP 08 apply.

41 40. Construction In Progress where the construction or manufacture has
42 been completed and is ready to be used should be reclassified into one of the
43 appropriate accounts in the post fixed assets.

1 **JOINT ACQUISITION**

2 ***41. The acquisition cost of each fixed asset that is acquired jointly is***
3 ***determined by allocating the combined price based on a comparison of the***
4 ***fair value of each asset.***

5 **EXCHANGES OF ASSETS**

6 ***42. A fixed asset can be acquired through exchange or partial***
7 ***exchange of dissimilar assets or other assets. The cost of this kind of post***
8 ***is measured at the fair value of the acquired assets, i.e. a value equivalent to***
9 ***the carrying amount of the assets disposed of after adjusting the amount for***
10 ***any cash or cash equivalents and other liabilities transferred / delivered.***

11 ***43. A fixed asset can be obtained through the exchange of a similar***
12 ***asset that has the same benefits and has a similar fair value. A fixed asset***
13 ***can also be released in exchange for the ownership of a similar asset. In***
14 ***these circumstances there are no recognized gains and losses in this***
15 ***transaction. The costs of the newly acquired assets are recorded at the***
16 ***carrying amount of the assets disposed.***

17 44. The fair value of assets received can provide evidence there is an
18 impairment of the value of the assets disposed. In these circumstances, assets
19 that are disposed of must written-down and the value after the write-down
20 represents the value of the assets received. Examples of exchanges of similar
21 assets include the exchange of buildings, machinery, special equipment, and
22 aircraft. If there are other assets in exchange, for instance cash or other liabilities,
23 then it is indicated that the posts being exchanged do not have the same value.

24 **ASSET DONATIONS**

25 ***45. Fixed assets acquired from donations must be recorded at fair***
26 ***value at the time of acquisition.***

27 46. Donations of property and equipment are defined as the unconditional
28 transfer of a fixed asset to a single entity, for example a non-governmental
29 enterprise provides a building to be used by a unit of government without any
30 condition. The handover of the asset will be very reliable if supported by evidence
31 of the legal transfer of ownership, such as a grant deed.

32 47. Excluding asset acquisition via donation, when the transfer of a fixed
33 asset is connected with another entity's liability to the government, then the
34 acquisition of the fixed asset should be treated as an acquisition of fixed assets
35 with exchange. For example, a private company builds a fixed asset for the
36 government with the requirement that the company's liability to the government will
37 be deemed to have been settled.

38 48. If the acquisition of a fixed asset meets the criteria of an asset acquired
39 by donation, then the acquisition is recognized as government revenue and the
40 same amount is reconized as capital expenditure in the budget realization report.

41 **SUBSEQUENT EXPENDITURES**

42 ***49. Expenditures after the initial acquisition of a fixed asset that***
43 ***extends the useful life or likely future economic benefits in the form of***

1 **capacity, production quality, or standard of performance, must be added to**
2 **the carrying amount of the asset.**

3 50. Capitalization of costs referred to in paragraph 50 should be set out in
4 the accounting policies of an entity, such as the criteria in paragraphs 50 and / or
5 the particular capitalization thresholds to be used in the determination of whether
6 an expenditure should be capitalized or not.

7 51. Because government organizations vary greatly in the amount and use
8 of fixed assets, the capitalization thresholds cannot be uniform for all existing
9 entities. Each entity should set limits on the amount of capitalization by considering
10 their financial condition and operations. When it is established, the capitalization
11 thresholds must be applied consistently and disclosed in the Notes to the Financial
12 Statements.

13 **SUBSEQUENT MEASUREMENT TO INITIAL** 14 **RECOGNITION**

15 **52. Fixed assets are presented at the acquisition cost of the fixed**
16 **assets less accumulated depreciation. In the event of conditions that allow**
17 **for revaluation, the asset will still be presented with an adjustment to the**
18 **accounts Fixed Assets and Investments in Fixed Assets respectively.**

19 **DEPRECIATION**

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

23 **54. Depreciation for each period is recognized as a reduction of the**
24 **carrying value of fixed assets in the balance sheet and depreciation expense**
25 **in the statement of operations.**

26 55. Adjustments to fixed assets is performed by various systematic
27 methods in accordance with the useful life. Depreciation methods used must be
28 able to describe the economic benefits service potential that will flow to the
29 government.

30 56. The useful life of depreciable fixed assets must be reviewed periodically
31 and if there is a major difference from previous estimates, the depreciation period
32 now and in the future must be adjusted.

33 57. The depreciation methods that can be be used include, among others:

- 34 (a) The straight line method; or
35 (b) The double declining balance method; or
36 (c) The unit of production method.

37 **58. Besides land and construction in progress, all fixed assets are**
38 **depreciated according to the nature and characteristics of the assets.**

39 **REVALUATION OF FIXED ASSETS**

40 **59. Reappraisal or revaluation of fixed assets is generally not allowed**
41 **because the Government Accounting Standards adopt asset valuation at**
42 **cost or the price of exchange. Deviations from this provision may be**
43 **performed under government provisions that apply nationally.**

1 60. In this case, the financial statements should explain the deviation from
2 the historical cost basis in the presentation of fixed assets and the effect of such
3 deviations on an entity's financial picture. The difference between the revaluation
4 with the carrying value of fixed assets is recorded in equity.

5 **ACCOUNTING FOR LAND**

6 ***61. Land owned and/or controlled by the government is not treated***
7 ***specially, and in principle follows the provisions as set out in the statement***
8 ***on accounting for fixed assets.***

9 62. Unlike non-governmental institutions, the government is not limited to a
10 specific period for ownership and / or control of land that can be in the form of use
11 rights, management rights, and other land rights made possible by applicable laws
12 and regulations. Therefore, after the initial acquisition of land, the government does
13 not require to pay a fee to maintain the rights to the land. Land meets the definition
14 of a fixed asset and should be treated in accordance with the principles that exist
15 in this Standard.

16 ***63. Recognition of overseas land as a fixed asset is possible only if***
17 ***the acquisition agreement and the applicable laws and regulations in the***
18 ***country where the Mission of the Republic of Indonesia is located indicate***
19 ***permanent control.***

20 64. Land owned or controlled by government agencies abroad, for example
21 land used for Missions of the Republic of Indonesia abroad, should pay attention
22 to the content of the acquisition agreement and the applicable laws and regulations
23 in force in the country the Mission of the Republic of Indonesia is located. This is
24 necessary to determine whether the acquisition of the land is permanent or
25 temporary. Land tenure rights are considered permanent if the land right
26 constitutes a strong right among the land rights of the country with no time limit.

27 **HERITAGE ASSETS**

28 ***65. This Standard does not require the government to present heritage***
29 ***assets on the balance sheet, but the assets must be disclosed in the Notes***
30 ***to the Financial Statements.***

31 66. Some assets are described as heritage assets because cultural,
32 environmental, and historical significance. Examples of heritage assets are historic
33 buildings, monuments, archaeological sites such as temples, and works of art.
34 Some of the following characteristics are often regarded as hallmarks of heritage
35 assets:

- 36 (a) The cultural, environmental, educational, and historical value may not be fully
37 represented by the financial value based on the market price;
- 38 (b) The applicable laws and regulations prohibit or strictly limit the release for sale;
- 39 (c) It is not easy to be replaced and its value will continue to rise over time even
40 though the physical condition has declined;
- 41 (d) It is difficult to estimate the useful life. In some cases it can reach hundreds of
42 years.

43 67. Heritage assets are normally expected to be maintained for an unlimited
44 time. Heritage assets are usually evidenced by laws and regulations.

1 68. The government may have a many historic assets acquired over the
2 years and by various methods including purchase, donation, inheritance, booty, or
3 confiscation. These assets are rarely controlled due to the reason of the ability to
4 generate cash inflows, and will have social and legal problems when used for such
5 purposes.

6 69. Heritage assets should be presented in the form of units, such as the
7 number of units owned in a collection or the number of units of monuments, in the
8 Notes to the Financial Statements with no value.

9 70. Costs for the acquisition, construction, improvement and reconstruction
10 must be charged as expenses in the statement of operations in the year the
11 expenditures are incurred. Expenses include all expenses that occur to render the
12 heritage asset to its existing condition and location in the current period.

13 **71. Some heritage assets also provide other potential benefits to the**
14 **government other than historical value, for example historical buildings**
15 **used for office space. For such cases, the assets will apply the same**
16 **principles as other fixed assets.**

17 72. For other historical assets, the potential benefits are limited to the
18 historical characteristics, for example, monuments and ruins.

19 **INFRASTRUCTURE ASSETS**

20 73. Some assets are usually considered as infrastructure assets. Although
21 there is no universal definition used, these assets usually have the following
22 characteristics:

- 23 (a) Represents a portion of a system or network;
24 (b) Its special and there are no other alternative uses;
25 (c) Not able to be moved; and
26 (d) There are limits to its disposal.

27 **74. Although ownership of infrastructure assets is not only by the**
28 **government, significant infrastructure assets are often found to be an asset**
29 **of government. Infrastructure assets meet the definition of a fixed asset and**
30 **should be treated in accordance with the principles that exist in this**
31 **Standard.**

32 75. Examples of infrastructure assets are networks, roads and bridges,
33 drainage systems, and communication networks.

34 **MILITARY ASSETS**

35 **76. Military equipment, whether general or particular, meets the**
36 **definition of a fixed asset and should be treated in accordance with the**
37 **principles that exist in this Standard.**

38 **RETIREMENT AND DISPOSAL**

39 **77. A fixed asset is eliminated from the balance sheet when it is**
40 **disposed of or when the asset's use is permanently retired and there no**
41 **future economic benefits.**

1 **78. Fixed assets that are permanently retired or disposed of should be**
2 **eliminated from the balance sheet and disclosed in the Notes to the Financial**
3 **Statements.**

4 **79. Fixed assets that are retired from active use by government do not**
5 **meet the definition of fixed assets and must be transferred to the post other**
6 **assets in accordance with the carrying amount.**

7 **DISCLOSURE**

8 **80. The financial statements must disclose, for each type of fixed**
9 **asset, the following:**

10 **(a) The basis of valuation used to determine the carrying amount;**

11 **(b) Reconciliation of carrying amounts at the beginning and end of the**
12 **period showing:**

13 **(1) Additions;**

14 **(2) Disposals;**

15 **(3) Accumulated depreciation and changes in value, if any;**

16 **(4) Movements to other fixed assets.**

17 **(c) Depreciation information includes:**

18 **(5) The depreciation value;**

19 **(6) The depreciation method used;**

20 **(7) The useful life or the depreciation rates used;**

21 **(8) the gross carrying amount and accumulated depreciation at the**
22 **beginning and end of the period;**

23 **81. The financial statements should also disclose:**

24 **(a) The existence and ownership limits of fixed assets;**

25 **(b) The accounting policies related to the capitalization of fixed assets;**

26 **(c) Total expenditure in the post fixed assets under construction; and**

27 **(d) The number of commitments for the acquisition of fixed assets.**

28 **82. If the fixed assets are recorded at revalued amounts, the following**
29 **matters should be disclosed:**

30 **(a) Basic rules for revaluing fixed assets;**

31 **(b) The effective date of the revaluation;**

32 **(c) The name of an independent appraiser, if any;**

33 **(d) The nature of any instructions used to determine replacement cost;**

34 **(e) The carrying amount of each type of fixed asset;**

35 **83. Heritage assets are disclosed in detail, including the name, type,**
36 **condition and location of the assets**

37 **EFFECTIVE DATE**

38 **84. This Statement of Government Accounting Standards is effective**
39 **for financial statements from Budget Year 2010.**

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 08

ACCOUNTING FOR CONSTRUCTION IN PROGRESS

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

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1 **STATEMENT NO. 08**
2 **ACCOUNTING FOR CONSTRUCTION IN PROGRESS**

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

7 **INTRODUCTION**

8 **OBJECTIVE**

9 1. The objective of the Construction in Progress Standard is to prescribe
10 the accounting treatment for construction in progress

11 2. This Standard provides guidance for:

- 12 (a) identification of the work that can be classified as the Construction In
13 Progress;
- 14 (b) determining the amount costs that are capitalized and presented in the
15 balance sheet;
- 16 (c) determining the basis for recognition and disclosure for the cost of
17 construction.

18 **SCOPE**

19 3. *An accounting entity that undertakes the construction of fixed*
20 *assets to be used in the implementation of government and / or community*
21 *activities within a certain time period, both for the implementation of self-*
22 *managed construction as well as construction performed by third parties, is*
23 *required to implement this standard.*

24 4. The nature of construction activities is generally long-term, so that the
25 start date of activity implementation and the date of activity completion usually fall
26 into different accounting periods.

27 5. The main problem with accounting for Construction in Progress is the
28 cost amounts to be recognized as fixed assets that must be recorded until the
29 construction is completed.

30 **DEFINITIONS**

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

32 *Construction in progress* *are fixed assets under construction.*

33 *Construction contract* *is a commitment made specifically for the*
34 *construction of an asset or a combination of assets closely related to each*
35 *other or interdependent in terms of design, technology and function or*
36 *purpose or primary use.*

37 *Contractor* *is an entity that holds a contract to build assets or provide*
38 *construction services for the benefit of other entities in accordance with the*
39 *specifications set forth in the construction contract.*

40 *Advances* *are amounts received by the contractor before the work is done in*
41 *the context of a construction contract.*

1 ***Claims*** are amounts requested by the contractor from the employer as
2 reimbursement of costs that were not included in the contract value.

3 ***Employer*** is the entity that enters into a construction contract with a third
4 party to build or provide construction services.

5 ***Retention*** is the number of terms (progress billing) that have not been paid
6 to the fulfillment of the conditions specified in the contract for the payment
7 of the amount.

8 ***Installment (progress billing)*** is the amount charged for work done under a
9 contract, whether already paid or has not been paid by the employer.

10 CONSTRUCTION IN PROGRESS

11 7. Construction In Progress includes land, equipment and machinery,
12 buildings and construction, roads, irrigation and networks, as well as other fixed
13 assets that the acquisition and/or construction of which requires a certain period of
14 time and has not been completed. Acquisition through construction contracts
15 generally requires a certain period of time. The time period of acquisition could be
16 more or less than one accounting period.

17 8. Acquisition of assets can be performed by construction through self-
18 management or through a third party with a construction contract.

19 CONSTRUCTION CONTRACT

20 9. Construction contracts can be associated with the acquisition of a
21 number of assets that are closely related or mutually dependent on each other in
22 terms of design, technology, function or purpose, and main use. Contracts such as
23 this are, for example, the construction of irrigation networks.

24 10. Construction contracts may include:

- 25 (a) contracts for the acquisition of services directly related to the planning and
26 construction of an asset, such as architectural services;
27 (b) contracts for the acquisition or construction of assets;
28 (c) contracts for the acquisition of services directly related to the supervision of
29 the construction of assets which includes construction management and
30 value engineering;
31 (d) contracts to dismantle or restore assets and environmental restoration.

32 UNIFICATION AND SEGMENTATION OF CONSTRUCTION 33 CONTRACTS

34 11. The provisions of this standard apply separately to each construction
35 contract. However, in certain circumstances, it is necessary to apply this statement
36 to a single construction contract component which can be separately identified, or
37 to a group of construction contracts jointly in order to reflect the nature of a
38 construction contract or group of construction contracts.

39 ***12. If a construction contract covers a number of assets, the***
40 ***construction of each asset is treated as a separate construction contract***
41 ***when all the following conditions are met:***

- 42 (a) ***Separate proposals have been submitted for each asset;***

1 (b) *Each asset has been the subject of separate negotiation and the*
2 *contractor and the employer can accept or reject that part of contract*
3 *relating to each asset;*

4 (c) *The costs of each asset can be identified.*

5 13. *A contract may provide for the construction of an additional asset*
6 *at the request of the employer or can be modified so that construction of*
7 *additional assets can be incorporated into the contract. The additional*
8 *construction is treated as a separate construction contract when:*

9 (a) *The additional asset differs significantly in design, technology or*
10 *function with the assets covered by the original contract; or*

11 (b) *The price of the additional asset is determined without regard to the*
12 *original contract price.*

13 **RECOGNITION OF CONSTRUCTION IN PROGRESS**

14 14. *A tangible object must be recognized as Construction In Progress*
15 *if:*

16 (a) *it is probable that the future economic benefits related the assets will*
17 *be obtained;*

18 (b) *the acquisition cost can be measured reliably; and*

19 (c) *the asset is still under construction.*

20 15. *Construction In Progress usually forms an asset which is intended*
21 *for use in the operations of government or used by the public in the long*
22 *term and is therefore classified as a fixed asset.*

23 16. *Construction In Progress is transferred to the relevant fixed assets*
24 *post if the following criteria are met:*

25 (a) *Construction is substantially completed; and*

26 (b) *Can provide benefits / services in accordance with purpose of the*
27 *acquisition.*

28 17. *Construction In Progress is transferred to the relevant fixed asset*
29 *account after the construction work is declared complete and ready for use in*
30 *accordance with the purpose of acquisition.*

31 **MEASUREMENT**

32 18. *Construction In Progress is recorded at the cost of acquisition.*

33 **CONSTRUCTION COST**

34 19. *The value of construction which is self-managed includes, among*
35 *others:*

36 (a) *costs directly related to construction activity;*

37 (b) *costs that are attributable to the activity generally and can be allocated*
38 *to the construction; and*

39 (c) *any other costs specifically charged in connection with the construction*
40 *concerned.*

41 20. *Costs directly related to the construction activity include, among others,*
42 *the:*

- 1 (a) cost of field workers including supervisors;
- 2 (b) cost of materials used in construction;
- 3 (c) cost of removal of facilities, equipment, and materials to and from the
- 4 construction site;
- 5 (d) cost of hiring plant and equipment;
- 6 (e) cost of design and technical assistance that is directly related to the
- 7 construction.

8 21. The costs that can be attributed to the construction activity generally
9 and can be allocated to a particular construction include:

- 10 (a) Insurance;
- 11 (b) The cost of design and technical assistance that are not directly related to the
- 12 particular construction;
- 13 (c) Other costs that can be identified for the relevant construction activity such
- 14 as inspection fees.

15 Such costs are allocated using methods that are systematic and rational and are
16 applied consistently to all costs that have similar characteristics. The cost
17 allocation method that is recommended is the weighted average based on the
18 proportion of direct costs method.

19 **22. The value of construction carried out by a contractor through**
20 **construction contracts includes:**

- 21 **(a) Installments that has been paid to the contractor in connection with the**
- 22 **level of completion of work;**
- 23 **(b) Liabilities which are still to be paid to the contractor in connection with**
- 24 **the work that has been received but not yet paid at the reporting date;**
- 25 **(c) Claim payments to the contractor or a third party in connection with the**
- 26 **execution of the construction contract.**

27 23. Contractor includes the prime contractor and subcontractors.

28 24. Payment for the construction contract is generally done in stages
29 (installments) based on the level of completion specified in the construction
30 contract. Any payments made are recorded as an addition to the value of
31 Construction In Progress.

32 25. Claims can arise, for instance, from delays caused by the employer,
33 errors in specifications or design and disputes over irregularities in the contract.

34 **26. If the construction is financed from a loan then the borrowing**
35 **costs incurred during construction are capitalized and increase the cost of**
36 **the construction, as long as the costs can be reliably identified and assigned.**

37 27. Borrowing costs include interest charges and other costs incurred in
38 connection with the loans used to finance the construction.

39 **28. The amount of borrowing costs capitalized must not exceed the**
40 **total cost of interest paid and accrued in the period in question.**

41 **29. If a loan is used to finance several of the assets acquired in a given**
42 **period, the cost of borrowing for the period is allocated to each construction**
43 **with the weighted average method to the total construction cost expenditure.**

1 **30. If the construction activities are temporarily suspended not**
2 **because of force majeure events then the borrowing costs paid during the**
3 **period of construction suspension are capitalized.**

4 31. Suspension of construction contract work can occur for several reasons,
5 such as force majeure conditions or any interference from the employer or the
6 authorities for various reasons. If the termination is due to the interference of the
7 employer or the authorities, borrowing costs are capitalized during the suspension.
8 Conversely, if a suspension is due to force majeure conditions, the borrowing costs
9 are not capitalized but are recorded as interest expense in the period in question.

10 **32. A construction contract that includes several types of jobs which**
11 **are completed at different times, then the type of job that has been completed**
12 **does not take into account the cost of borrowing. Borrowing costs are**
13 **capitalized only for the type of work that is still in progress.**

14 33. A construction contract can include several types of assets that can be
15 identified respectively as referred to in paragraph 12. If the various types of jobs
16 are completed at different points in time, then the borrowing costs that are
17 capitalized are only those borrowing costs for the part of the construction contract
18 or the type of job that is not yet completed. The cost of borrowing for the part of
19 the job that has been completed is no longer calculated.

20 **DISCLOSURE**

21 **34. An entity must disclose information about Construction In**
22 **Progress at the end of the accounting period:**

23 **(a) Details of construction contracts in progress follow the completion rate**
24 **and period of completion;**

25 **(b) The value of construction contracts and funding sources;**

26 **(c) Total costs incurred and accrued;**

27 **(d) Advances provided;**

28 **(e) Retention.**

29 35. Construction contracts generally contain provisions concerning
30 retention, for example, installment payments withheld by the employer during the
31 maintenance period. Retention amounts are disclosed in the Notes to the Financial
32 Statements.

33 36. Assets can be financed from a particular source of funding. Inclusion of
34 the source of funds is intended to give an overview of funds and the absorption
35 until a specific date.

36 **EFFECTIVE DATE**

37 **37. This Statement of Government Accounting Standards is effective**
38 **for financial statements from Budget Year 2010.**

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 09

ACCOUNTING FOR LIABILITIES

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

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1 **STATEMENT NUMBER 09**
2 **ACCOUNTING FOR LIABILITIES**

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

7 **INTRODUCTION**

8 **Objective**

9 1. The objective of this Standard is to regulate the accounting treatment of
10 liabilities including current recognition, the determination of the carrying amount,
11 amortization, and borrowing costs charged against the liability.

12 **Scope**

13 2. *This Standard applies to all government units that present general*
14 *purpose financial statements and regulates accounting treatments,*
15 *including recognition, measurement, presentation and required disclosures.*

16 3. *This Standard regulates:*

17 (a) *Accounting for Government Liabilities, including short-term liabilities*
18 *and long-term liabilities arising from Domestic Debt and Foreign Debt.*

19 (b) *The accounting treatment for transactions in foreign currency loans.*

20 (c) *The accounting treatment for transactions arising from debt*
21 *restructuring.*

22 (d) *The accounting treatment for the costs arising from government debt.*

23 *Subparagraphs (b), (c) and (d) above prevail to the extent there are no special*
24 *regulations in a separate standard concerning such matters.*

25 4. This Standard does not regulate:

26 (a) Accounting for Estimated Liabilities and Contingent Liabilities.

27 (b) Accounting for Derivative Instruments and Hedging Activities.

28 (c) Transactions in foreign currencies arising from transactions other than
29 lending transactions denominated in a foreign currency as in paragraph 3 (b).

30 Subparagraphs (a) and (b) are regulated in this standard statement separately.

31 **DEFINITION**

32 5. *The following are terms used in this Standard:*

33 **Amortization** *is the systematic allocation of the premium or discount over*
34 *the life of the government debt.*

35 **Qualifying Assets** *are assets that require considerable time to be prepared*
36 *for use or sale in accordance with its purpose.*

37 **Borrowing costs** *are interest and other costs that must be borne by the*
38 *government in connection with the borrowing of funds.*

39 **Debtor** *is a party that receives loans from creditors.*

1 **Discount rate** is the amount of the difference between the present value of a
2 liability with the maturity value of liability due to the nominal interest rate
3 being lower than the effective interest rate.

4 **Reporting entity** is a government unit consisting of one or more accounting
5 entities or reporting entities which in accordance with the provisions of laws
6 and regulations are required to submit an accountability report in the form
7 of financial statements.

8 **Liabilities** are debts arising from past events the settlement of which results
9 in outflows of economic resources of the government.

10 **Creditor** is the party that provides the debt to the debtor.

11 **Estimated liability** is a liability where the amount and time is uncertain.

12 **Contingent liabilities** are:

13 (a) potential liabilities arising from past events and the existence of which
14 becomes certain with the occurrence or non-occurrence of one or more
15 events in the future that are not entirely within the control of an entity,
16 or

17 (b) present liabilities arising as a result of the past, but are not recognized
18 because:

19 (1) it is not probable that an entity will expend resources containing
20 economic benefits to settle the liability, or

21 (2) the amount of liability cannot be measured reliably.

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

23 **Straight-line method** is the method of allocation of a premium or discount
24 with the same amount for government debt securities throughout the period.

25 **Nominal value** is the value of government liabilities the first time the
26 transaction took place, as marked on the value of government debt.
27 Subsequent economic flows, such as payment transactions, valuation
28 changes due to changes in foreign exchange rates, and other changes in
29 addition to changes in market value, are taken into account by adjusting the
30 carrying amount of the liability.

31 **Carrying amount** of a liability is the book value of a liability which is
32 calculated from the nominal value after deduction or addition of a discount
33 or unamortized premium.

34 **Bonds** are Government Securities with a maturity of more than 12 (twelve)
35 months with a coupon and/or with a discounted interest payment.

36 **Third Party Calculation**, hereinafter referred to PFK, is government debt to
37 another party caused by the position of the government cutting taxes or
38 other charges, such as the Income Tax, Value Added Tax, Askes fees,
39 Taspen, and Taperum.

40 **Premium** is the amount of the excess of the present value of the liability with
41 the maturity value of liability because the nominal interest rate is higher than
42 the effective interest rate.

43 **Debt restructuring** is an agreement between the creditor and the debtor to
44 modify the terms of a debt agreement with or without a reduction in the
45 amount of debt, in the form of:

- 1 (a) *Refinancing, that is, replacing old debt with new debt, including arrears;*
2 *or*
3 (b) *Rescheduling or modification of debt terms that change the terms and*
4 *conditions of the existing contract. Debt rescheduling may take the form*
5 *of:*
6 (1) *Changes in the payment schedule,*
7 (2) *Additions to the grace period, or*
8 (3) *Schedule a back up payment plan of principal and interest due*
9 *and/or delinquent.*

10 **Government debt securities** are securities in the form of government debt
11 instruments that can be traded and have a maturity value or redemption
12 value at the time of issue, such as Government Bonds.

13 **Treasury Bills** are Government Securities with a maturity of up to 12 (twelve)
14 months with discounted interest payment.

15 **Government Bonds** are securities in the form of debt instruments
16 denominated in rupiah or foreign currency where the debt principal and
17 interest payments are guaranteed by the Republic of Indonesia, according to
18 the period of validity.

19 **Arrears** are liability amounts owed due to the inability of the entity to pay
20 debt principal and / or interest according to schedule.

21 GENERAL

22 6. The main characteristic of a liability is that the government has a present
23 obligation the settlement of which results in the sacrifice of economic resources in
24 the future.

25 7. Liabilities generally arise due to the consequences of the
26 implementation of duties or responsibilities to act in the past. In the context of the
27 government, liabilities arise partly because of the use of loan funding sources from
28 the public, financial institutions, government entities, or international agencies.
29 Government liabilities may also occur due to the engagement of employees who
30 work for the government, liabilities to the wider community, i.e. benefit liabilities,
31 compensation, damages, excess deposits of tax from taxpayers, the allocation/
32 reallocation of revenue to other entities, or liabilities with other service providers.

33 8. Every liability can be imposed by law as a consequence of a binding
34 contract or laws and regulations.

35 CLASSIFICATION OF LIABILITIES

36 9. ***Every reporting entity discloses any item of liability including***
37 ***amounts expected to be settled after the reporting date.***

38 10. Information on the due date of a financial liability is useful for assessing
39 the liquidity and solvency of a reporting entity. Information about the date of
40 settlement of a liability such as debt to third parties and debt interest is also useful
41 to determine the whether the liability is classified as a short-term or long-term
42 liability.

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

4 12. Short-term liabilities can be categorized in the same way as current
5 assets. Short-term liabilities, such as government debt transfers or debts to
6 employees, are the liabilities that will absorb current assets in the following
7 reporting year.

8 13. Other short-term liabilities are liabilities due within 12 (twelve) months
9 after the date of reporting, such as interest on loans, short-term debt to a third
10 party, Third Party Calculation (PFK), and the current portion of long-term debt.

11 **14. A reporting entity continues to classify a liability as long-term,**
12 **even though the liability is due and will be finalized within 12 (twelve) months**
13 **after the reporting date if:**

- 14 **(a) the original term was for a period of more than 12 (twelve) months, and;**
15 **(b) the entity intends to refinance the obligation on a long-term basis; and**
16 **(c) this intention is supported by the existence of a refinancing agreement,**
17 **or the rescheduling of the payment, which was finalized before the**
18 **financial statements were approved.**

19 15. The amount of any liability incurred from short-term liabilities in
20 accordance with the preceding paragraph, together with information supporting
21 this presentation, is disclosed in the Notes to the Financial Statements.

22 16. Some liabilities which are due to be repaid in the next year may be
23 expected to be refinanced or rolled over based on the policy of the reporting entity
24 and is expected this will not immediately absorb the entity's funding. Such liabilities
25 are considered to be a part of long-term funding and classified as long-term
26 liabilities. But in situations where refinancing is not in the entity (as in the case of
27 an absence of funding approval), refinancing can not be considered automatic and
28 the liabilities are classified as short-term unless settlement of the refinancing
29 agreement before the approval of financial statements proves that the substance
30 of the liability at the reporting date is long-term.

31 17. Some loan agreements include certain requirements (covenants) that
32 cause long-term liabilities to become current liabilities (payable on demand) if
33 certain requirements relating to the financial position of the borrower are violated.
34 In such circumstances, the liabilities can be classified as long-term liabilities only
35 if:

- 36 (a) the lender has agreed not to seek repayment as a consequence of the breach,
37 and,
38 (b) there is a guarantee that there will be no subsequent violations within 12
39 (twelve) months after the reporting date.

40 **RECOGNITION OF LIABILITIES**

41 **18. Liabilities are recognized when it is probable that expenditure of**
42 **economic resources will be made to settle existing liabilities until the time of**
43 **reporting, and changes to the liability has a settlement value that can be**
44 **measured reliably.**

1 19. The existence of past events (in this case including transactions) is very
2 important in the recognition of liabilities. An event is an occurrence with a financial
3 consequence to an entity. An event may include an internal event within an entity,
4 such as the transformation of raw materials into a product, or may be an external
5 event that involves interaction between an entity with its environment, such as
6 transactions with other entities, natural disasters, theft, vandalism, and damage
7 due to an accident.

8 20. A transaction involves the transfer of something that has value. The
9 transaction may be a transaction with an exchange or without an exchange. The
10 distinction between transactions with exchange or without exchange is very
11 important for determining the time of liability recognition.

12 **21. Liabilities are recognized when loan funds are received by the**
13 **government and / or at the time the liabilities arise.**

14 *22. Liabilities can arise from:*

- 15 (a) exchange transactions;
16 (b) non-exchange transactions, according to applicable laws and policies that
17 apply, and which have not been paid in full up to the date of reporting;
18 (c) government-related events;
19 (d) government-acknowledged events.

20 **23. An exchange transaction arises when each party to the transaction**
21 **sacrifices and receives something of value in return. There are two**
22 **reciprocal flows of resources or promises to provide the resources. In a**
23 **transaction with exchange, liabilities are recognized when one party receives**
24 **goods or services in exchange for a promise to give money or other**
25 **resources in the future.**

26 *24. An example of an exchange transaction is when government employees*
27 *provide services in exchange for obtaining compensation consisting of salaries and*
28 *other employee benefits. An exchange transaction arises because both parties*
29 *(employer and the recipient of work) receive and sacrifice value. Compensation*
30 *liabilities include unpaid wages, services that have been delivered and other*
31 *employee benefits costs associated with the service period.*

32 **25. A transaction without exchange arises when one party in a**
33 **transaction receives value without directly giving or promising value in**
34 **return. In this case, there is only one direction of the flow of resources or**
35 **promises. For transactions without exchange, a liability should be**
36 **recognized for the outstanding amount unpaid at the reporting date.**

37 *26. Some types of grants and public assistance programs and others*
38 *specific to the reporting entity form transactions without exchange. When the*
39 *central government transfers ownership of a program or provides grants or allocate*
40 *funds to local governments, the payment terms are determined by the existing laws*
41 *and regulations and not by the exchange transaction.*

42 **27. A government-related event is an event that is not based on the**
43 **transaction but by the interaction between the government and the**
44 **environment. These events may be beyond the control of the government. In**
45 **general, a liability is recognized in relation to events associated with the**

1 **Government, on an equal basis with events that arise from exchange**
2 **transactions.**

3 28. *When the government inadvertently causes damage to private property,*
4 *the event creates a liability, as long as applicable laws and policies allow the*
5 *government to pay for the damage, and as long as the payment amount can be*
6 *estimated reliably. An example of this event is accidental damage to private*
7 *property caused by the implementation of government activities.*

8 29. **Government-recognized events are events not based on a**
9 **transaction, but have financial consequences for the government because**
10 **the government has decided to respond to the event. The government has**
11 **broad responsibility for providing public welfare. To that end, the**
12 **Government is often assumed to be responsible for events that are not**
13 **regulated in formal regulations. Consequently, the costs of the various**
14 **events, which are caused by non-governmental entities and natural**
15 **disasters, are ultimately the responsibility of the government. However,**
16 **these costs can not meet the definition of a liability until the government**
17 **formally recognizes it as the government's financial responsibility, and a**
18 **transaction for the costs incurred in connection with the event has occurred**
19 **with exchange for without exchange.**

20 30. *In other words, the government should recognize a liability and expense*
21 *for the conditions in paragraph 29 when they meet the following two criteria: (1)*
22 *the Legislature has approved or authorized the resources that will be used, (2)*
23 *exchange transactions arise (eg, when a contractor perform repairs) or there are*
24 *unpaid amounts from non-exchange transactions still owed at the reporting date*
25 *(eg direct payments to victims of the disaster).*

26 31. *The following example illustrates the recognition of liability of a*
27 *government recognized event. A natural disaster damages cities in Indonesia and*
28 *the DPR authorizes expenditures to cope with the disaster. This incident has*
29 *consequences for the government's finances since it has decided to provide*
30 *disaster relief to those cities. Transactions related with it, including the contribution*
31 *of the government to individuals and the work of contractors who are paid by the*
32 *government, are recognized as transactions with exchange or without exchange.*
33 *In the case of exchange transactions, the amounts owed for goods and services*
34 *provided to the government are recognized when the goods are delivered or the*
35 *work is completed. In the case of non-exchange transactions, a liability should be*
36 *recognized for unpaid amounts still owed at the reporting date. Such liabilities*
37 *include the amounts charged to the government to pay benefits and goods or*
38 *services that have been provided according to the requirements of the existing*
39 *program at the government reporting date.*

40 **MEASUREMENT OF LIABILITIES**

41 32. **Liabilities are recorded at nominal value. Liabilities denominated**
42 **in foreign currencies are translated and expressed in rupiah. Foreign**
43 **currency translation is performed using the central bank middle rate at the**
44 **balance sheet date.**

45 33. *The nominal value of a liability reflects the value of the government*
46 *liability at the first time the transaction took place, such as the value marked on the*
47 *government debt security. Subsequent economic flows, such as payment*

1 *transactions, valuation changes due to changes in foreign exchange rates, and*
2 *other changes other than changes in market value, are calculated by adjusting the*
3 *carrying amount of the liability.*

4 *34. The use of the nominal value in assessing liabilities follows the*
5 *characteristics of each post. The following paragraphs outline the application of*
6 *the nominal value for each liability post in the financial statements.*

7 **Debts to Third Parties (Accounts Payable)**

8 *35. At the moment the government receives the right to goods,*
9 *including goods in transit to which the government has a right, the*
10 *government must recognize the liability for unpaid amounts for the goods.*

11 *36. If the contractor building the facility or equipment in accordance with the*
12 *existing specifications in the contract agreement with the government, the amount*
13 *recorded should be based on the physical realization of the progress of the work*
14 *in accordance with the work in progress official report.*

15 *37. The amounts for liabilities due to transactions between*
16 *government units must be separated from liabilities to non-governmental*
17 *units.*

18 **Debt Transfers**

19 *38. Debt transfer are libalities of a reporting entity to make payments to*
20 *other entities as a result of statutory provisions.*

21 *39. Debt transfer are recognized and valued in accordance with applicable*
22 *regulations.*

23 **Debt Interest (Accrued Interest)**

24 *40. Debt interest on government debt must be recorded at cost of the*
25 *interest that has occurred and has not been paid. Interest can arise from*
26 *government debt both from within and outside the country. Unpaid debt*
27 *interest on fovernment debt must be recognized at the end of each reporting*
28 *period as part of the related liability.*

29 *41. Measurement and presentation of debt interest as above also applied*
30 *to securities issued by the central government in the form of Government Bonds*
31 *(GB) and instruments similar in form and substance to GB issued by local*
32 *governments (provinces, ciities and counties).*

33 **Third Party Debt Calculation (PFK)**

34 *42. At the end of the reporting period, the balance of charges/*
35 *dedutions in the form of PFK that have not been paid to the other parties*
36 *should be recorded in the financial statements at the amount still to be*
37 *deposited.*

38 *43. Total PFK charges / deductions of the government must be assigned to*
39 *other parties at an amount equal to the amount charged/deducted. At the end of*
40 *the reporting period there is usually a balance for chargeuntileductions that have*

1 not been paid to the other parties. Total outstanding charge unutilized deductions are to
2 be recorded in the financial statements at the amount still to be deposited.

3 **Current Part of Long Term Debt**

4 44. **Values that are included in the financial statements for the current**
5 **part of long-term debt is the amount that will be due within 12 (twelve)**
6 **months after the reporting date.**

7 45. Included in the category of Current Part of Long-Term Debt is the sum
8 of long-term debt that is due and must be paid within 12 (twelve) months after the
9 reporting date.

10 **Other Current Liabilities**

11 46. Other current liabilities are liabilities that are not included in the existing
12 category. Included in other non-current liabilities are costs accrued at the time the
13 financial statements are prepared. Measurements for each item tailored to the
14 characteristics of each item, such as debt payment of salaries to employees judged
15 by the amount of accrued salaries paid for services that have been delivered by
16 the employee. Another example is the receipt of payments in advance for supply
17 of goods or services by the government to other parties.

18 **Traded and Non-Traded Debt**

19 47. The valuation of government debt is adjusted to the characteristics of
20 debt that can have the form:

- 21 (a) Non-traded Government Debt
- 22 (b) Traded Government Debt

23 **Non-Traded Government Debt**

24 48. ***The nominal value of non-traded government debt is a liability of***
25 ***the entity to creditors for debt principal and interest as set out in the contract***
26 ***agreement and not yet settled on the reporting date.***

27 49. Examples of non-traded government debt are bilateral and multilateral
28 loans, and loans from international financial institutions like the IMF, World Bank,
29 ADB and others. The legal form of the loan is usually in the form of a loan
30 agreement.

31 50. For government debt with a fixed interest rate, the valuation can refer to
32 the payment schedule using a fixed interest rate. For government debt with
33 variable interest rates, such as interest rates associated with the financial
34 instrument or with other indices, the valuation of government debt uses the same
35 principles as with a fixed interest rate, but the interest rate estimated fairly based
36 on previous data and observations of existing financial instruments.

37 **Traded Government Debt**

38 51. Accounting for tradable government debt should be able to identify the
39 amount of residual liabilities of the government at any given time and the interest
40 for each accounting period. This requires an initial valuation of securities on the
41 selling price or the sale proceeds, an assessment on the due date of the amount

1 to be paid to the holder, and evaluation of the period so as to fairly describe the
2 government's liabilities.

3 52. Tradable government debt is normally in the form of government debt
4 securities which may contain provisions regarding the value of debt at maturity.

5 **53. Types of government debt securities must be rated at par value**
6 **(original face value) taking into account discounts or unamortized**
7 **premiums. Government debt securities sold at par value with no discount or**
8 **premium should be valued at par value. Securities sold at a discount price**
9 **will increase in value over a period of sales and maturities, while the**
10 **securities sold at a premium price will reduce in value.**

11 54. Government debt securities having a value at maturity or redemption,
12 such as Government Securities (GS) in the form of Treasury Bills and Bonds,
13 should be rated based on the value to be paid at maturity if sold at par value. If at
14 the time of the initial transaction, the traded government debt instruments are sold
15 above or below par, then further valuation takes into account the amortization of
16 the discount or premium that exist.

17 55. Amortization of the discount or premium is to use the straight-line
18 method.

19 **Changes in Foreign Exchange**

20 **56. Government debt in foreign currencies is recorded at the central**
21 **bank middle exchange rate at the time of the transaction.**

22 57. The exchange rate on the date of the transaction is often called the spot
23 rate. For practical reasons, a rate that approximates the actual rate at the date of
24 the transaction is often used, for example, the average middle rate of the central
25 bank for a week or a month is used for all transactions in the period. However, if
26 exchange rates fluctuate significantly, the use of the average rate for a period is
27 unreliable.

28 **58. At each balance sheet date the posting of government debt in a**
29 **foreign currency is reported in rupiah using the central bank middle**
30 **exchange rate at the balance sheet date.**

31 **59. Differences arising from translation of government debt into a**
32 **foreign currency between the transaction date and the balance sheet date**
33 **are recorded as an increase or decrease in equity.**

34 60. Consequences of the recording and reporting liabilities in foreign
35 currencies will affect posts on the Balance Sheet for liabilities and associated
36 equity of the reporting entity.

37 61. If a transaction in a foreign currency arises and is settled in the same
38 period, all the foreign exchange differences are recognized in that period.
39 However, if the transaction arises and is settled in different accounting periods,
40 then the foreign exchange differences are recognized for each accounting period
41 to take into account changes in exchange rates for each period.

1 SETTLEMENT OF LIABILITIES BEFORE MATURITY

2 **62. For government debt securities that are settled prior to maturity**
3 **because of call features by the issuer of those securities or so as to meet the**
4 **requirements for settlement by holders' demands, the difference between**
5 **the reacquisition price and the net carrying amount should be disclosed in**
6 **the Notes to the Financial Statements as part of the posts related to the**
7 **liabilities.**

8 63. If the reacquisition price is equal to the carrying value then the
9 settlement of liabilities before maturity is regarded as normal, i.e. by adjusting the
10 amount of liabilities and related assets.

11 64. If the reacquisition price does not equal recovery of the carrying value
12 then, other than the adjustment to the related assets and liabilities, the amount of
13 difference is disclosed in the Notes to the Financial Statements.

14 ARREARS

15 **65. Outstanding amounts of government loans should be presented in**
16 **the form of a Creditor Aging Schedule in the Notes to the Financial**
17 **Statements as part of the disclosure of liabilities.**

18 66. Arrears are defined as amounts that have expired, but the government
19 can not afford to pay the amount of principal and / or interest on schedule. Some
20 types of government debt may have a maturity schedule at a date or serial date
21 when the debtor is required to make payments to creditors.

22 67. Accounting practices generally do not separate the amount of arrears
23 of of debt on the face of the financial statements. But information on the
24 government's arrears is information of interest to readers of the financial
25 statements as material for analysis of the policy and solvency of an entity.

26 68. For this purpose, the information on arrears must be disclosed in the
27 Notes to the Financial Statements in the form of a Debts Age List.

28 DEBT RESTRUCTURING

29 **69. In restructuring debt through a modification of the terms of debt,**
30 **the debtor must record the effects of the restructuring prospectively from**
31 **the time of restructuring and should not change the carrying value of the**
32 **debt at the time of the restructuring unless the carrying amount exceeds the**
33 **amount of future cash payments specified by the new terms. Information**
34 **should be disclosed regarding the restructuring in the Notes to Financial**
35 **Statements as part of the disclosure of liability-related posts.**

36 70. Restructuring may include:

- 37 (a) Refinancing, i.e. replacing old debt with new debt, including arrears, or
38 (b) Rescheduling or modification of debt terms that change the terms and
39 conditions of an existing contract. This may take the form of debt
40 rescheduling:
41 i. Changes in payment schedule,
42 ii. Addition to the grace period, or

1 iii. Scheduling a back up plan of principal payments and interest due and/or
2 in arrears.

3 71. The amount of interest should be calculated using the effective interest
4 rate constant multiplied by the carrying value of the debt at the beginning of each
5 period between the time of the restructuring until maturity. The new effective
6 interest rate is equal to the discount rate to equate the present value of future cash
7 payments as specified by the new terms (not including the contingent debt) to the
8 carrying value. Based on the new effective interest rate, a new payment schedule
9 can be produced starting from the time of restructuring to maturity.

10 72. Information regarding the old and new effective interest rate must be
11 presented in the Notes to the Financial Statements.

12 **73. If the amount of future cash payments as specified by the new**
13 **terms for the debt including payment of interest and principal on the debt is**
14 **lower than the carrying value, then the debtor must reduce the carrying value**
15 **of the debt to an amount equal to the amount of future cash payments as**
16 **specified by the new terms. It must be disclosed in the Notes to the Financial**
17 **Statements as part of the disclosure of liability-related posts.**

18 **74. An entity may not change the carrying value of debt as a result of**
19 **debt restructuring involving future cash payments that can not be**
20 **determined, as long as future cash payments do not exceed the maximum**
21 **carrying value of debt.**

22 75. Amounts of interest or debt principal under the new terms can be
23 contingent, depending on events or circumstances. For example, the debtor may
24 be required to pay a certain amount if their financial condition improves to a certain
25 level in a certain period. To determine this amount the entity should follow the
26 principles set out in accounting for contingencies not provided for in this statement.
27 The same principle applies to future cash payments which frequently must be
28 estimated.

29 **Debt Elimination**

30 76. Debt elimination is the cancellation of charges by the creditor to the
31 debtor, in part or the entire amount of the debtor's debt in the form of a formal
32 agreement between the two.

33 77. The elimination of the debt may be settled by the debtor to the creditor
34 through the delivery of cash or non-cash assets with a value below the carrying
35 value of debt.

36 **78. If the settlement of the debt with a settlement value below the**
37 **carrying value is made with cash assets, then the provisions of paragraph**
38 **73 apply.**

39 **79. If the settlement of a debt with a settlement value below its**
40 **carrying value is performed with non-cash assets then the entity as a debtor**
41 **must revalue non-cash assets to fair value and then apply paragraph 73, as**
42 **well as disclosing in the Notes to the Financial Statements as part of the**
43 **liability and non-cash asset related posts.**

1 80. Information in the Notes to the Financial Statements must disclose the
2 amount of the difference arising from the restructuring of such liabilities which is
3 the excess of the:

- 4 (a) Carrying value of the settled debt (reduced or nominal amount plus unpaid
5 interest and premium, discount, finance charges or unamortized issuance
6 costs), with
7 (b) The fair value of the assets transferred to the creditor.

8 81. The revaluation of assets in paragraph 76 will produce a difference
9 between the fair value and the value of the assets transferred to the creditor for a
10 debt settlement. Such differences must be disclosed in the Notes to the Financial
11 Statements.

12 **COSTS ASSOCIATED WITH GOVERNMENT DEBT**

13 82. Costs associated with government debt are interest expense and other
14 costs incurred in connection with the borrowing of funds. These costs may include:

- 15 (a) Interest and fees on the use of loan funds, both short-term and long-term
16 borrowings;
17 (b) Amortization of discounts or premiums relating to loans,
18 (c) Amortization of capitalized costs associated with the loan acquisition costs
19 such as consultants, lawyers, *commitment fee* and so forth.
20 (d) The difference in exchange rates in foreign currency loans to the extent it is
21 treated as an adjustment to interest expense.

22 **83. *Borrowing costs which are directly attributable to the acquisition***
23 ***or production of a particular asset (qualifying asset) must be capitalized as***
24 ***part of the cost of the particular asset.***

25 84. If interest rates are directly attributable to a particular asset, the
26 borrowing costs must be capitalized against that particular asset. If the cost of
27 borrowing are not directly attributable to a particular asset, the capitalization of
28 borrowing costs is determined based on the explanation in paragraph 86.

29 85. In certain circumstances, it is difficult to identify a direct link between a
30 particular loan with the acquisition of a specific asset and to determine that a
31 particular loan need not exist if the acquisition of certain assets did not occur. For
32 example, in the case of centralized funding of more than one government
33 activity/project. Difficulties can also occur when an entity uses several types of
34 financing with an interest rate that is different. In this case, it is difficult to determine
35 the amount of borrowing costs that are directly attributable, thus requiring
36 professional judgment to determine the attribution.

37 **86. *If funds from loans are not directly attributable to the acquisition***
38 ***of an asset then the borrowing costs that must be capitalized to a particular***
39 ***asset should be calculated based on the weighted average of the***
40 ***accumulated cost of all assets relating to the reporting period.***

41 **PRESENTATION AND DISCLOSURE**

42 **87. *Government debt should be disclosed in detail in the form of a debt***
43 ***schedule list to provide better information to the users.***

1 **88. To increase the usefulness of analysis, the information that must**
2 **be presented in the Notes to the Financial Statements is:**

- 3 (a) **The amount outstanding on short-term and long-term liabilities**
4 **classified by lender;**
- 5 (b) **Total outstanding liabilities in the form of government debt securities**
6 **by government debt type and maturity;**
- 7 (c) **Interest on loans payable in the current period and the prevailing**
8 **interest rate;**
- 9 (d) **The consequences of undertaking the settlement of liabilities prior to**
10 **maturity;**
- 11 (e) **A debt restructuring agreement covering:**
- 12 **(1) The loan reduction;**
- 13 **(2) Modification of debt terms;**
- 14 **(3) The interest rate reduction;**
- 15 **(4) Postponement of the debt maturity;**
- 16 **(5) The reduction the loan maturity value; and**
- 17 **(6) The reduction in the amount of interest payable up to the**
18 **reporting period.**
- 19 (f) **The amount of loan arrears is presented as debt aging schedule by**
20 **creditor.**
- 21 (g) **Borrowing costs:**
- 22 **(7) Treatment of borrowing costs;**
- 23 **(8) The amount of borrowing costs capitalized during the period in**
24 **question, and**
- 25 **(9) The capitalization rate used.**

26 **EFFECTIVE DATE**

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

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 10

CORRECTION ERRORS, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND DISCONTINUED OPERATION

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

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1 **STATEMENT NO. 10**
2 **CORRECTING ERRORS, CHANGES IN ACCOUNTING**
3 **POLICIES, CHANGES IN ACCOUNTING ESTIMATES,**
4 **AND DISCONTINUED OPERATION**

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

9 **INTRODUCTION**

10 **OBJECTIVE**

11 1. *The objective of this Standard is to prescribe the accounting*
12 *treatment for the correction of accounting errors, changes in accounting*
13 *policies and extraordinary events.*

14 **SCOPE**

15 2. *In preparing and presenting financial statements an entity must*
16 *apply this Standard to report the effect of errors, changes in accounting*
17 *policies, changes in accounting estimates and discontinued operations in*
18 *the Budget Realization Report, Statement of Changes in the Excess Budget*
19 *Balance, the Balance Sheet, the Statement of Operations, the Statement of*
20 *Changes in Equity, the Statement of Cash Flows, and the Notes to the*
21 *Financial Statements.*

22 3. *This Statement applies to reporting entities in preparing financial*
23 *statements including the financial statements of all accounting entities,*
24 *including Public Service Agencies, which are under central/local*
25 *governments.*

26 **DEFINITIONS**

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

28 *Accounting policies* *are the principles, fundamentals, conventions, rules,*
29 *and specific practices employed by a reporting entity in the preparation and*
30 *presentation of financial statements.*

31 *Errors* *are the presentation of accounts / posts that are significantly*
32 *inappropriate which affect the financial statements of the current period or*
33 *prior periods.*

34 *Corrections* *are the accounting for corrective actions in order to ensure the*
35 *account / post presented in the entity's financial statements is in accordance*
36 *with how it should be.*

37 *Discontinued Operation* *is the termination of mission or main duty/function*
38 *that results in the discharge or termination of a function, program, or activity,*
39 *so that the assets, liabilities and operations can be terminated without*
40 *interfering with other functions, programs or activities.*

1 ***Changes in estimates are revised estimates due to changes in the conditions***
2 ***underlying these estimates, or because there is new information, increased***
3 ***experience in estimating or other developments.***

4 ***Posts is collection of similar accounts that appear on the face of the***
5 ***financial statements.***

6 **CORRECTING ERRORS**

7 5. Errors in the preparation of the financial statements of one or more prior
8 periods may be discovered in the current period. Errors may arise due to the late
9 submission of evidence of transactions by budget users, arithmetic errors,
10 misapplication of accounting standards and policies, misinterpretation of facts,
11 fraud or negligence.

12 6. In certain situations, an error has a significant influence on one or more
13 prior period financial statements so that the financial statements are no longer
14 reliable.

15 7. ***In correcting an accounting error, the number of corrections***
16 ***related to prior periods should be reported by adjusting both the Excess***
17 ***Budget Balance as well as the equity balance. The material effect of the***
18 ***correction in subsequent periods should be disclosed in the notes to the***
19 ***Financial Statements***

20 8. Errors in terms of the nature of the events are grouped into 2 (two)
21 types:

- 22 (a) Non-recurring errors;
23 (b) Recurring and systematic errors;

24 9. Non-recurring errors are errors that do not occur again, grouped into 2
25 (two) types:

- 26 (a) Non-recurring errors that occur in the current period;
27 (b) Non-recurring errors that occur in the previous period;

28 10. Recurring and systemic errors are errors caused by the nature of certain
29 types of transactions which are expected to occur repeatedly. An example is tax
30 revenue from taxpayers which requires correction due to taxpayers who require
31 refunds or need to make additional tax payments.

32 11. ***Each error must be corrected immediately upon discovered.***

33 12. ***Correction of recurring errors in the current period, whether***
34 ***affecting the cash position or not, is made with a correction to the account***
35 ***in question in the current period both to the revenue-LRA account or***
36 ***expenditure account, as well as revenue-LO account or expense account.***

37 13. ***Corrections to non-recurring errors that occur in prior periods and***
38 ***affect the cash position, if the financial statements have not been published,***
39 ***are performed with a correction to the account in question, both to the***
40 ***revenue-LRA account or expenditure account, as well as to the revenue-LO***
41 ***account or expense account.***

42 14. ***Correction of errors to expenditure (expenditure resulting in***
43 ***readmission): if the error is non-recurring, occurs in previous periods,***

1 **increases the cash position, and if the financial statement have been issued,**
2 **is performed with a correction to the account other revenue-LRA. In the event**
3 **resulting in a reduction of cash, it is conducted with a correction to account**
4 **Excess Budget Balance.**

5 15. Examples of a correction of an expenditure error:

- 6 (a) A correction that increases the cash balance i.e. the readmission of
7 expenditure from the previous year due to the incorrect calculation of salary,
8 is corrected by increasing the cash balance and other revenue-LRA.
- 9 (b) A correction that increases the cash balance related to capital expenditures
10 that generate assets i.e. capital expenditure which mark up and after an
11 inspection is conducted, the excess expenditure must be returned. The
12 correction is undertaken by increasing the cash balance and adding to the
13 other revenue-LRA account.
- 14 (c) A correction that reduces the cash balance: i.e. personel expenditure
15 transactions from the previous year that have not been reported, is corrected
16 by reducing the account Excess Budget Balance and reducing the cash
17 balance.
- 18 (d) A correction that reduces the cash balance related to capital expenditures
19 that generate assets, i.e. capital expenditure from previous year that were not
20 recorded, is corrected by reducing the account Excess Budget Balance and
21 reducing the cash balance.

22 **16. Correction of error relating to the acquisition of assets other than**
23 **cash that are non-recurring and occur in previous periods that either raise**
24 **or lower the cash position: if the financial statements have been issued, the**
25 **correction is made with a correction to the cash account and the relevant**
26 **asset account.**

27 17. Examples of correction of errors for the acquisition of assets other than
28 cash:

- 29 (a) A correction that increases the cash balance related to the acquisition of
30 assets other than cash: i.e. an acquisition that has been marked-up and after
31 inspection the excess value of the asset must be returned, is corrected by
32 increasing the cash balance and reducing the related fixed asset account.
- 33 (b) A correction that reduces the cash balance related to the acquisition of assets
34 other than cash i.e. an acquisition from the previous year that has not been
35 reported, is corrected by adding to the relevant fixed asset account and
36 reducing the cash balance.

37 **18. Error correction to non-recurring expenses, resulting in a**
38 **reduction in expenses, that occurred in prior periods and affect the cash**
39 **position but do not materially affect the position of assets other than cash,**
40 **if the financial statements have been issued, is performed by correcting the**
41 **other revenue-LO account. If the event results in the addition of expenses,**
42 **the correction is made to the equity account.**

43 19. Examples of correction of errors to expenses:

- 44 (a) A correction that increases the cash balance, i.e. a return of employee
45 expenses from the previous year due to a miscalculation of salary, is

1 corrected by increasing the cash balance and adding to the other revenue-
2 LO account.

- 3 (b) A correction that reduces the cash balance i.e. employee expense
4 transactions from the previous year that has not been reported, is corrected
5 by reducing other expenses-LO account and reducing the cash balance.

6 **20. Correction of an error relating to receipts of revenue-LRA that is**
7 **non-recurring, occurred in prior periods and either raises or lowers the cash**
8 **position, if the financial statements have been issued, is performed with a**
9 **correction to the cash account and the Excess Budget Balance account.**

10 21. Examples of revenue-LRA error correction:

- 11 (a) A correction that increases the cash balance, i.e. depositing part of the profits
12 of state enterprises that have not been entered into the state treasury, is
13 corrected by adding to the cash account and adding to the Excess Budget
14 Balance account.
- 15 (b) A correction that reduces the cash balance due to a refund of the General
16 Allocation Fund due to excess transfers from the Central Government, is
17 corrected by:
- 18 i. The government receiving the transfer reducing the Excess Budget
19 balance account and reducing the cash balance.
- 20 ii. The central government increasing the cash balance account and
21 increasing the Excess Budget Balance account.

22 **22. Correction of errors to revenue-LO which is non-recurring, occurs**
23 **in prior periods and either raise or lower the cash position, if the financial**
24 **statements are issued, is performed with a correction to the cash account**
25 **and equity account.**

26 23. Examples of revenue-LO error correction:

- 27 (a) A correction that increases the cash balance, i.e. depositing part of the profits
28 of state enterprises that have not been entered into the state treasury, is
29 corrected by adding to the cash account and adding to the equity account.
- 30 (b) A correction that reduces the cash balance due to a refund of the General
31 Allocation Fund due to excess transfers from the Central Government, is
32 corrected by:
- 33 i. The government receiving the transfer reducing the equity account and
34 reducing the cash balance.
- 35 ii. The central government increasing the cash balance account and
36 increasing the equity account.

37 **24. Correction of errors on financing receipts and expenditures that**
38 **are non-recurring, occurred in prior periods and either raise or lower the**
39 **cash position, if the financial statements have been issued, is performed**
40 **with a correction to the cash account and the Excess Budget Balance**
41 **account.**

42 25. Examples of error correction related to financing receipts:

- 43 (a) A correction that adds to the cash balance, i.e. the Central Government
44 receives a deposit which is an underpayment of loan principal of the previous
45 year from local government A, is corrected by the Central Government

1 increasing the cash balance and increasing the Excess Budget Balance
2 account.

- 3 (b) A correction that reduces the cash balance related to receipt of financing, i.e.
4 the Central Government returns excess deposits of loan principal repayments
5 from the previous year to Government A, is corrected by reducing the Excess
6 Budget Balance account and reducing the cash balance.

7 26. Examples of error correction related to financing expenditures:

- 8 (a) A correction that adds to the cash balance, i.e. an excess installment payment
9 of long-term debt so that there is a recovery of the installment expenditure,
10 corrected by increasing the cash balance and increasing the Excess Budget
11 Balance account.
12 (b) A correction that reduces the cash balance, i.e. an installment payment of
13 debts from the previous year that was not recorded, corrected by reducing
14 the cash balance and reducing the Excess Budget Balance account.

15 **27. Correction of errors that is not recurring related to the recording**
16 **of a liability that occurred in prior periods, and either raises or lowers the**
17 **cash position, if the financial statements have been issued, is performed**
18 **with a correction to the cash account and the corresponding liability**
19 **account.**

20 28. Examples of error correction related to recording liabilities:

- 21 (a) A correction that increases the cash balance, i.e. there is a receipt of cash
22 because of a refund of an excess installment payment of a liability, corrected
23 by increasing the cash balance and increasing the related liability account.
24 (b) A correction that reduces the cash balance, i.e. there is an installment
25 payment for a liability that should have been due in the previous year,
26 corrected by increasing the related liability account and reducing the cash
27 balance.

28 29. Financial statements are considered issued when they are determined
29 by law or local regulations.

30 30. Error correction referred to in paragraphs 13, 14, 16 and 20 above does
31 not affect the budget ceiling or expenditure of the entity in the period the error is
32 corrected.

33 31. Error corrections as referred to in paragraphs 13, 18 and 22 above
34 does not affect the expenses of the entity in the period the errors are corrected.

35 **32. Correction of errors that are non-recurring, that occur in prior**
36 **periods and do not affect the cash position, both before and after the**
37 **financial statements are issued, the correction is made to the balance sheet**
38 **accounts related to the period the errors were discovered.**

39 33. Examples of errors that do not affect the cash position as stated in
40 paragraph 32 are expenditures for the purchase of equipment and machinery
41 (fixed asset group) reported as roads, irrigation and networks. Corrections are
42 made only to the balance sheet by reducing the roads irrigation and networks
43 account and adding to the equipment and machinery account. It is not necessary
44 to correct the Budget Realization Report.

1 34. ***Recurring and systemic errors such as those referred to in***
2 ***paragraph 10 do not require a correction, but a note in the event of cash***
3 ***expenditures for the return of excess revenue by reducing the relevant***
4 ***revenue-LRA or revenue-LO account.***

5 35. ***Correction of errors associated with prior periods regarding the***
6 ***cash position are reported in the Statement of Cash Flows for the current***
7 ***year of the activity in question.***

8 36. ***Corrections of errors are to be disclosed in the Notes to Financial***
9 ***Statements.***

10 **CHANGES IN ACCOUNTING POLICIES**

11 37. Users of financial statements need to compare the financial statements
12 of a reporting entity over time to identify the direction of trends in financial position,
13 performance and cash flows. Therefore, the accounting policies used should be
14 applied consistently to all periods.

15 38. Changes in treatment, recognition or accounting measurement as a
16 result of a change in the basis of accounting, the capitalization criteria, methods,
17 and estimates, are examples of changes in accounting policies.

18 39. A change in accounting policy should be made only where the
19 application of a different accounting policy is required by the applicable laws,
20 regulations or Government Accounting Standards, or where it is estimated that
21 these changes will yield information on the financial position, financial
22 performance, or cash flows that is more relevant and more reliable in preparing the
23 financial statements of the entity.

24 40. Changes in accounting policy did not include the following:

- 25 (a) the adoption of an accounting policy on the occurrence or event that is
26 substantially different from the previous occurrence or event; and
27 (b) the adoption of a new accounting policy for events or transactions that
28 previously did not exist or that are not material.

29 41. The emergence of a policy to revalue assets is a change in accounting
30 policy. However, such changes must be in accordance with the relevant
31 accounting standards that apply conditions in relation to revaluation.

32 42. ***Changes in accounting policies should be presented in the***
33 ***Statement of Changes in Equity and disclosed in the Notes to the Financial***
34 ***Statements.***

35 **CHANGES IN ACCOUNTING POLICIES**

36 43. In order to obtain reliable financial statements, accounting estimates
37 need to be adjusted including, among others, usage patterns, the intended use of
38 assets and changes to the environmental conditions of the entity.

39 44. ***The effect or impact of changes in accounting estimates are***
40 ***presented in the Statement of Operations in the period of change and***
41 ***subsequent periods based on the nature of change. For example, a change***
42 ***to the estimated useful life of a fixed asset affects the LO in the year of***
43 ***change and subsequent years during the useful life of the asset.***

1 45. *The effect of changes in the current and future periods is disclosed*
2 *in the Notes to the Financial Statements. If this is not possible, the reasons*
3 *for the not disclosing the effects of changes must be revealed.*

4 **DISCONTINUED OPERATIONS**

5 46. If a mission, main duty or function of an entity's is abolished by
6 government regulations, then the operation, activity, program, project, or work
7 related to the main duty is terminated.

8 47. *Important information regarding discontinued operations-for*
9 *example the nature of the operations, activities, programs, project which*
10 *have been terminated, the effective date of termination, the termination*
11 *method, the revenue and expenses of the current year until the date of*
12 *termination if possible, the social impact or the impact on services,*
13 *expenditure related to assets or liabilities on termination if any-should be*
14 *disclosed in the Notes to the Financial Statements.*

15 48. *In order to present comparative financial statements, a segment*
16 *that has been discontinued should be reported in the Financial Statements*
17 *for the current year despite a zero amount. Thus, discontinued operations*
18 *appear in the Financial Statements.*

19 49. *Revenue and expenses of discontinued operations in the current*
20 *year are accounted for and reported as normal, as if the operation was run*
21 *until the end of the Financial Statement year. In general, entities create a*
22 *termination plan, comprising a phased or simultaneous termination*
23 *schedule, the resolution of legal issues, auctions, sales, grants and other.*

24 50. An operation does not form a discontinued operation if:

- 25 (a) The evolutionary/natural termination of a program, activity, project, or
26 segment. This can be caused by demand (public demands served) which
27 continues to decline, changing to other needs.
- 28 (b) The function is still exists.
- 29 (c) Several types of sub-activities in a principal function are removed, the rest
30 continue as usual. Relocation of a program, project, activity to another region.
- 31 (d) Closing a facility that has very low utilization, cost savings, selling the means
32 of operation while not interfering with such operations.

33 **EFFECTIVE DATE**

34 51. *This Statement of Government Accounting Standards is effective*
35 *for financial statements from Budget Year 2010.*

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 11

CONSOLIDATED FINANCIAL REPORTS

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

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1 **STATEMENT NO. 11**
2 **CONSOLIDATED FINANCIAL REPORTS**

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

6 **INTRODUCTION**

7 **OBJECTIVE**

8 1. The objective of this Standard is to prescribe the preparation of consolidated
9 financial statements of government units in order to present general purpose financial
10 statements in the interest of improving the quality and completeness of the financial
11 statements in question. In this standard, general purpose financial statements are
12 financial statements that are intended to fulfill the common needs of most report users
13 including legislatures as stipulated in the provisions of laws and regulations.

14 **SCOPE**

15 2. *General purpose financial reports of government units designated as*
16 *reporting entities are presented in a consolidated manner under this Statement*
17 *so as to reflect one unified entity.*

18 3. *The consolidated financial statements of the central government as*
19 *the reporting entity include the financial statements of all reporting entities,*
20 *including the financial statements of public service agencies.*

21 4. *The consolidated financial statements of ministries/agencies/ local*
22 *governments as reporting entities include the financial statements of all the*
23 *accounting entities including the financial statements of Public*
24 *Service Agencies/Local Public Service Agencies.*

25 5. This Standard does not regulate:

- 26 (a) The consolidated financial statements of state/local government owned
27 enterprises;
28 (b) Accounting for investments in associated companies;
29 (c) Accounting for investments in joint ventures; and
30 (d) The combined statistical report of central and local governments.

31 **DEFINITIONS**

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

33 *Public Service Agency (BLU)/Local Public Service Agency (BLUD) is an agency*
34 *within the government that was formed to provide services to the community in*
35 *the form of supplying goods and/or services being sold without a priority for*
36 *profit and in performing activities based on the principles of efficiency and*
37 *productivity.*

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

1 ***Reporting entity is a government unit consisting of one or more accounting or***
2 ***reporting entities which in accordance with the provisions of laws and***
3 ***regulations are required to submit an accountability report in the form of***
4 ***financial statements.***

5 ***Consolidation is the process of merging between accounts held by a reporting***
6 ***entity by other reporting entities, an accounting entity with other accounting***
7 ***entities, with the elimination of reciprocal accounts in order to be present a***
8 ***single consolidated reporting entity.***

9 ***Consolidated financial statement is a financial statement that is a combination***
10 ***of the entire reporting entity's financial statements, or accounting entity,***
11 ***presented as a single entity.***

12 **CONSOLIDATED FINANCIAL REPORT PRESENTATION**

13 ***7. The consolidated financial statements comprise the Budget***
14 ***Realization Report, Statement of Changes in the Excess Budget Balance,***
15 ***Balance Sheet, Statement of Operations, Statement of Changes in Equity, the***
16 ***Statement of Cash Flows and the Notes to the Financial Statements.***

17 8. The consolidated financial statements referred to in paragraph 7, are
18 presented by the reporting entity, unless:

- 19 (e) The consolidated financial statement of cash flows is presented only by the entity
20 that have general treasury function;
- 21 (f) The consolidated financial statement of changes in the excess budget balance is
22 prepared and presented by the Central Government.

23 ***9. The consolidated financial statements are presented for the same***
24 ***reporting period as the reporting entity's financial reporting period and contains***
25 ***comparative amounts for the prior period.***

26 10. The Central Government submits the consolidated financial statements of
27 all state ministries / agencies to the legislature.

28 11. Local governments submit consolidated financial statements of all
29 subordinate accounting entities to the legislature.

30 ***12. In this standard the process of consolidation is followed by***
31 ***elimination of reciprocal accounts. However, if elimination is not possible, then***
32 ***it is disclosed in the Notes to the Financial Statements.***

33 13. Examples of reciprocal accounts include, among others, the remaining
34 stock of money that has not been accounted for by the expenditure treasurer until the
35 end of the accounting period.

36 **REPORTING ENTITY**

37 14. A reporting entity is defined in laws and regulations, and is generally
38 characterized by:

- 39 (a) The entity is financed by the state budget or financed by the local budget or obtain
40 separate wealth from the budget,
- 41 (b) The entity was formed by laws and regulations,
- 42 (c) The head of the entity is a government official or an appointed state official or
43 elected by the people; and

1 (d) The entity make an accountability, either directly or indirectly, to the legislators as
2 the party that approves the budget.

3 **ACCOUNTING ENTITY**

4 ***15. An accounting entity conducts accounting and submits financial***
5 ***statements with respect to the budget/goods it manages which are directed to***
6 ***the reporting entity.***

7 16. Each unit of government receiving a budget or administering goods is an
8 accounting entity which is obligated to conduct accounting and prepare periodic
9 financial statements according to the Government Accounting Standards. The financial
10 statements are presented internally and tiered to a higher unit in the context of
11 incorporation with the reporting entity's financial statements.

12 17. With a determination according to applicable laws and regulations a certain
13 accounting entity that is deemed to have a significant influence in achieving the
14 government's program can be defined as a reporting entity.

15 **PUBLIC SERVICE AGENCIES/LOCAL PUBLIC SERVICE** 16 **AGENCIES**

17 18. A Public Service Agency performs public services, collects and receives,
18 as well as expend, public funds that are received in connection with the services
19 provided, but do not form a separate legal entity from the wealth of the state. Included
20 in Public Service Agency are, among others, hospitals, universities, and authorities.

21 ***19. As a recipient of the government's budget a BLU/BLUD is an***
22 ***accounting entity, whose financial statements are consolidated with the***
23 ***reporting entity that organizationally oversees the relevant BLU/BLUD.***

24 ***20. As service units in the form of agencies, albeit not a legal entity that***
25 ***manages separate State assets, BLU/BLUD are reporting entities.***

26 21. The consolidation of BLU/BLUD financial statements with the
27 ministries/agencies/local governments that organizationally supervises the BLU/ BLUD
28 is implemented after the BLU/BLUD financial statements are prepared using the same
29 accounting standards used by the organization that oversees the relevant BLU/BLUD.

30 **CONSOLIDATION PROCEDURES**

31 ***22. The consolidation referred to by this Standard is implemented by***
32 ***combining and aggregating accounts held by a reporting entity with other***
33 ***reporting entities, or conducted by an accounting entity with other accounting***
34 ***entities, with the elimination of reciprocal accounts.***

35 23. Reporting entities prepare financial statements by incorporating the
36 financial statements of all accounting entities that are organizationally subordinate.

37 **DISCLOSURE**

38 ***24. In the Notes to the Financial Statements it is necessary to disclose the***
39 ***names of the entities that are consolidated or combined with the status of each,***
40 ***whether they be reporting entities or accounting entities.***

1 25. In the case of consolidated accounts that are not eliminated with a
2 reciprocal account as stated in paragraph 12, it is necessary to point out the names
3 and the amount of reciprocal account balances, and also mention the reason for not
4 conducting the elimination.

5 **EFFECTIVE DATE**

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

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

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 12

STATEMENT OF OPERATIONS

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

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1 **STATEMENT NO. 12**
2 **STATEMENT OF OPERATIONS**

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

7 **INTRODUCTION**

8 **OBJECTIVE**

9 1. The objective of this Standard on the Statement of Operations is to
10 prescribe the basis for the government's presentation of the Statement of
11 Operations in order to meet the goal of government accountability as
12 established by laws and regulations.

13 2. The purpose of operational reporting is to provide information about
14 the financial operational activities reflected in revenues-LO, expenses, and
15 the operating SURPLUS/DEFICIT of a reporting entity.

16 **SCOPE**

17 3. *This Standard is applied to the presentation of the Statement*
18 *of Operations.*

19 4. *This Standard applies to all reporting entities and accounting*
20 *entities, both for central and local government, in preparing an*
21 *Statement of Operations that describes the revenue-LO, expenses, and*
22 *operating SURPLUS/DEFICIT in a particular reporting period, excluding*
23 *state/local owned enterprises.*

24 **BENEFITS OF THE STATEMENT OF OPERATIONS**
25 **INFORMATION**

26 5. *The Statement of Operations provides information on all*
27 *financial operational activities of the reporting entity reflected in*
28 *revenue-LO, expenses, and the operating surplus / deficit of a reporting*
29 *entity the presentation of which is compared with the previous period.*

30 6. Report users require the Statement of Operations in evaluating the
31 revenue-LO and expenses for running a unit or entire government entity.
32 Thus the Statement of Operations provides information:

- 33 (a) About the magnitude of expenses borne by the government to provide
34 services;
- 35 (b) About the overall financial operations which is useful in evaluating the
36 government's performance in terms of effectiveness, efficiency, and
37 frugality of acquisition and use of economic resources;
- 38 (c) That is useful in predicting revenue-LO that will be received to fund the
39 activities of central and local governments in the coming period by
40 presenting a comparative report;

1 (d) About the decrease in equity (if there is an operating deficit), and an
2 increase in equity (if there is an operating surplus).

3 7. The Statement of Operations is prepared to complete the reporting
4 of the accrual-based accounting cycle (full accrual accounting cycle). Thus
5 the preparation of the Statement of Operations, Statement of Changes in
6 Equity, and the Balance Sheet have a relationship that can be accounted for.

7 **DEFINITIONS**

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

9 **Gross Principle is the principle that does not permit the recording of**
10 **revenue net of expenses for an organizational unit or does not permit**
11 **the recording of revenue after compensation between revenue and**
12 **expenditure.**

13 **Financial Assistance is the burden of the government in the form of**
14 **cash grants to other governments which are used for the equalization**
15 **and / or enhancement of financial capacity.**

16 **Social assistance is the transfer of money or goods given to the public**
17 **in order to protect from the possibility of social risks.**

18 **Accrual Basis is the basis of accounting that recognizes the effects of**
19 **transactions and other events when the rights and / or liabilities arise.**

20 **Expenses are decreases in economic benefits or service potential in the**
21 **reporting period that decreases equity, which can be either expenditure**
22 **or consumption of an asset or the incurrence of liabilities.**

23 **Grants Expense are government expense in the form of cash / goods or**
24 **services to other governments, state / local owned enterprises,**
25 **communities and civil society organizations, that have the**
26 **characteristic of being non mandatory and non binding.**

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

30 **Transfer Expense is an expense that has the form of an expenditure of**
31 **money or a liability to spend money from one reporting entity to another**
32 **reporting entity as required by laws and regulations.**

33 **Accounting Entity is a unit of government as a budget user / user of**
34 **goods and is therefore obligated to conduct accounting and prepare**
35 **financial statements to be combined with the reporting entity.**

36 **Reporting Entity is a government unit consisting of one or more**
37 **accounting entities or reporting entities which according to the**
38 **provisions of laws and regulations are required to submit**
39 **accountability reports in the form of financial statements.**

40 **Grant Revenue is government revenue in the form of cash / goods or**
41 **services from other governments, state / local owned enterprises,**
42 **communities and civil society organizations, that has the characteristics**

1 *of being non-mandatory and non-binding.*

2 *Revenue-LO is the right of the central/local government which is*
3 *recognized as an addition to equity in the period of the budget year in*
4 *question and does not need to be repaid.*

5 *Transfer Revenue is revenue in the form of cash receipts or the right to*
6 *receive money by the reporting entity from other reporting entities*
7 *which is required by laws and regulations.*

8 *Extraordinary Item is an extraordinary revenue or extraordinary*
9 *expense arising from an event or transaction that does not form part of*
10 *normal operations, is not expected to occur frequently or regularly and*
11 *is outside the control or influence of the entity concerned.*

12 *Subsidy is a government expense provided to certain enterprises/*
13 *organizations that aims to assist the cost of production so that the*
14 *selling price of the products/services produced is accessible to the*
15 *public.*

16 *SURPLUS/DEFICIT from Operational Activities is the excess / shortfall*
17 *between-operating revenue and expenses during the reporting period.*

18 *SURPLUS/DEFICIT-LO is the difference between revenue-LO and*
19 *expenses during the reporting period, after deducting the surplus /*
20 *deficit from non-operating activities and extraordinary items.*

21 *Profit / Loss on Sale of Assets represents the difference between the*
22 *book value of assets to the selling price of the asset.*

23 **REPORTING PERIOD**

24 *9. Operating Statements are presented at least once a year. In*
25 *certain circumstances, if an entity's reporting date changes and the*
26 *annual Operating Statements are presented with a period shorter than*
27 *one year, an entity shall disclose the following information:*

- 28 *(a) the reasons for not applying a reporting period of one year;*
29 *(b) the fact that comparative amounts in the Statement of Operations*
30 *and related notes are not comparable.*

31 *10. The benefits of Operating Statements are reduced if the report is*
32 *not available on time. Factors such as the complexity of government*
33 *operations cannot justify the inability of the reporting entity to present its*
34 *financial statements on time.*

35 **STRUCTURE AND CONTENT OF THE STATEMENT OF** 36 **OPERATIONS**

37 *11. The Statement of Operations presents various elements—*
38 *revenue-LO, expenses, SURPLUS/DEFICIT from operating activities,*
39 *SURPLUS/DEFICIT from non-operating activities, SURPLUS/DEFICIT*
40 *before extraordinary items, extraordinary items, and*
41 *SURPLUS/DEFICIT-LO, which is necessary for a fair comparative*
42 *presentation. The Statement of Operations is further explained in the*

1 **Notes to the Financial Statements which contain matters related to**
2 **financial activities during the year such as fiscal and monetary policy,**
3 **as well as lists further detailing figures considered necessary for**
4 **explanation.**

5 **12. In the Statement of Operations the following information**
6 **should be clearly identified and, if necessary, be repeated on each page**
7 **of the report:**

- 8 **(a) the name of the reporting entity or other means of identification;**
- 9 **(b) the scope of the reporting entity;**
- 10 **(c) the period covered;**
- 11 **(d) the reporting currency; and**
- 12 **(e) unit of numbers.**

13 **13. The Structure of the Statement of Operations includes the**
14 **following items:**

- 15 **(a) Revenue-LO**
- 16 **(b) Expense**
- 17 **(c) SURPLUS/DEFICIT from operations**
- 18 **(d) Non operating activities**
- 19 **(e) SURPLUS/DEFICIT before Extraordinary Items**
- 20 **(f) Extraordinary Items**
- 21 **(g) SURPLUS/DEFICIT-LO**

22 **14. Additional information in the Statement of Operations**
23 **includes posts, titles, and other sub amounts as required by**
24 **Government Accounting Standards, or when such presentation is**
25 **necessary to present Operating Statements fairly.**

26 15. A sample format for the Statement of Operations format is
27 presented in the illustration PSAP 12.A, 12.B PSAP and PSAP 12.C of this
28 Standard. The illustration is an example and is not part of the Standard. The
29 purpose of this illustration is to describe the application of the Standard to
30 assist in clarifying its meaning.

31 **INFORMATION PRESENTED IN THE STATEMENT OF** 32 **OPERATIONS OR IN NOTES TO THE FINANCIAL** 33 **STATEMENTS**

34 **16. The reporting entity presents revenue-LO classified**
35 **according to the source of revenue. Further details of the source of**
36 **revenue is presented in the Notes to the Financial Statements.**

37 **17. The reporting entity presents expenses classified according**
38 **to expense type classification. Expenses based on the organization**
39 **classification and other classifications which are required pursuant to**
40 **the provisions of laws and regulations, are presented in the Notes to**
41 **the Financial Statements.**

42 18. Classification of revenue-LO according to source of revenue or
43 expenses according to economic classification, is in principle, a classification
44 that uses the same basic classification, that is, based on type.

REVENUE-LO ACCOUNTING

19. *Revenue-LO is recognized at the time:*

(a) *The emergence of the right to revenue;*

(b) *Revenue is realized, namely the existence of inflows of economic resources.*

20. Revenue-LO which is obtained based on laws and regulations is recognized when the right arises to collect revenue.

21. Revenue-LO that is earned in exchange for a service that has been completed based on laws and regulations, is recognized when there is a right to collect the remuneration for the services.

22. Revenue-LO recognized when it is realized is the right that has been received by the government without any prior billing.

23. *Revenue-LO is classified according to source of revenue.*

24. Classification according to source of revenue for the central government is grouped based on the type of revenue, ie taxation revenue, non-taxation revenue and grant revenue.

25. Classification according to source of revenue for local governments is grouped according to origin and type of income, ie local source revenue, revenue transfers, and other legitimate revenue. Each of these revenues are classified by type of revenue.

26. *Accounting for revenue-LO is conducted based the gross principle, that is recording gross revenue, and not recording net amounts (after offset by expenses).*

27. *In terms of the amount of a deduction against gross revenue-LO (charge) that is variable in nature against the revenue in question, and cannot be estimated in advance because the process has not been completed, then the gross principle may exempted.*

28. *In the case of public service agencies, revenue is recognized with reference to laws and regulations governing the public service agency.*

29. *Refunds that are normal and recurring for revenue-LO in the period of receipt or in previous periods are recorded as a reduction of revenue.*

30. *Corrections to and refunds of revenue-LO that are non-recurring and occur in the revenue acceptance period are recorded as a reduction of revenue in the same period.*

31. *Corrections to and refunds of revenue-LO that are non-recurring and occur in previous periods are recorded as a deduction from equity in the period of the discovery of the correction or refund.*

EXPENSES ACCOUNTING

32. *Expenses are recognized when:*

- 1 **(a) A liability emerges;**
- 2 **(b) Assets are consumed;**
- 3 **(c) There is a decline in economic benefits or service potential.**

4 33. Liabilities arise at the time rights are transferred from other
5 parties to the government without the subsequent release of cash from the
6 State/local general treasury. For example, unpaid telephone bills and
7 electricity bills of the government.

8 34. What is meant by the consumption of an asset is the time cash
9 expenditures are made to other parties that are not preceded by the
10 emergence of liability and / or the consumption of non-cash assets in the
11 operational activities of the government.

12 35. The decrease in economic benefits or service potential occurs
13 when the value of an asset is impaired in connection with the use of the
14 relevant asset/ the passage of time. Examples of decreases in economic
15 benefits or service potential are depreciation or amortization.

16 **36. In the case of public service agencies, expenses are**
17 **recognized with reference to the laws and regulations governing the**
18 **public service agency.**

19 **37. Expenses are classified according to economic**
20 **classification.**

21 38. Economic classification in principle is classified based on the
22 type expense. The economic classification for the central government is:
23 employee expenses, goods expenses, interest expenses, subsidies
24 expenses, grants expenses, social assistance expenses, fixed asset
25 depreciation / amortization expenses, transfers expenses, and other
26 expenses. The economic classification for local government consists of:
27 employee expenses, goods expenses, interest expenses, subsidies
28 expenses, grants expenses, social assistance expenses, fixed asset
29 depreciation / amortization expenses, transfers expenses, and unforeseen
30 expenses.

31 39. Depreciation / amortization can be conducted using various
32 methods that can be categorized into:

- 33 (a) Straight line method;
- 34 (b) Double declining balance method;
- 35 (c) Unit of production method.

36 **40. Transfers Expenses are expenses forming expenditures to**
37 **liabilities for expenditures from one reporting entity to another**
38 **reporting entity as required by laws and regulations.**

39 **41. Corrections to expenses, including the receipt of repaid**
40 **expenses, which occur during the period, are recorded as a reduction**
41 **of expenses in the same period. If received in a subsequent period, the**
42 **correction to expenses is recorded in other revenue. In the event that**
43 **this results in an addition to expenses then a correction to equity is**
44 **made.**

SURPLUS/DEFICIT FROM OPERATING ACTIVITIES

42. Surplus from operating activities is the excess of revenues over expenses during one reporting period.

43. The deficit from operations is the shortfall of revenues over expenses during one reporting period.

44. Any excess/shortfall between revenues and expenses during one reporting period is recorded in the post 'SURPLUS/DEFICIT from Operating Activities'.

SURPLUS/DEFICIT FROM NON-OPERATING ACTIVITIES

45. Revenues and expenses that are not routine in nature need to be grouped separately in non-operating activities.

46. Included in revenue/expenses from non-operating activities are, among others, the SURPLUS/DEFICIT on the sale of non-current assets, the SURPLUS/DEFICIT on the settlement of long-term liabilities, and the surplus/deficit on the non-operational activities.

47. Any excess/shortfall between the SURPLUS/DEFICIT from operations and the SURPLUS/DEFICIT from non-operating activities is the SURPLUS/DEFICIT before extraordinary items.

EXTRAORDINARY ITEMS

48. Extraordinary items are presented separately from other items in the Statement of Operations and presented after the Surplus / Deficit before Extraordinary Items.

49. Extraordinary items include extraordinary events that have the following characteristics:

- (a) unpredictable events that occur at the beginning of the budget year;
- (b) are not expected to recur; and;
- (c) events beyond the control of government entities.

50. The nature and rupiah amount of an extraordinary item must be disclosed in the Notes to the Financial Statements.

SURPLUS/DEFICIT-LO

51. SURPLUS/DEFICIT-LO is the sum of the excess/shortfall of the SURPLUS/DEFICIT from operations, non-operating activities and extraordinary items.

52. The balance of the Surplus / Deficit-LO at the end of the reporting period is transferred to the Statement of Changes in Equity.

FOREIGN CURRENCY TRANSACTIONS

53. Transactions in foreign currencies are recognized in rupiah.

1 **54. In the case of available funds in a foreign currency equal to**
2 **that used in a transaction, then the transaction denominated in a foreign**
3 **currency is accounted for by being translated into rupiah using the**
4 **middle of the central bank exchange rate prevailing on the date of the**
5 **transaction.**

6 **55. In the absence of available funds in foreign currencies used**
7 **in the transaction and the foreign currency is purchased in rupiah, then**
8 **the foreign currency transaction is recorded in rupiah based on the**
9 **transaction exchange rate, i.e. in the amount of rupiah that is used to**
10 **obtain the foreign currency.**

11 **56. In the absence of available funds in foreign currency used**
12 **for transactions and foreign currency purchased with foreign currency,**
13 **then:**

14 **(a) Foreign currency transactions in foreign currencies are translated**
15 **at the exchange rate of the transaction.**

16 **(b) Transactions in other foreign currencies are recorded in rupiah**
17 **based on the central bank middle rate at the transaction date.**

18 **REVENUE-LO AND EXPENSE TRANSACTIONS IN** 19 **THE FORM OF GOODS/SERVICES**

20 **57. Revenue-LO and expense transactions in the form of**
21 **goods/services should be reported in the Statement of Operations by**
22 **way of estimating the fair value of the goods/services at the transaction**
23 **date. In addition, such transactions must also be disclosed in such a**
24 **way in the Notes to the Financial Statements so as to provide all the**
25 **relevant information regarding the form of the revenue and expenses.**

26 58. Revenue and expenses transactions in the form of goods/
27 services include, among others, grants in the form of goods, booty, and
28 consulting services.

29 **EFFECTIVE DATE**

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

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

**CENTRAL GOVERNMENT
OPERATIONAL REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	20x1	20x1	Increase / decrease	%
	<u>OPERATING ACTIVITIES:</u>				
1	<u>REVENUE:</u>				
2	<u>TAX REVENUE:</u>				
3	Income Tax Revenue	xxx	xxx	xxx	xx
4	Value Added and Luxury Goods Sales Tax Revenue	xxx	xxx	xxx	xx
5	Land and Building Tax Revenue	xxx	xxx	xxx	xx
6	Land and Building Acquisition Rights Duties Revenue	xxx	xxx	xxx	xx
7	Excise Revenue	xxx	xxx	xxx	xx
8	Import Duties Revenue	xxx	xxx	xxx	xx
9	Export Tax Revenue	xxx	xxx	xxx	xx
10	Other Tax Revenue	xxx	xxx	xxx	xx
11	Total Tax Revenue (3 until 10)	xxx	xxx	xxx	xx
12					
13	<u>NON TAX REVENUE:</u>				
14	Natural Resources Revenue	xxx	xxx	xxx	xx
15	Government's Share Revenue	xxx	xxx	xxx	xx
16	Other Non Tax Revenue	xxx	xxx	xxx	xx
17	Total Non Tax Revenue (14 until 16)	xxx	xxx	xxx	xx
18					
19	<u>GRANT:</u>				
20	Grant Revenue				
21	Total Grant Revenue (20)	xxx	xxx	xxx	xx
22	TOTAL REVENUES (11+17+21)	xxx	xxx	xxx	xx
23					
24	<u>EXPENSES</u>				
25	Civil Servant Expense				
26	Inventory Expense	xxx	xxx	xxx	xx
27	Service Expense	xxx	xxx	xxx	xx
28	Maintenance Expense	xxx	xxx	xxx	xx
29	Business trip Expense	xxx	xxx	xxx	xx
30	Interest Expense	xxx	xxx	xxx	xx
31	Subsidies Expense	xxx	xxx	xxx	xx
32	Grant Expense	xxx	xxx	xxx	xx
33	Social Expense	xxx	xxx	xxx	xx
34	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
35	Transfer Expense	xxx	xxx	xxx	xx
36	Other Expense	xxx	xxx	xxx	xx
37	TOTAL EXPENSES (25 until 36)	xxx	xxx	xxx	xx
38					
39	OPERATING SURPLUS/DEFICIT (22-37)	xxx	xxx	xxx	xx
40					
41	<u>NON OPERATING ACTIVITIES</u>				
42	Surplus from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
43	Surplus from settlement of Longterm Liabilities	xxx	xxx	xxx	xx
44	Deficit from Sales of Noncurrent Assets	xxx	xxx	xxx	xx

45	Deficit from Longterm Liabilities	xxx	xxx	xxx	xx
46	Surplus/Deficit from other Non Operating Activities	xxx	xxx	xxx	xx
47	Total Surplus/Deficit from Nonoperating Activities (42 until 46)	xxx	xxx	xxx	xx
48	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS (39+47)	xxx	xxx	xxx	xx
49					
50	<u>EXTRAORDINARY ITEMS:</u>				
51	Extraordinary Revenue	xxx	xxx	xxx	xx
52	Extraordinary Expense	xxx	xxx	xxx	xx
53	Total Extraordinary (51-52)	xxx	xxx	xxx	xx
54					
55	OPERATIONAL SURPLUS/DEFICIT (48+53)	xxx	xxx	xxx	xx

**PROVINCE GOVERNMENT
OPERATIONAL REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	20x1	20x1	Increase / decrease	%
	<u>OPERATING ACTIVITIES:</u>				
1	REVENUE				
2	LOCAL REVENUE				
3	Local Tax Revenue	xxx	xxx	xxx	xx
4	Local Levies Revenue	xxx	xxx	xxx	xx
5	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xxx	xx
6	Other Local Revenue	xxx	xxx	xxx	xx
7	Total Local Revenue (3 until 6)	xxx	xxx	xxx	xx
8					
9	TRANSFER REVENUE				
10	CENTRAL GOVERNMENT TRANSFER				
11	Tax Revenue Sharing Fund	xxx	xxx	xxx	xx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xxx	xx
13	General Allocation Fund	xxx	xxx	xxx	xx
14	Special Allocation Fund	xxx	xxx	xxx	xx
15	Transfer Revenue (11 until 14)	xxx	xxx	xxx	xx
16					
17	OTHER CENTRAL GOVERNMENT TRANSFER				
18	Special Autonomy Fund	xxx	xxx	xxx	xx
19	Adjustment Fund	xxx	xxx	xxx	xx
20	Total Other Transfer Revenue (18 until 19)	xxx	xxx	xxx	xx
21	Total Transfer Revenue (15+20)	xxx	xxx	xxx	xx
22					
23	OTHER LEGAL REVENUE				
24	Grant Revenue	xxx	xxx	xxx	xx
25	Emergency Fund Revenue	Xxx	xxx	xxx	xx
26	Other Revenue	Xxx	xxx	xxx	xx
27	Total Other Legal Revenue (24 until 26)	Xxx	xxx	xxx	xx
28	TOTAL REVENUE(7+21+27)	Xxx	xxx	xxx	xx
29					
30	EXPENSES				
31	Civil Servant Expense	xxx	xxx	xxx	xx
32	Inventory Expense	xxx	xxx	xxx	xx
33	Service Expense	xxx	xxx	xxx	xx
34	Maintenance Expense	xxx	xxx	xxx	xx
35	Business trip Expense	xxx	xxx	xxx	xx
36	Interest Expense	xxx	xxx	xxx	xx
37	Subsidies Expense	xxx	xxx	xxx	xx
38	Grant Expense	xxx	xxx	xxx	xx
39	Social Expense	xxx	xxx	xxx	xx
40	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
41	Transfer Expense	xxx	xxx	xxx	xx
42	Other Expense	xxx	xxx	xxx	xx
43	TOTAL EXPENSES (31 until 42)	xxx	xxx	xxx	xx
44	OPERATING SURPLUS/DEFICIT (28-43)	xxx	xxx	xxx	xx

45					
46	NON OPERATING ACTIVITIES:				
47	Surplus from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
48	Surplus from settlement of Longterm Liabilities	xxx	xxx	xxx	xx
49	Deficit from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
50	Deficit from Longterm Liabilities	xxx	xxx	xxx	xx
51	Surplus/Deficit from other Non Operating Activities	xxx	xxx	xxx	xx
52	Total Surplus/Deficit from Nonoperating Activities (47 until 51)	xxx	xxx	xxx	xx
53	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS (44+52)	xxx	xxx	xxx	xx
54					
55	<u>EXTRAORDINARY ITEMS:</u>				
56	Extraordinary Revenue	xxx	xxx	xxx	xx
57	Extraordinary Expense	xxx	xxx	xxx	xx
58	Total Extraordinary (56-57)	xxx	xxx	xxx	xx
59	OPERATIONAL SURPLUS/DEFICIT (53+58)	xxx	xxx	xxx	xx

**DISTRICT/CITY GOVERNMENT
OPERATIONAL REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	20x1	20x1	Increase / decreas e	%
	<u>OPERATING ACTIVITIES:</u>				
1	<u>REVENUE:</u>				
2	LOCAL REVENUE				
3	Local Tax Revenue	xxx	xxx	xxx	xx
4	Local Levies Revenue	xxx	xxx	xxx	xx
5	Proceeds from Separated Local Managed Assets Revenue	xxx	xxx	xxx	xx
6	Other Local Revenue	xxx	xxx	xxx	xx
7	Total Local Revenue (3 until 6)	xxx	xxx	xxx	xx
8					
9	<u>TRANSFER REVENUE:</u>				
10	CENTRAL GOVERNMENT TRANSFER				
11	Tax Revenue Sharing Fund	xxx	xxx	xxx	xx
12	Natural Resources Revenue Sharing Fund	xxx	xxx	xxx	xx
13	General Allocation Fund	xxx	xxx	xxx	xx
14	Special Allocation Fund	xxx	xxx	xxx	xx
15	Transfer Revenue (11 until 14)	xxx	xxx	xxx	xx
16					
17	OTHER CENTRAL GOVERNMENT TRANSFER				
18	Special Autonomy Fund	xxx	xxx	xxx	xx
19	Adjustment Fund	xxx	xxx	xxx	xx
20	Total Other Transfer Revenue (18 until 19)	xxx	xxx	xxx	xx
21					
22	PROVINCE TRANSFER				
23	Special Autonomy Fund	xxx	xxx	xxx	xx
24	Adjustment Fund	xxx	xxx	xxx	xx
25	Total Province Transfer Revenues (23 until 24)	xxx	xxx	xxx	xx
26	Total Transfer Revenue (15+20+25)				
27					
28	<u>OTHER LEGAL REVENUE:</u>				
29	Grant Revenue	xxx	xxx	xxx	xx
30	Emergency Fund Revenue	xxx	xxx	xxx	xx
31	Other Revenue	xxx	xxx	xxx	xx
32	Total Other Legal Revenue (29 until 31)	xxx	xxx	xxx	xx
33	TOTAL REVENUES (7+26+32)	xxx	xxx	xxx	xx
34					
35	EXPENSES:				
36	Civil Servant Expense				
37	Inventory Expense	xxx	xxx	xxx	xx
38	Service Expense	xxx	xxx	xxx	xx
39	Maintenance Expense	xxx	xxx	xxx	xx
40	Business trip Expense	xxx	xxx	xxx	xx
41	Interest Expense	xxx	xxx	xxx	xx
42	Subsidies Expense	xxx	xxx	xxx	xx
43	Grant Expense	xxx	xxx	xxx	xx
44	Social Expense	xxx	xxx	xxx	xx

45	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
46	Transfer Expense	xxx	xxx	xxx	xx
47	Other Expense	xxx	xxx	xxx	xx
48	TOTAL EXPENSES (36 until 47)	xxx	xxx	xxx	xx
49					
50	OPERATING SURPLUS/DEFICIT (33-48)	xxx	xxx	xxx	xx
51					
52	NON OPERATING ACTIVITIES:				
53	Surplus from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
54	Surplus from settlement of Longterm Liabilities				
55	Deficit from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
56	Deficit from Longterm Liabilities				
57	Surplus/Deficit from other Non Operating Activities	xxx	xxx	xxx	xx
58	Total Surplus/Deficit From Nonoperating Activities (53 until 57)	xxx	xxx	xxx	xx
59	SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS (50+58)	xxx	xxx	xxx	xx
60					
61	<u>EXTRAORDINARY ITEMS:</u>				
62	Extraordinary Revenue	xxx	xxx	xxx	xx
63	Extraordinary Expense	xxx	xxx	xxx	xx
64	Total Extraordinary (62-63)	xxx	xxx	xxx	xx
65	OPERATIONAL SURPLUS/DEFICIT (59+64)	xxx	xxx	xxx	xx

**GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS**

STATEMENT NO. 13

**PRESENTATION OF FINANCIAL
STATEMENT - PUBLIC SERVICE AGENCY**

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

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1 **STATEMENT NO. 13**
2 **PRESENTATION OF PUBLIC SERVICE AGENCY**
3 **FINANCIAL STATEMENT**

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

8 **INTRODUCTION**

9 1. In accordance with Law No 1 of 2004 State Treasury, in order to
10 improve services to the public, the working unit can be set to implement a Public
11 Service Agency's financial management. The working unit are given flexibility of
12 its financial management by applying business practices to improve their services
13 without profit orientation, do their activities with efficient and productive principles.
14 The working unit provide public services, such as providing goods/services,
15 managing special fund, and managing an area.

16 2. In accordance with the regulation, a working unit which implementing a
17 Public Service Agency's financial management, are given flexibility of its financial
18 management, among others revenue and expenditure management, cash
19 management, debt management and payable or receivables management,
20 investment and procurement of goods/services management, the opportunity to
21 employ a professional/non civil servants, and the opportunity to give remuneration
22 to the employee based on their contribution.

23 **OBJECTIVE**

24 3. This statement is to regulate the presentation of Public Service
25 Agency's financial statement in order to enhance the comparability of budget,
26 periods, or to other Public Service Agency. To achieve that goal, this standard
27 establishes all considerations in the context of the presentation of financial reports,
28 guidelines for the structure of financial reporting and the minimum content
29 requirements of financial statements. Financial reports are prepared by applying
30 the accrual basis.

31 **SCOPE**

32 4. *In general, accounting standards for the Public Service Agency*
33 *refers to the entire of Statement of Government Accounting Standards,*
34 *unless stipulated separately in this statement.*

35 5. *Public Service Agency (PSA) is an institution in the Central/local*
36 *government that manage an unseparated equity of Central/local*
37 *government. As a government agency, Public Service Agency applies this*
38 *standards to prepare its financial statement.*

39 **ACCOUNTING ENTITY/REPORTING ENTITY**

40 6. *Public Service Agency is a reporting entity because of it is a*
41 *services working unit, though Public Service Agency have no legal statue*

1 **that manages the separated Central/local government equities, it has**
2 **following characteristics:**

- 3 (a) **their fund is part of State/local budget;**
4 (b) **the entity was formed by regulation;**
5 (c) **the chief of the entity is officially appointed;**
6 (d) **The entity make an accountability, directly to the accounting/reporting**
7 **entity that control the entity and indirectly to legislators as the party that**
8 **approves the budget;**
9 (e) **has an authority in financial management, that includes using of their**
10 **revenue, cash management, investment and loans based on regulations;**
11 (f) **provide their services to the public/third parties;**
12 (g) **manage their resources which separated from their accounting/**
13 **reporting entities;**
14 (h) **has a significant influence in the achievement of the government**
15 **program; and**
16 (i) **audit and given the opinion to the financial statement by external auditor.**

17 **7. As a unit which that receive budget from the State/local budget,**
18 **Public Service Agency manage an accounting, as accounting entity, their**
19 **financial report are consolidated in the accounting/reporting entity which**
20 **control it.**

21 **DEFINITIONS**

22 **8. Public Service Agency, as known as BLU is an institution in the**
23 **Central/local government and formed to provide services i.e. supply of**
24 **goods and/or services without no profit and their activities are based on**
25 **efficiencies and productivities.**

26 **9. Public Service Agency's Financial Statements is an accountability**
27 **that is presented in the form of Budget Realization Statement, Statement of**
28 **Changes In Budget Balance Exceed, Balance Sheet, Statement of**
29 **Operations, Statement of Cash Flows, Statement of Changes in Equity, and**
30 **Notes to Financial Statements.**

31 **OBJECTIVES OF PUBLIC SERVICE AGENCY** 32 **REPORTING**

33 **10. Public Service Agency financial statements are structured reports on**
34 **the financial position and transactions carried out by Public Service Agency. The**
35 **general purpose of Public Service Agency financial reports is to present**
36 **information regarding the financial position, budget realization, excess budget**
37 **balance, cash flows, operating report, and changes in equity of Public Service**
38 **Agency that is useful to users in making and evaluating decisions about the**
39 **allocation of resources. Specifically, the purpose of Public Service Agency**
40 **financial reports is to provide useful information for decision-making and to**
41 **demonstrate the reporting entity's accountability for the resources entrusted to it,**
42 **by providing:**

- 43 (a) **information about the position of the Public Service Agency's economic**
44 **resources, liabilities, and equity;**

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

11 **RESPONSIBILITY FOR PUBLIC SERVICE AGENCY** 12 **FINANCIAL REPORTING**

13 11. The responsibility for the preparation and presentation of financial
14 reports lies with the leadership of Public Service Agency or officially appointed.

15 **COMPONENTS OF PUBLIC SERVICE AGENCY** 16 **FINANCIAL REPORTS**

17 *12. Components of Public Service Agency's financial reports consist*
18 *of:*

- 19 (a) *Budget Realization Report;*
20 (b) *Statements of Changes in the Excess of Budget Balance;*
21 (c) *Balance Sheet;*
22 (d) *Statements of Operations;*
23 (e) *Statement of Cash flow;*
24 (f) *Statement of Changes in Equity; and*
25 (g) *Notes to the Financial Statements.*

26 13. The Public Service Agency's financial report provide information about
27 the economic resources and obligation at the reporting date and the flow of
28 economic resources during the period. This information is required by users to
29 assess the economic capacity to conduct Public Service Agency's activities in the
30 future.

31 **STRUCTURE AND CONTENT** 32 **INTRODUCTION**

33 14. This Standard requires certain disclosures on the face of financial
34 statements, requires disclosure of the other posts on the face of the financial
35 statements or in the Notes to the Financial Statements.

36 **REPORTING PERIOD**

37 15. The Public Service Agency's financial reports are presented at least
38 once a year.

39 **TIMELINESS**

40 16. The usefulness of financial reports is reduced if the report is not
41 available to users within a certain period after the reporting date. Factors, such as

1 the operational complexity faced by Public Service Agency are not adequate
2 reasons for the failure of timely reporting.

3 **BUDGET REALIZATION REPORT**

4 ***17. Budget Realization Report presents the information of revenue-***
5 ***LRA, expenditure, budget SURPLUS/DEFICIT, financing and excess of***
6 ***budget balance, and show conformity with the budget.***

7 ***18. Public Service Agency's Budget Realization Report present at***
8 ***least the following elements:***

- 9 (a) ***Revenue-LRA;***
10 (b) ***expenditure;***
11 (c) ***budget SURPLUS/DEFICIT;***
12 (d) ***revenue financing;***
13 (e) ***expenditure financing;***
14 (f) ***net financing; and***
15 (g) ***the SURPLUS/DEFICIT after budget financing.***

16 ***19. Revenues which self-managed by Public Service Agency and not***
17 ***deposited to the State/local Treasurer are the State/local revenue.***

18 20. Working unit that implemented Public Service Agency's financial
19 management is given the flexibility in the implementation of the budget, including
20 revenue and expenditure management, cash management, and procurement of
21 goods/services. One of the flexibility in the revenue management is the use of their
22 own revenue to finance their expenditure. Revenue that finance their expenditure
23 means that the Public Service Agency's revenue are not deposited prior to the
24 State/local general treasurer. Each revenue and expenditure are reported to the
25 unit that has the function of a treasurer for approval or endorsement.

26 ***21. Revenue-LRA on Public Service Agency recognized when cash***
27 ***received authorized as income by the unit which has a treasurer functions.***

28 22. Government may set a mechanism of revenue-LRA recognition in
29 accordance with the government regulation. For example, the government set a
30 mechanism of cash revenue when the revenue is submitted to the State/local
31 general treasurer.

32 23. In terms of Public Service Agency's revenue treasurer is part of
33 State/local general treasurer, revenue-LRA recognized when cash is received.

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

37 ***25. The gross principle can be exempted in the event the amount of a***
38 ***deduction against gross revenue-LRA to the revenue is variable and can not***
39 ***be budgeted for in advance because budget process is not yet finalized.***

40 ***26. Revenue from Joint Operation are recognized on the net basis,***
41 ***excluding parties revenue sharing.***

42 ***27. Cash transfer from the current year revenue-LRA is recognized as***
43 ***deduction in the SURPLUS/DEFICIT after budget financing and increasing***
44 ***the SURPLUS/DEFICIT after budget financing of Central/local government.***

1 **28. Cash transfer from the prior revenue-LRA is recognized as**
2 **deduction in the excess of budget balance and increasing the Central/local**
3 **government excess budget balance.**

4 **29. Revenue-LRA in Public Service Agency are classified by types of**
5 **income.**

6 **30. Revenue-LRA in Public Service Agency are non-tax revenue.**

7 **31. Included in non-tax revenue in the Public Service Agency are:**

- 8 (a) **service revenue from public;**
9 (b) **service revenue from accounting/reporting entity;**
10 (c) **revenue from joint operation;**
11 (d) **cash revenue from grant; and**
12 (e) **other revenue.**

13 32. Service revenues from public referred to paragraph 31 (a) is a
14 consideration from rendering of services to public.

15 33. Service revenue from accounting/reporting entities referred to
16 paragraph 31 (b) is a consideration from rendering of services to neither
17 accounting/reporting entities which consolidate nor consolidate Public Service
18 Agency financial statement.

19 34. Revenue from joint operation referred to paragraph 31 (c) is revenue
20 from joint operation, leases, and others that support Public Service Agency's
21 function.

22 35. Cash revenue from grant referred to paragraph 31 (d) is revenue from
23 public or other agencies in cash, with no obligation for Public Service Agency to
24 deliver goods/services.

25 36. Other revenue referred to paragraph 31 (e), among others, such as:

- 26 (a) proceed from unseparated managed assets sales;
27 (b) interest service account;
28 (c) interest income;
29 (d) gain on foreign currencies; and/or
30 (e) commissions, discounts or other forms as a result of sale and/or good
31 procurement and/or services.

32 37. Goods/services in the grant revenue are not reported in the Statement
33 of Budget Report because of revenue-LRA recognized in cash basis.
34 Goods/services in the grant revenue are reported in the Statement of Operations.

35 38. Examples of service revenue from accounting/reporting entities referred
36 to paragraph 31 (b) among others, Universities which managed by Public Service
37 Agency, it earn revenue from student who are funded from ministry/institution/local
38 working unit.

39 **39. Public Service Agency's expenditure is recognized when the cash**
40 **disbursements endorsed by the unit that have a general treasury functions.**

41 40. Public Service Agency's expenditure are classified by economic,
42 organization, and function classification.

43 41. Economic classification for Public Service Agency's expenditure are
44 personnel, goods, and capital expenditures.

1 **42. The excess of revenue-LRA and expenditure during the reporting**
2 **period is recognized as SURPLUS/DEFICIT-LRA.**

3 43. Financing transaction may occurred in Public Service Agency which has
4 a borrowing transaction and/or long-term investment. Financing revenue on Public
5 Service Agency recognized when long-term loans are received and/or long-term
6 investments are divested. Meanwhile, financing expenditure recognized when
7 long-term loan repayment and/or long-term investment expenditure occurred.

8 **44. Financing revenue on Public Service Agency recognized when**
9 **cash receipt from financing are endorsed by the unit that have a general**
10 **treasury functions.**

11 **45. Financing expenditure on Public Service Agency recognized when**
12 **cash expenditure from financing are endorsed by unit that have a general**
13 **treasury functions.**

14 **46. Additional of principal investment from Public Service Agency's**
15 **revenue are recognized as financing expenditure.**

16 **47. Any excess/less between financing revenue/expenditure during**
17 **the reporting period are recorded in net financing.**

18 **48. Any excess/less between revenue-LRA and expenditure, and**
19 **between financing revenue/expenditure during the reporting period are**
20 **recorded as a SURPLUS/DEFICIT after budget financing.**

21 **49. If the Public Service Agency received budget allocation from**
22 **accounting/reporting entity, Public Service Agency prepare the statement of**
23 **budget realization report as an accounting/reporting entity allocate the**
24 **budget.**

25 50. Budget allocation which received by Public Service Agency as referred
26 to paragraph 49 is not related to render services to the reporting entity, i.e, Public
27 Service Agency which received a revolving fund allocation from
28 ministries/institution/local government/local working unit.

29 51. Budget realization report as presented in this statement are only as
30 illustration and not part of this statement. The purpose of this illustration is to
31 describe the application of this standards in preparing financial report.

32 **STATEMENTS OF CHANGES IN THE EXCESS BUDGET** 33 **BALANCE**

34 **52. The Statement of Changes in the Excess Budget Balance presents**
35 **increasing or decreasing excess budget balance information in the reporting**
36 **period compared with the previous period.**

37 **53. The Statement of Changes in the Excess Budget present**
38 **comparative information with the previous period of the following items:**

- 39 (a) **Opening Excess Budget Balance;**
40 (b) **Use of the Excess Budget Balance;**
41 (c) **Budget Financing SURPLUS/DEFICIT for the current year;**
42 (d) **Correction of accounting errors in the previous year;**
43 (e) **Others; and**
44 (f) **Closing Excess Budget Balance.**

1 **54. Public Service Agency also preparing details the Statement of**
2 **Changes in the Excess Budget Balance elements in the Notes to the**
3 **Financial Statements.**

4 55. Statement of Changes in the Excess Budget as presented in this
5 statement are only as illustration and not part of this statement. The purpose of
6 this illustration is to describe the application of this standards in preparing financial
7 report.

8 **BALANCE SHEET**

9 **56. Balance Sheet describes the financial position of a reporting entity**
10 **regarding the assets, liabilities and equity at a specific date.**

11 **57. Public Service Agency Balance Sheet present in comparison with**
12 **the previous period, the following items:**

- 13 (a) **Cash and cash equivalents;**
- 14 (b) **Short-term investments;**
- 15 (c) **Receivables from Public Service Agency's activities;**
- 16 (d) **Inventories;**
- 17 (e) **Long term investments;**
- 18 (f) **Fixed assets;**
- 19 (g) **Other assets;**
- 20 (h) **Short-term liabilities;**
- 21 (i) **Long-term liabilities; and**
- 22 (j) **Equity.**

23 58. Cash and cash equivalents in the Public Service Agency's balance
24 sheet are represent cash derived from Public Sector Agency's revenue either has
25 or has not been recognized by the unit that have a general treasury functions.

26 **59. Cash which already recognized by general treasury functions is**
27 **part of the Excess of Budget Balance.**

28 60. In the context of calculation between cash balance and the excess of
29 budget balance, Public Service Agency has to be able to identify the cash balance
30 from its revenue that has been recognized by the unit that have a general treasury
31 function.

32 61. According to the characteristic, Public Service Agency can manage the
33 cash that is not belong to them and/or the remaining investment fund from
34 State/local budget.

35 **62. Cash that is not belong to Public Service Agency are recognized**
36 **as cash and cash equivalents.**

37 63. The cash referred to paragraph 62, among others:

- 38 (a) Third party fund;
- 39 (b) Reserved fund; and
- 40 (c) Advance payment for hospital patients.

41 **64. Cash from the rest of the Central/local budget investment**
42 **recognized as other assets.**

1 **65. Cash transfer to the Central/local government from prior revenue**
2 **or current revenue are recognized as decreasing in their equities and**
3 **recognized as increasing in the Central/local government equities.**

4 66. In accordance with the regulation, Public Service Agency should not
5 make a long-term investments except with the approval from the Minister of
6 Finance or the Governor/Regent/Mayor. Long-term investment consists of a
7 permanent and non-permanent investment.

8 67. Permanent Investments in Public Service Agency among others in the
9 form of equity participation.

10 68. Non-permanent Investment among others as follows:

- 11 (a) Loan Investment to other parties;
12 (b) Revolving fund Investments; and
13 (c) Other non-permanent investments.

14 **69. Although the ownership of Public Service Agency's investment**
15 **are in the State/local General Treasurer, the investment are reported in the**
16 **Public Service Agency's Financial Statement. The accounting treatment of**
17 **the investment is consistent with the statue as a reporting entity, where the**
18 **Public Service Agency use their all economic resources in implementing**
19 **their functions in rendering services to public should be reported in their**
20 **financial statements.**

21 70. As owner of investment, State/local general treasurer also report the
22 Public Service Agency's investment in their financial statements.

23 71. Balance Sheet as presented in this statement are only as illustration
24 and not part of this statement. The purpose of this illustration is to describe the
25 application of this standards in preparing financial report.

26 **STATEMENTS OF OPERATIONS**

27 **72. The Statements of Operations presents an economic resources**
28 **and their uses that increase or decrease an entity's equity from their**
29 **activities that are managed by State/local government in the reporting**
30 **period.**

31 **73. Public Service Agency's Statements of Operations include items**
32 **as follows:**

- 33 (a) **Revenue-LO;**
34 (b) **Expense;**
35 (c) **SURPLUS/DEFICIT from operating activities;**
36 (d) **Non-operating activities;**
37 (e) **SURPLUS/DEFICIT before extraordinary Items;**
38 (f) **Extraordinary Items; and**
39 (g) **SURPLUS/DEFICIT-LO.**

40 **74. Revenues-LO are classified according to source of revenues,**
41 **consists of:**

- 42 (a) **Revenue from the State/local budget allocation;**
43 (b) **Revenue from rendering of services to the public;**
44 (c) **Revenue from rendering of services to the accounting/reporting entities;**

- 1 **(d) Revenue from joint operation;**
2 **(e) Revenues from cash/goods/services grants; and**
3 **(f) Other revenue.**

4 **Details of revenues are presented in the Notes to Financial Statements.**

5 75. Public Service Agency's expense are classified by the type of expense.
6 Another classification which required by regulation, are presented in the Notes to
7 Financial Statements.

8 **76. Revenue-LO on Public Service Agency are recognized when:**

- 9 **(a) The emergence of the right to revenue;**
10 **(b) Revenue is realized, namely the existence of inflows of economic**
11 **resources.**

12 77. Revenue-LO on Public Service Agency which is acquired from
13 rendering of services in accordance with the regulation, is recognized when the
14 right arises to collect revenue.

15 78. Revenue-LO on Public Service Agency that recognized when it is
16 realized is the right that has been received by the Public Service Agency without
17 any prior billing.

18 **79. Revenue-LO on Public Service Agency is non-tax revenue.**

19 **80. Accounting for revenue-LO is conducted bases on the gross**
20 **principle by recording gross receipts, and not by recording the net amount**
21 **(that is, offset against expenditures).**

22 **81. The gross principle can be exempted in the event the amount of a**
23 **deduction against gross revenue-LO to the revenue is variable and can not**
24 **be budgeted for in advance because budget process is not yet finalized.**

25 **82. Revenue from Joint Operation are recognized on the net basis,**
26 **excluding parties revenue sharing.**

27 **83. Expenses on Public Service Agency are recognized when:**

- 28 **(a) A liability emerges;**
29 **(b) Assets are consumed; and/or**
30 **(c) There is a decline in economic benefits or service potential.**

31 84. Liabilities arise at the time rights are transferred from other parties to
32 Public Service Agency without the subsequent release of cash disbursements.

33 85. What is meant by the consumption of an asset is the time cash
34 expenditure are made to other parties that are not preceded by the emergence of
35 liability and/or the consumption of non-cash assets in the operational activities of
36 the Public Service Agency.

37 86. The decrease in economic benefits or service potential occurs when the
38 value of an asset is impaired in connection with the use of the relevant asset/the
39 passage of time. Example of decreases in economic benefits or service potential
40 are depreciation or amortization.

41 **87. Expenses on Public Service Agency are classified according to**
42 **economic classification.**

1 88. Economic classification for Public Service Agency are employee
2 expense, goods expense, allowance expense and depreciation expenses of fixed
3 assets/amortization.

4 89. The Statement of Operations as presented in this statement are only as
5 illustration and not part of this statement. The purpose of this illustration is to
6 describe the application of this standards in preparing financial report.

7 **CASH FLOW STATEMENT**

8 ***90. The Statement of Cash Flows in the Public Service Agency present***
9 ***an information about the source, uses of, changes in cash and cash***
10 ***equivalents during the accounting period, and the balance of cash and cash***
11 ***equivalents at the reporting date.***

12 ***91. Cash inflows and outflows are classified according to operating,***
13 ***investing, financing, and transitory activities.***

14 **OPERATING ACTIVITIES**

15 92. Cash inflows from operating activities are primarily from:

- 16 (a) Revenue from State/local budget allocation;
17 (b) Revenue from rendering of services;
18 (c) Revenue from rendering of services to the accounting/reporting entities;
19 (d) Revenue from joint operation;
20 (e) Revenues from cash/goods/services grants; and
21 (f) Other PSA revenue.

22 93. Cash outflows from operating activities are primarily use to:

- 23 (a) Payment to Public servant;
24 (b) Payment of goods;
25 (c) Interest payment; and
26 (d) Other payments/Extraordinary Events,

27 **INVESTING ACTIVITIES**

28 94. Investing activities are cash receipts and expenditures intended to the
29 acquisition and disposal of fixed assets and other investments not included in cash
30 equivalents.

31 95. Cash flow from investing activities reflects the gross cash receipts and
32 expenditures in the context of the acquisition and disposal of economic resources
33 that aim to enhance and support Public Service Agency's services to the
34 community in the future.

35 96. Cash inflows from investing activities, among other consist of:

- 36 (a) Sale of Fixed Assets;
37 (b) Sales of Other Asset;
38 (c) Proceeds from divestment; and
39 (d) Sales of Investments in Securities.

40 97. Public Service Agency's investments can come from their revenue and
41 Central/local budget. Proceeds from divestment as referred to paragraph 96 (c)
42 and Sales of Investments in Securities as referred to paragraph 96 letter (d) are

1 receipts from divestment and sale of investments that come from their revenue
2 and investment from Central/local budget.

3 98. Cash outflow from investing activities, among other consist of:

- 4 (a) Acquisition of Fixed Assets;
- 5 (b) Acquisition of other assets;
- 6 (c) Equity participation;
- 7 (d) Purchase of Investments in the form of securities; and
- 8 (e) Acquisition of other long-term investments;

9 99. Equity participation as referred to paragraph 98 (c), purchase of
10 investments in the form of securities referred to paragraph 98 (d), and the
11 acquisition of other long-term investments as referred to paragraph 98 (e) is an
12 expenditure from divestment and the purchase of investments that come from their
13 revenue and investment expenditure that come from Central/local budget.

14 **FINANCING ACTIVITIES**

15 100. Financing activities are cash receipt and expenditure activities related
16 to the provision of long-term receivable and/or repayment of long-term debt that
17 result in a changes in the amount and composition of long-term receivable and
18 long-term debt.

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

21 102. Cash inflow from financing activities, among others:

- 22 (a) Receipt from loans; and
- 23 (b) Receipt from Central/local budget allocation to be invested.

24 103. As part of the State government or local governments, Public Service
25 Agency may receive a budget allocation from Central/local government for
26 investment purposes. Cash receipt from Central/local budget that to be invested
27 as referred to paragraph 102 (b) is a revenue from Central/local budget which is
28 presented as managed funds in a group of other assets and long-term liabilities to
29 the State/local general treasurer on the balance sheet.

30 104. As recognized as liabilities, Public Service Agency must be recognize
31 the fund as cash inflows in financing activities in the Statement of Cash Flows.
32 Conversely, if the Public Service Agency transfer the fund back to the Central/local
33 treasurer, the fund then recognized as an cash outflows in financing activities.

34 105. Cash outflows from financing activities, among others, including the
35 following:

- 36 (a) Principal payments of loan; and
- 37 (b) Returning investment from State/local budget to State/local general treasurer.

38 106. The fund transfer from the State/local budget to the State/local general
39 treasurer as referred to paragraph 105 (b) is a divesment from public .

40 **TRANSITORY ACTIVITIES**

41 ***107. Transitory activity is the activity of cash receipts and***
42 ***disbursements that are not included in operating, investing, and financing***
43 ***activities.***

1 108. Cash flow from transitory activity reflects gross receipts and
2 disbursements which do not affect revenues, expenses, and government
3 financing. Cash flows from transitory activities, among others including Calculation
4 of Third Party (PFK) transactions. PFK is cash received from fund that allocate to
5 third party, such as tax discount.

6 109. Cash inflows from transitory activities, including PFK receipts.

7 110. Cash outflows from transitory activities, including PFK disbursements.

8 111. Statement of Cash Flows as presented in this statement are only as
9 illustration and not part of this statement. The purpose of this illustration is to
10 describe the application of this standards in preparing financial report

11 **STATEMENT OF CHANGES IN EQUITY**

12 ***112. Statement of Changes in Equity presents the increase or***
13 ***decrease in equity in the current period compared with the previous period.***

14 ***113. Statement of Changes in Equity at least include items as follows:***

- 15 (a) ***Opening balance;***
16 (b) ***SURPLUS/DEFICIT operational;***
17 (c) ***Corrections that increase/decrease in equity, which come from the***
18 ***cumulative impacts from changes in accounting policies and error***
19 ***correction, for example:***
20 ***1) Error correction of inventory that occurred in prior periods; and***
21 ***2) Changes in measurement of fixed assets due to fixed asset***
22 ***reevaluation.***
23 (d) ***Closing balance.***

24 114. Public Service Agency present more details the elements of the
25 Statement of Changes in Equity in the Notes to the Financial Statements.

26 115. Statement of Changes in Equity as presented in this statement are
27 only as illustration and not part of this statement. The purpose of this illustration is
28 to describe the application of this standards in preparing financial report

29 **CONSOLIDATING OF PUBLIC SERVICE AGENCY FINANCIAL** 30 **STATEMENTS TO THE ACCOUNTING/REPORTING ENTITIES** 31 **FINANCIAL STATEMENTS**

32 ***116. Public Service Agency's Budget Realization Report, Balance***
33 ***Sheet, Statement of Operations and Statement of Changes in Equity***
34 ***consolidated in the financial statements of the accounting/reporting entities.***

35 ***117. Revenues, expenditures, and financing in the Public Service***
36 ***Agency's Budget Realization Report consolidated into Budget Realization***
37 ***Report accounting/reporting entities.***

38 118. Based on accounting/reporting entities's characteristics, an entity that
39 is not a Public Service Agency, the statement of budget realization elements
40 consist of revenue and expenditure and it does not consist of budget
41 SURPLUS/DEFICIT and SURPLUS/DEFICIT after budget financing. In case of
42 accounting/reporting entities consolidate their financial statements, the

1 consolidated statement of budget realization refer to the Public Service Agency's
2 statement of budget realization.

3 **119. The Statement of Cash Flow is consolidated to entity's report that**
4 **have a general treasury function.**

5 120. Transactions which consolidated to the statement of Cash Flow are
6 revenues, expenditures, and financing that has been authorized by an entity that
7 have a general treasury function.

8 121. The Statement of changes in excess budget is not consolidated to the
9 reporting entity's financial report, because the reporting entities doesn't not present
10 the Statement of Changes in excess budget including local government.

11 **122. The Statement of changes in excess budget consolidated to the**
12 **State/local general treasurer's Statement of Changes in excess budget and**
13 **consolidated to the reporting entities that prepare consolidated financial**
14 **statements.**

15 **123. In order to consolidate the financial statements into the entity's**
16 **financial statement, the reciprocal accounts such as revenues, expenses,**
17 **assets and liabilities from the accounting/reporting entities must be**
18 **eliminated, unless revenues and expenses in the statement of budget**
19 **realization as stated in paragraph 31 letter (b).**

20 **TERMINATION OF PUBLIC SERVICE AGENCY INTO** 21 **WORKING UNIT**

22 124. According to the regulation, the government can revoke the statue of
23 Public Service Agency's financial management at the working unit of the
24 ministries/agencies/local authorities.

25 **125. In terms of the working unit does not apply the Public Service**
26 **Agency's financial management, then the working unit should prepare**
27 **financial statements as well as other government accounting entities, and**
28 **the working unit must prepare financial statements.**

29 **EFFECTIVE DATE**

30 **126. This Statement Government Accounting Standard (PSAP) is**
31 **effective for the preparation and presentation of financial statements from**
32 **period of 1 January 2016.**

**PUBLIC SERVICE AGENCY
BUDGET REALIZATION REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	Budget 20x1	Realization 20x1	%	Realization 20x0
1	REVENUE:				
2	Revenue from rendering service to public	xxx	xxx	xx	xxx
3	Revenue from rendering service to accounting/ reporting entity	xxx	xxx	xx	xxx
4	Revenue from joint operation	xxx	xxx	xx	xxx
5	Grant revenue	xxx	xxx	xx	xxx
6	Other revenue	xxx	xxx	xx	xxx
7	Total Revenue (2 until 6)	xxx	xxx	xx	xxx
8	EXPENDITURES:				
9	OPERATING EXPENDITURES:				
10	Civil Servant Expenditure	xxx	xxx	xx	xxx
11	Goods Expenditure	xxx	xxx	xx	xxx
12	Interest Expenditure	xxx	xxx	xx	xxx
13	Others Expenditure	xxx	xxx	xx	xxx
14	Total Operating Expenditures (11 until 13)	xxx	xxx	xx	xxx
15	CAPITAL EXPENDITURES:				
16	Land Expenditure	xxx	xxx	xx	xxx
17	Equipment and Machinery Expenditure	xxx	xxx	xx	xxx
18	Building and Construction Expenditure	xxx	xxx	xx	xxx
19	Roads, Irrigation and Network Expenditure	xxx	xxx	xx	xxx
20	Other Fixed Assets Expenditure	xxx	xxx	xx	xxx
21	Other Assets Expenditure	xxx	xxx	xx	xxx
22	Total Capital Expenditures (16 until 22)	xxx	xxx	xx	xxx
23	TOTAL EXPENDITURES (14+22)	xxx	xxx	xx	xxx
24	SURPLUS/DEFICIT (7-22)	xxx	xxx	xx	xxx
25	FINANCING:				
26	RECEIPTS:				
27	DOMESTIC FINANCING RECEIPTS:				
28	Receipt from loan	xxx	xxx	xx	xxx
29	Receipt from Divesment	xxx	xxx	xx	xxx
30	Receipt from loan to other party	xxx	xxx	xx	xxx
31	Total Domestic Financing Receipt (28-30)	xxx	xxx	xx	xxx
32	Total Financing Receipt(31)				
33	PAYMENTS:				
34	DOMESTIC FINANCING PAYMENT:				
35	Loan Principal Payments	xxx	xxx	xx	xxx
36	Equity Participation Expenditure	xxx	xxx	xx	xxx
37	Provision of Loans to other party	xxx	xxx	xx	xxx
38	Total Domestic Financing Expenditures (35-37)	xxx	xxx	xx	xxx
39	NET FINANCING (32-38)	xxx	xxx	xx	xxx
40	SURPLUS/DEFICIT BUDGET FINANCING BALANCE(24+39)	xxx	xxx	xx	xxx

(Illustration 13.B)

PUBLIC SERVICE AGENCY
STATEMENT OF CHANGES IN THE EXCESS BUDGET BALANCE
For the Periods Ending Dec 31, 20x1 and 20x0

(in rupiah)

No	DESCRIPTION	20X1	20X0
1	Opening Excess Budget Balance	xxx	xxx
2	Use of Excess Budget Balance	(xxx)	(xxx)
3	Subtotal (1 - 2)	xxx	xxx
4	SURPLUS/DEFICIT Budget Financing Balance (SiLPA/SiKPA)	xxx	xxx
5	Subtotal (3 + 4)	xxx	xxx
6	Error Correction of Prior Year Accounting	xxx	xxx
7	Others	xxx	xxx
8	Closing Excess Budget Balance	xxx	xxx

**PUBLIC SERVICE AGENCY
BALANCE SHEET
DEC 31 20X1 DAN 20X0**

(In Rupiah)

No	Description	20X1	20X0
1	ASSET		
2	Current Assets:		
3	Cash in Expenditure Treasurer	xxx	xxx
4	Cash in PSA	xxx	xxx
5	Other cash and Equivalent	xxx	xxx
6	Shortterm Investment		
7	Operating Receivable		
8	Non operating Receivable	xxx	xxx
9	Allowance Receivable	(xxx)	(xxx)
10	Prepaid Expense	xxx	xxx
11	Prepaid Payment	xxx	xxx
12	Inventory	xxx	xxx
13	Total Current Assets (3 until 12)	xxx	xxx
14	Fixed Assets:		
15	Land	xxx	xxx
16	Buildings and Construction		
17	Equipment and Machine	xxx	xxx
18	Road, Irrigation and networks	xxx	xxx
19	Other Fixed Assets	xxx	xxx
20	Construction in Progress	xxx	xxx
21	Accumulated depreciation	(xxx)	(xxx)
22	Total Fixed Assets (15 until 21)	xxx	xxx
23	Long term Receivable:		
24	Installment Sales	xxx	xxx
25	Compensation claims	xxx	xxx
26	Allowance Receivable	(xxx)	(xxx)
27	Total Longterm Receivable (24 until 26)	xxx	xxx
28		xxx	xxx
	Other Assets:		
29	Partnership with third parties	xxx	xxx
30	Fiduciary Fund	xxx	xxx
31	Limites used Asset	xxx	xxx
32	Intangible Assets	xxx	xxx
33	Other Assets	xxx	xxx
34	Total Other Assets (29 until 33)	xxx	xxx
35	TOTAL ASSETS (13+22+27+34)		
36	LIABILITIES:		
37	Short term Liabilities		
38	Third Party Debt (PFK)	xxx	xxx
39	Tax Payable	xxx	xxx
40	Central/local General Balance Payable	xxx	xxx
41	Short term Portion of Longterm Loan	xxx	xxx
42	Expense Payable	xxx	xxx
43	Deffered Income	xxx	xxx
44	Other Short term Payable	xxx	xxx
45	Total Short term Liabilities (38 until 44)	xxx	xxx
46	Long term Liabilities		

47	Long term liabilities	xxx	xxx
48	Total Long term Liabilities (47)	xxx	xxx
49	TOTAL LIABILITIES (45+48)	xxx	xxx
50			
51	EQUITY		
52	EQUITY (51)	xxx	xxx
53	TOTAL LIABILITIES AND EQUITIES (49 + 52)	xxx	xxx

**PUBLIC SERVICE AGENCY
OPERATIONAL REPORT
For the Periods Ending Dec 31, 20x1 and 20x0**

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	<u>OPERATING ACTIVITIES:</u>				
1	<u>REVENUE:</u>				
2	Revenue from rendering service to public	xxx	xxx	xxx	xx
3	Revenue from rendering service to accounting/ reporting entity	xxx	xxx	xxx	xx
4	Revenue from joint operation	xxx	xxx	xxx	xx
5	Grant revenue	xxx	xxx	xxx	xx
6	Other revenue	xxx	xxx	xxx	xx
7	Revenue from State/local Budget	xxx	xxx	xxx	xx
8	Total Revenue (2 until 7)	xxx	xxx	xxx	xx
9	<u>EXPENSES:</u>				
10	Civil Servant Expense				
11	Inventory Expense	xxx	xxx	xxx	xx
12	Service Expense	xxx	xxx	xxx	xx
13	Maintenance Expense	xxx	xxx	xxx	xx
14	Utilities Expense	xxx	xxx	xxx	xx
15	Business trip Expense	xxx	xxx	xxx	xx
16	Accumulate Depreciation Expense	xxx	xxx	xxx	xx
17	Total Expenses (10 until 16)	xxx	xxx	xxx	xx
18	Operating SURPLUS/DEFICIT (8-17)				
19	<u>NON OPERATING ACTIVITIES:</u>				
20	Gain or Loss from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
21	Impairment	xxx	xxx	xxx	xx
22	Gain or Loss from other Non Operating Activities	xxx	xxx	xxx	xx
23	Total SURPLUS/DEFICIT from Nonoperating Activities (20 until 22)	xxx	xxx	xxx	xx
24	SURPLUS/DEFICIT BEFORE EXTRAORDINARY (18+23)	xxx	xxx	xxx	xx
25	<u>EXTRAORDINARY ITEMS:</u>				
26	Extraordinary Revenue	xxx	xxx	xxx	xx
27	Extraordinary Expense	xxx	xxx	xxx	xx
28	Total Extraordinary (26 until 27)	xxx	xxx	xxx	xx
29	OPERATIONAL SURPLUS/DEFICIT (24+28)	xxx	xxx	xxx	xx

**PUBLIC SERVICE AGENCY
STATEMENT OF CASH FLOWS
For the Periods Ending Dec 31, 20x1 and 20x0
Direct Methods**

(in Rupiah)

No.	Description	20X1	20X0
1	Cash Flows from Operating Activities		
2	Cash Inflows:		
3	Revenue from State/local Budget	xxx	xxx
4	Revenue from rendering of Services to Public	xxx	xxx
5	Revenue from rendering of Services to Accounting/Reporting Entities	xxx	xxx
6	Revenue from Joint Operation	xxx	xxx
7	Revenue from Grant	xxx	xxx
8	Other Revenue	xxx	xxx
9	Total Cash Inflows (3 until 8)	xxx	xxx
10	Cash Outflows:	xxx	xxx
11	Civil Servant Payment	xxx	xxx
12	Service Payment	xxx	xxx
13	Maintenance Payment	xxx	xxx
14	Utilities Payment	xxx	xxx
15	Business Trip Payment	xxx	xxx
23	Interest Payment	xxx	xxx
24	Total Cash Outflows (11 until 23)	xxx	xxx
25	Net Cash Flow from Operating Activities (9-24)	xxx	xxx
26	Cash Flows from Investing Activities		
27	Cash Inflows:		
28	Sales of Land	xxx	xxx
29	Sales of Equipment and Machinery	xxx	xxx
30	Sales of Building and Construction	xxx	xxx
31	Sales of Roads, Irrigation and Networks	xxx	xxx
32	Sales of Other Fixed Assets	xxx	xxx
33	Sales of Other Assets	xxx	xxx
34	Receipt from Divestment	xxx	xxx
35	Receipt from Sales of Securities	xxx	xxx
36	Total Cash Inflows (28 until 35)	xxx	xxx
37	Cash Outflows:		
38	Acquisition of Land	xxx	xxx
39	Acquisition of Equipment and Machinery	xxx	xxx
40	Acquisition of Building and Construction	xxx	xxx
41	Acquisition of Road, Irrigation and Networks	xxx	xxx
42	Acquisition of Other Fixed Assets	xxx	xxx
43	Acquisition of Other Assets	xxx	xxx
44	PSA Equity Participation	xxx	xxx
45	Acquisition of Securities	xxx	xxx
46	Total Cash Outflows (38 until 45)	xxx	xxx
47	Net Cash Flow from Investing Activities (36-46)	xxx	xxx
48	Cash Flow from Financing Activities		
49	Cash Inflows:		
50	Receipt from Loan	xxx	xxx
51	Receipt from Other Loan	xxx	xxx
52	Total Cash Inflows (50 until 51)	xxx	xxx

53	Cash Outflows:		
54	Loan Payment	xxx	xxx
55	Provision of Loans to Other	xxx	xxx
56	Total Cash Outflows (54 until 55)	xxx	xxx
57	Net Cash Flows from Financing Activities (52-56)	xxx	xxx
58	Cash Flow from Transitory Activities		
59	Cash Inflows:		
60	Third Party Calculation Receipts (PFK)	xxx	xxx
61	Total Cash Inflow (60)	xxx	xxx
62	Cash Outflows:		
63	Third Party Calculation Expenditures (PFK)	xxx	xxx
64	Total Cash Outflows	xxx	xxx
65	Net Cash Flow from Transitory Activities (64)	xxx	xxx
66	Increase/Decrease Cash (25+47+57+65)	xxx	xxx
67	Opening Balance in PSA Cash	xxx	xxx
68	Closing Balance in PSA Cash (66+67)	xxx	xxx

(Illustration 13.F)

**PUBLIC SERVICE AGENCY
STATEMENT OF CHANGES EQUITY
For the Periods Ending Dec 31, 20x1 and 20x0**

(in rupiah)

No	DESCRIPTION	20X1	20X0
1	Opening Equity Balance	xxx	xxx
2	Operational SURPLUS/DEFICIT	xxx	xxx
3	Cumulative Effect Change in Accounting Policy/Errors	xxx	xxx
4	Inventory Measurement Correction	xxx	xxx
5	Fixed Assets Revaluation	xxx	xxx
7	Others	xxx	xxx
8	Closing Equity Balance	xxx	xxx

GOVERNMENT ACCOUNTING STANDARD ACCRUAL BASIS

STATEMENT NO. 14

INTANGIBLE ASSET

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

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1 STATEMENT NO. 14

2 INTANGIBLE ASSET

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

7 INTRODUCTION

8 OBJECTIVE

9 1. The objective of this Standard is to prescribe the accounting treatment
10 of including recognition, measurement, presentation and disclosure of Intangible
11 Asset.

12 SCOPE

13 2. *This Standard regulate accounting treatment of recognition,*
14 *measurement, presentation of Intangible Asset for the general purpose*
15 *financial statements.*

16 3. This standard applies to reporting entity that present Central/local
17 government that prepare Central/local, public service agency financial reports and
18 consolidated financial report.

19 4. This Standard does not applies to:

- 20 (a) Authority to give a permission by government agencies;
21 (b) Authority to collect taxes by government agencies;
22 (c) Intangible Asset available for sale in the normal operation of an entities
23 (recognize as an inventory);
24 (d) Forest concession rights;
25 (e) Toll road concession rights;
26 (f) Concession rights of a region; and
27 (g) Mining concession and expenses for exploration, development and mining of
28 mineral, oil, natural gas and other unrenewable resources.

29 DEFINITIONS

30 5. *The following terms are used in this Standard:*

31 *Intangible Asset is non monetary asset that can be identified and it have not*
32 *a physical substance, owned to produce goods and services or other*
33 *purpose include intellectual rights.*

34 *Amortization is the systematic allocation of the depreciable amount of*
35 *intangible asset over its usefull life*

36 *Useful life is:*

- 37 (c) *the period the asset is expected to be used for the activities of the*
38 *government and/or public service; or*
39 (d) *the amount of production or similar units expected to be obtained from*
40 *the assets of government activities and/or public service.*

1 ***Carrying amount of intangible asset is the book value of intangible asset,***
2 ***which is calculated from the cost of acquisition of an intangible asset less***
3 ***accumulated amortization.***

4 ***Research is original and planned investigation undertaken with the prospect***
5 ***of gaining new scientific or technical knowledge and understanding***

6 ***Development is the application of research finding or other knowledge to***
7 ***plan or design for production of new substantial improved materials,***
8 ***devices, products, processes, systems or services before the start of***
9 ***commercial production or use.***

10 ***License is written permission given by the copyright holder or rights owner***
11 ***to other party to carry out economic rights to the rights or products rights in***
12 ***a certain condition.***

13 ***Franchise is exclusive right owned by individuals or entities to business***
14 ***system with trademarks in order to selling goods and/or services under the***
15 ***business's name and/or used by other party base on franchise agreement.***

16 ***Copyright is exclusive right of the originator that arises automatically base***
17 ***on the declarative principle after the creation formed to the real without***
18 ***reducing restriction in accordance with the regulation.***

19 ***Patent is exclusive right given by state to the inventor based on the invention***
20 ***in technology for a certain period to implement the invention or approve to***
21 ***other party to implement the invention.***

22 **TYPES OF INTANGIBLE ASSET**

23 6. Intangible asset that is owned and/or controlled by government can be
24 distinguished by types of resources, acquisition and useful life.

25 7. Based on types of resources, intangible asset can be divide into:

- 26 (a) Computer software, which can be stored in various media such as flash disk,
27 compact disk, diskette, ribbon, and other storage media. Computer software
28 categorized as intangible asset if the software is not separable from computer
29 hardware.
30 (b) License and Franchise;
31 (c) Patent and Copyright;
32 (d) Output of studieuntildevelopment that provide longterm benefits;
33 (e) Heritage intangible asset;
34 (f) Intangible asset in progress.

35 8. Based on acquisition, intangible asset can be from:

- 36 (a) Purchase;
37 (b) Internal development;
38 (c) Exchange;
39 (d) Cooperation;
40 (e) Donation/grant;
41 (f) Heritage/Cultural.

42 9. Based on useful life, intangible asset divide into:

- 43 (a) Finite life;
44 (b) Indefinite life.

1 RECOGNITION

2 10. *An Intangible Asset shall be recognized only:*

- 3 (a) *Can be identified;*
- 4 (b) *Controlled or owned by an entity;*
- 5 (c) *It is probable that the expected and future economic and social benefit*
- 6 *or service potential to the asset will flow to the entity; and*
- 7 (d) *Cost or fair value can be measured reliability.*

8 IDENTIFIABLE

9 11. *Intangible asset can be identified if:*

- 10 (a) Can be separated, an intangible asset can be separated or distinguished
- 11 from another asset; or
- 12 (b) Acquired from binding arrangement, such as contractual rights or other legal
- 13 rights, regardless whether the rights can be transferred or separated from the
- 14 entity or from other rights and obligations

15 12. Can be separated, must be used carefully because of the acquisition

16 of assets in an entity sometimes occurred in a jointly with other asset. If intangible

17 asset acquired jointly with other asset, the transaction may also include the

18 transfer of legal rights. In such cases, the entity must identify the intangible asset.

19 Intangible asset usually can be separated with other asset such as patents,

20 copyrights, trademarks and franchises.

21 13. As an illustration, an entity buy hardware, software and module. As

22 long as computer software can be separated from hardware and provide future

23 benefit, then software can be identified as intangible asset. Conversely, in the case

24 of computer software can not be separated from hardware, for example, without

25 that software, the hardware can not operated, then the software can not be

26 identified as intangible asset but recognized as part of devices and machinery.

27 However, if the software can be separated from hardware, it can be recognized as

28 intangible asset. For example, software can be installed on some hardware and

29 hardware can still run without depending on that software, then the software

30 recognized as intangible asset.

31 CONTROLLABLE

32 14. Without any ability to control asset, the resources can not be

33 recognized as asset of an entity. An entity controlled an asset if the entity has the

34 ability to obtain future benefits from that asset and may restrict other party to obtain

35 economic benefits from these assets. The ability to control these assets generally

36 base on legal documents from authorized institutions, however, this legal

37 documents is not a prerequisite that must be fulfilled because there may be still

38 other means by which the entity controls the rights.

39 FUTURE ECONOMIC AND SOCIAL BENEFIT

40 15. In general, characteristics of asset are their ability to provide future

41 economic benefits and potential services. Economic benefits can result in inflow

42 from cash, cash equivalent, goods or services. Services inherent in asset can

43 provide benefit to government in the form of non cash or goods that called social

1 benefits, for example, the improving public service by government as one of
2 government's goals or increasing the efficiency of government activity.

3 16. Future economic benefit from intangible asset can be form of income
4 from sale of goods or services, cost saving and efficiency, and other such as
5 revenue from leasing, licence or other benefits from use of intangible asset. Social
6 benefit can be in the form of increasing in service or output quality, faster service
7 process or decreasing the number of resources needed to carry out and function.

8 **RECOGNITION OF INTERNALLY GENERATED INTANGIBLE** 9 **ASSET**

10 17. To asses whether an internally generated intangible asset meet the
11 criteria for recognition, an entity classify the internally generation into two phases:

- 12 (a) A research phase; dan
13 (b) A development phase.

14 18. ***Research expenditure can not be recognized as intangible asset.***
15 ***Research expenditure must be recognized as an expenses when they***
16 ***occured.***

17 19. In the research phase of internal project, an entity can not demonstrate
18 that an intangible asset existed and will generate probable future economic
19 benefits. Therefore, this expenditure recognized as expense when it is occurred.

20 20. Examples of research activities are:

- 21 (a) An activities that aimed to obtain a new knowledge;
22 (b) The search for evaluation and final selection of an application of a research or
23 other knowledgement;
24 (c) The search for an alternative such as materials, devices, products, processes,
25 systems or services;
26 (d) The formulation, design, evaluation and final selection to a possible
27 alternatives for new or improved material, devices, products, processes,
28 systems and services.

29 21. ***An intangible asset arising from development (or from the***
30 ***development phase of an internally project) shall be recognized if and only***
31 ***if, an entity (government) can demonstrate all of the following:***

- 32 (a) ***The technical feasibility of completing intangible asset so that it will be***
33 ***available for use;***
34 (b) ***Its intention to complete the intangible asset and use it;***
35 (c) ***Its ability to use the intangible asset;***
36 (d) ***Future economic and/or social benefit;***
37 (e) ***The availability of adequate technical, financial and other resources to***
38 ***complete the development and to use the intangible asset.***
39 (f) ***The ability to measure reliably the expenditure attributable to the***
40 ***intangible asset during its development.***

41 22. In the development phase of internal project, in some instances,
42 identify an intangible asset and demonstrate that the asset will generate probable
43 future economic benefits. This is because the development phase of a project is

1 further advanced than research phase. But whether the results of this development
2 generate of intangible asset or not, it must first meet the intangible asset criteria.

3 23. ***Internal project/activities expenditure capitalized as intangible***
4 ***asset.***

5 24. Examples of development activities:

- 6 (a) The design, construction and testing of pre-production of prototype or models;
7 (b) The design, construction and operation of pilot plant or operation that is not of
8 a scale of economically feasible for commercial production;
9 (c) The design, construction and testing of a chosen alternative for new or
10 improved materials, devices, products, processes, systems or services.

11 25. ***If an entity/government can not distinguish between research***
12 ***phase and development phase in the internal project/activities, the***
13 ***entity/government recognized all expenditures as research phase***
14 ***expenditures.***

15 **WEB DEVELOPMENT COST**

16 26. Web development cost can be recognized as intangible asset if:

- 17 (a) The web developed by other party; or
18 (b) If the web developed internally, the development must be meet the criteria in
19 paragraph 21.

20 **SPECIAL RECOGNITION OF COMPUTER SOFTWARE**

21 27. Computer software can be acquired from internally generation, or from
22 external acquirement.

23 **Computer Software Acquired from Internally Generation**

24 28. ***Software that acquired from internally generated by the entity***
25 ***shall not recognize as intangible asset.***

26 29. Software that acquired from internally generated/developed shall not
27 recognized as the intangible asset because of:

- 28 (a) difficulty to identify development project of intangible asset, separated from
29 other government institutional project;
30 (b) difficulty to identify that an intangible asset generate future economic and
31 social benefit;
32 (c) difficulty to identify cost of assets reliably; and
33 (d) software usually open and there is no legal protection and can be used by
34 anyone, that the entity can not controlled the intangible asset.

35 **Computer Software Acquired from External**

36 30. Computer software that acquired from external can be such as from
37 purchasing, grant, or exchange. It can be from development contract with other
38 party or direct purchases.

39 31. ***Computer software that acquired from development through the***
40 ***third party contract recognized as intangible asset and at the contract cost.***

1 32. Computer software that purchased for own used and as part of the
2 hardware, the software recognized as part of cost of hardware and capitalized as
3 equipment and machinery.

4 33. Computer software that purchased for own used and not related to
5 hardware capitalized as intangible asset if it is meet asset capitalization criteria.

6 34. ***Computer software that purchased and intended to sale or***
7 ***transfer to the third party, recognized as inventories.***

8 35. ***The software that has a usage permit/useful life more than 12***
9 ***months, the acquisition of software and license must be capitalized as***
10 ***intangible asset. While the acquisition of software that has a usage***
11 ***permit/useful life less than or up to 12 month, the cost of acquisition is not***
12 ***capitalized.***

13 36. ***Software that acquired by paying usage permit/license with a***
14 ***useful life more than 12 month must be capitalized as intangible asset.***
15 ***Ssoftware that acquired only by paying usage permit/license less than or up***
16 ***to 12 month, is not capitalized.***

17 37. ***Software that has no limited a usage permit and has a useful life***
18 ***more than 12 month must be capitalized. Software that has no limited a***
19 ***usage permit and has a useful life less than or up to 12 month is not***
20 ***capitalized.***

21 38. ***An expenditure that related to software that do not meet the***
22 ***capitalization criteria recognized as expense when they occured.***

23 **RESEARCH EXPENSE BY OTHER INSTITUTION**

24 39. ***In the practice of government, there are research funds owned by***
25 ***institution but these fund can be used to finance research conducted by***
26 ***universities or research and development institution. In accordance with the***
27 ***concept of expenditure and entity concept, the entity that has budget is the***
28 ***entity that recognize asset if the expenditure from the budget produces***
29 ***intangible asset even though the other institution doing the research.***
30 ***However, government institution that provide the fund can not recognize the***
31 ***intangible asset, unless that the expenditure meet the characteristics and***
32 ***criteria of intangible asset. The intangible asset from research and***
33 ***development has to meet the criteria of recognition of intangible asset and***
34 ***meet the condition of recognition of development phase and not to research***
35 ***phase.***

36 40. The cost of an internally generated intangible asset from the
37 development phase is the sum of expenditure incurred from the date when the
38 intangible asset first meet the criteria of recognition. All research and development
39 cost shall not recognized as intangible asset but only costs that related to the
40 criteria of recognition must be recognize as intangible asset.

41 **MEASUREMENT**

42 **INITIAL MEASUREMENT**

1 41. ***The intangible asset are measured at acquisition cost, if the***
2 ***measurement of intangible asset using acquisition cost is not possible then***
3 ***the value of intangible asset based on the fair value at the time of acquisition.***

4 42. The intangible asset from purchasing measured at cost. If the
5 intangible asset acquired jointly, the cost of each assets must be determined by
6 allocating the price based on a comparison the fair value of each asset.

7 43. The cost of intangible asset are::

- 8 a. The purchasing price, including import fee and taxes, deducting discounts and
9 rebates;
10 b. Any cost that are directly attributable to bring the assets to the intended
11 condition.

12 44. Examples of cost that are directly attributable to asset::

- 13 (a) Training cost to bring asset 3to be used;
14 (b) Testing cost to ensure the function of the asset.

15 45. The cost of intangible asset include all of costs to make an intangible
16 asset ready to operated by management. Therefore, all costs to use and utilize the
17 intangible asset are no part of the acquisition of that asset.

18 46. The intangible asset from asset exchange transaction measured at fair
19 value of asset submitted. If there are other asset in the asset exchange
20 transaction, for example cash, then this indicate that assets exchanged does not
21 have similar value, then the intangible asset measured at assets exchanged plus
22 cash transfered.

23 47. The intangible asset from joint operation measured based on their
24 costs and recognized at the entity receiving that asset based on their agreement
25 and/or the regulation.

26 48. The intangible asset from donation/grant recognized at fair value at
27 the date of acquisition. Transfer of the intangible asset will be reliable if it is
28 supported by the transfer document, such as grant document.

29 49. The intangible asset from internally development such as internally
30 development project that meet the criteria of recognition, the cost of recognition
31 includes costs from the date that the intangible asset has a future usefull life until
32 the intangible asset has been developed.

33 50. ***The expenditure of the intangible asset is not recognized as cost***
34 ***of intangible asset if that cost is recognized as an expense in the prior***
35 ***period.***

36 51. The intangible asset from developing the computer software that must
37 meet the phase as noted in paragraph 33, the phase that can be capitalized as
38 intangible asset is the development phase of software and meet the criteria of
39 capitalization and measured at it costs.

40 52. The intangible asset from heritage asset is not required to be
41 presented on the balance sheet but disclosed in the Notes to Financial Statement.
42 However, if the intangible asset registered in the patent, then the patent is
43 presented in the balance sheet at their costs.

1 INTANGIBLE ASSET IN PROGRESS

2 53. *If the completion of the intangible asset exceeds and/or passes*
3 *through fiscal year, then intangible asset recognized as intangible asset in*
4 *progress until the asset completed and ready for use.*

5 54. There is a possibility that the internally development of intangible asset
6 exceeding through fiscal year or the development exceeding the reporting date. It
7 it is occurred, the expenditure up to the reporting date recognized as intangible
8 asset in progress and if the development completed then the asset recognized as
9 intangible asset.

10 MEASUREMENT AFTER RECOGNITION

11 55. In most cases, the nature of intangible asset is there is no addition of
12 intangible asset value and there is no replacement to part of intangible asset after
13 initial recognition. Therefore, most expenditures after initial recognition of
14 intangible asset may be intended to maintain future economic benefit or potential
15 service of intangible asset and the expenditure is not intended to the criteria of
16 definition and recognition. In other words, it is often difficult to attribute the cost
17 after initial recognition, then that cost is recognized is an operational expense of
18 an entity. However, if the expenditure can be directly attribute to intangible asset,
19 the expenditure can be capitalized as intangible asset.

20 56. *The expenditure after initial recognition of the intangible asset*
21 *can be capitalized if it is meet one of the following criteria:*

22 (a) *The expenditure add the remaining useful of life; or*

23 (b) *The expenditure increasing value in use in the form of increasing*
24 *capacity, effectiveness, efficiency.*

25 57. If the expenditure does not meet the criteria as noted in paragraph 56,
26 then the expenditure recognize as expense when they occurred. For example, the
27 expenditure after initial recognition for software that return to original condition
28 such as technician expenditure, does not meet criteria of capitalization.

29 58. *The expenditure after initial recognition in the form of extension*
30 *of use/license that more that 12 month is capitalized to intangible asset.*

31 AMORTIZATION

32 59. *The intangible asset presented at the carrying amount, at the*
33 *cost of acquisition less accumulated amortization.*

34 60. Amortization of intangible asset is as depreciation of fixed asset. The
35 useful life of intangible asset can be influenced by various factors, all factors must
36 be taken into determining of useful life. The useful life of intangible asset can be
37 limited by legal, regulation or contract.

38 61. To implement the amortization, the entity must asses whether the
39 useful life of intangible asset is finite or indefinite. If the useful life is finite, the entity
40 must be determine useful life or production or unit that can be produced during the
41 useful life. The intangible asset recognized by entity has an indefinite life if based
42 on analysis of all relevant factors, there is no limit period of the asset until the asset
43 has no benefit to the entity.

1 62. ***Amortization can only implemented to the intangible asset that***
2 ***has finite useful of life. The intangible asset that has finite useful of life must***
3 ***be amortized at the useful period or legal useful period whichever is shorter***
4 ***or based on policy of the institution that have an authority.***

5 63. Amortization to an intangible asset with finite useful life does not end
6 if the asset is no longer used, unless that asset has been fully amortized or
7 classified as an asset for sale and/or transfer to public/other party.

8 64. ***Amortization can be done with various method such as straight***
9 ***line method, double declining method and production unit. The method used***
10 ***is chosen based on future benefit and applied consistently from period to***
11 ***period, unless there is a change in the estimated consumption pattern.***

12 65. Amortization method must be used to describe consumption pattern
13 from future economic benefit. If the pattern can not be determined reliably then
14 straight line method is used.

15 66. ***Definite residual value of intangible asset assumed to be zero.***

16 67. ***Amortization is recognized as an expense in each period and as***
17 ***an adjustment of intangible asset. Amortization expense presented in***
18 ***Statement of Operational. Adjustment of intangible asset recognized as***
19 ***accumulated amortization of intangible asset.***

20 68. Amortization period and method can be reviewed at the end of
21 reporting period. If the estimated useful life differ from previous estimated, the
22 amortization must be adjusted. If there is a significant change in the estimated
23 pattern of economic benefit, the amortization method must be adjusted to reflect
24 the changing pattern. Over the time passed, the pattern of future economic benefit
25 that are expected flow to the entity from intangible asset may changed. For
26 example, there could be an indication that the double declining amortization
27 method more appropriate when compared to the straight line method. Another
28 example is the use of right from license deferred until the other component from
29 project plan, economic benefit from that asset may not be received until the next
30 period.

31 69. ***An intangible asset that has indefinite useful life, then has a***
32 ***definite useful life base on the regulation, the entity amortize the intangible***
33 ***asset from the accounting policy set up.***

34 **RETIREMENT AND DISPOSAL**

35 70. ***An intangible asset that is terminated from active using by the***
36 ***entity shall be reclass to other asset base on carrying amount.***

37 71. ***An intangible asset that is permanently terminated or disposed***
38 ***must be take out from the balance sheet and disclosed in the Notes to***
39 ***Financial Statement.***

40 72. Permanent termination or disposal for intangible asset is carried out
41 based on State/local property regulation.

42 73. ***If an intangible asset that is permanently terminated because of***
43 ***there are no future benefit, it must be excluded from balance sheet and the***

1 *carrying amount recognized as expense and presented in the Statement of*
2 *Operational.*

3 74. *If an intangible asset sold or exchanged, the difference between*
4 *price and carrying amount is recognized as non operating gain or loss and*
5 *presented in the Statement of Operational.*

6 **DISCLOSURES**

7 75. *Financial statement shall disclose intangible asset:*

- 8 (a) *Details of significant intangible asset;*
9 (b) *Intangible asset that have an indefinite or definite useful life, the entity*
10 *shall amortization if the intangible asset has a definite useful life.*
11 (c) *Useful life or amortization;*
12 (d) *Amortization method if the intangible asset has a definite useful life;*
13 (e) *Gross carrying amount and any accumulated amortization at the*
14 *beginning and end of period;*
15 (f) *Significant decreasing in intangible asset;*
16 (g) *Retirement and disposal of intangible asset;*
17 (h) *Changes in amortization method;*
18 (i) *The existence of intangible asset that is jointly owned;*
19 (j) *An indication of a decrease in intangible asset that is faster that*
20 *originally thought.*

21 **EFFECTIVE DATE**

22 76. *This Statement Government Accounting Standard (PSAP) is*
23 *effective for the preparation and presentation of financial statements from*
24 *period of 1 January 2020.*

25

KOMITE STANDAR AKUNTANSI PEMERINTAHAN

Komite Konsultatif:

1. Direktur Jenderal Perbendaharaan, Kementerian Keuangan, Ketua
2. Direktur Jenderal Bina Keuangan Daerah, Kementerian Dalam Negeri, Wakil Ketua
3. Ketua Ikatan Akuntan Indonesia, Anggota
4. Prof. DR. Mardiasmo, Anggota
5. Sonny Loho, Ak. MPM., Anggota
6. Dr. Binsar Simanjuntak, Anggota

Komite Kerja:

1. Sumiyati, Ak., MFM., Ketua
2. Dr. Dwi Martani, SE, Ak., CPA., CA., Wakil
3. Firmansyah Nazaroedin, Ak., MSc., CA., Sekretaris
4. Dr. Jan Hoesada, Ak., MM., CPA., CA., Anggota
5. Yuniar Yanuar Rasyid, Ak., MM., CA, Anggota
6. Drs. Hamdani, MM., M.,Si., Ak., CA., Anggota
7. Amdi Very Dharma, Ak., M.Acc., Anggota
8. Chalimah Pujiastuti, SE., Ak, MAFIS., Anggota
9. Doddy Setiadi, Ak., MM., CPA., CA., Anggota

Kelompok Kerja:

1. Mega Meilistya, SE., Ak., MBA., CA., Ketua
 2. Hamim Mustofa, Ak., CA., Wakil
 3. Drs. M. Agus Kristianto, Ak., MA, Anggota
 4. Yulia Candra Kusumarini S.Sos., SE., MM., M.kom., Anggota
 5. Hasanuddin, Ak., M., Ak., CA., Anggota
 6. Heru Novandi, SE., Ak., CA., Anggota
 7. Muliani Sulya F., SE., M.Ec, Dev., CA., Anggota
 8. Zulfikar Aragani, SE., MM., Anggota
 9. Mugiya Wardhani, SE, M.Si., Anggota
 10. Lucia Widiarsanti, SE., M.Si., CFE., CA., Cert. IPSAS., Anggota
 11. Dr. Mei Ling, SE., Ak., MBA., CA., Cert. IPSAS., Anggota
 12. Jamason Sinaga, Ak., MAP., CA., CRMP., Anggota
 13. Kadek Imam Eriksiawan, M.Sc., Ak., M.Prof., Acc., BAP., CA., Cert. IPSAS., Anggota
 14. Joni Afandi, SE., Ak., M.Si., CA., Cert. IPSAS., Anggota
 15. Mauritz Cristianus Raharjo Meta, SST., M.Ak., Cert. IPSAS., Anggota
 16. Dwinanto, SE., Ak., Anggota
 17. Isa Ashari Kuswandono, SE. Ak., M.Ak., CA., Anggota
 18. Dr. Ratna Wardhani, SE., M.Si., Ak., CA., CGMA., Cert. IPSAS., Anggota
 19. Ananto Budiono, SE., MAP., Anggota
 20. Rahadian Widagdo, SST. Ak., M.Sc., CGAP., Cert. IPSAS., Anggota
 21. Didied Ary Setyanang, SST. Ak., M.Prof. Acc., Anggota
-

22. Joko Tri Prasetyo, SST.Ak., M.AcctgFin., Anggota
23. Jona Maria Matow, SIP., M.Ak., Anggota
24. Budiman, SST., SE., Ak., MBA., Anggota
25. Andy Prasetiawan Hamzah, SST., M.Si., Ak. CA., Anggota
26. Januarti Tiurmaida, SE., MM., Anggota
27. I Putu Sukma Hendrawan., SE., Anggota
28. Kresia Ramadanty, SST., Ak., MBPM., CAPM, CPMA., Anggota
29. Dr. Sylvia Veronica N.P. Siregar, SE., Ak., CA., Anggota
30. Rahmat Mulyono, SE., Ak., M. Acc., CA., Anggota

Sekretariat:

1. Joni Afandi, Ketua
 2. Zulfikar Aragani, Anggota
 3. Harunsyah Hutagalung, Anggota
 4. Nia Esti Wulansari, Anggota
 5. Sri Ismiati, Anggota
 6. Ilham Akbar, Anggota
 7. Gahara Dijerja, Anggota
-

