GOVERNMENT ACCOUNTING STANDARDS

GOVERNMENT ACCOUNTING STANDARDS COMMITTEE

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GOVERNMENT ACCOUNTING STANDARDS

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Contents

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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INTRODUCTION

Objective

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

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

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

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

Scope

4. This conceptual framework discusses the:

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

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

GOVERNMENT ACCOUNTING ENVIRONMENT

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

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

(a) A key feature is the structure of government and the services provided:
   (1) the general form of government and the separation of powers;
   (2) the system of government autonomy and revenue transfers between governments;
   (3) the influence of the political process;
   (4) the relationship between tax payments with government services.

(b) The characteristics of government finances that are important for control:
   (1) the budget as a statement of public policy, fiscal targets, and as a means of control;
   (2) investing in assets that do not directly generate revenue;
   (3) the possible use of fund accounting for control purposes; and
   (4) the depreciation of the value of assets as economic resources because of use in the operations of government.

GENERAL FORM OF GOVERNMENT AND SEPARATION OF POWERS

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

9. As applicable in the financial environment, the government prepares a budget and submits it to the House of Representatives/Regional House of Representatives for approval. After receiving approval, the government implements within the appropriation limits and the provisions of laws and regulations relating to the appropriation. Government is responsible for financial administration to the House of Representatives/Regional House of Representatives for financial administration.

System of Government Autonomy and Revenue Transfers between Governments

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

Effect of the Political Process

11. One of the government's main objectives is to improve the welfare of all people. Accordingly, the government seeks to achieve fiscal balance by maintaining state financial capacity which is derived from tax revenues and other sources to fulfill the needs of the community. One of the characteristics that is important in achieving that balance is the ongoing political process to harmonize the different interests in society.

Relationship Between Tax Payments and Government Services

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

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

Budget as a Public Policy Statement, Fiscal Target and Control Device

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

(a) The budget is a statement of public policy.

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

Investment in Assets Indirectly Producing Revenue

14. The government invests substantial funds in assets that do not directly generate revenue for the government, such as office buildings, bridges, roads, parks, and regional reservations. Most of the assets in question have long useful life, 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.

Possibility of Using Fund Accounting for Purposing 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.

DEPRECIATION OF FIXED ASSET

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

Users of Financial Reports

17. There are several major groups of users of government financial statements, including, but not limited to:
(a) public;
(b) people's representatives, supervisory institutions and auditing institutions;
(c) parties that give or play a role in the process of donations, investments and loans; and
(d) government.

Information Needs of Users of Financial Statements

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

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

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

Accounting Entity and Reporting Entity

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

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

(a) The Central Government;
(b) Local government;
(c) Each state ministries or agencies within the central government;
(d) Organizational units within the Central/local government or other organizations, which according to laws and regulations are required to present financial reports.

23. In determining a reporting entity, it is necesarry to consider the requirements for the management, control and control of reporting entity over assets, jurisdiction, duties and missions, with a separate form of responsibility and authority from other reporting entities.

ROLE AND OBJECTIVES OF FINANCIAL REPORTING

Role of Financial Reporting

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

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

(a) Accountability
Accountablity for resource management and policy implementation is entrusted to the reporting entity in achieving the goals set periodically.

(b) Management
Assist users evaluate the implementation of activities of a reporting entity in the reporting period to facilitate functional planning, management and control over all assets, liabilities, and government equity in the public interest.

(c) Transparency
Provide financial information that is open and honest to the public on the basis that the public has a right to know, openly and comprehensively, the government's accountability for the management of the resources entrusted to it, and obedience to the laws and regulations.

(d) Intergenerational Equity
Assist users in knowing the adequacy of government revenues in the reporting period to cover all the expenditures allocated and whether future generations will be assumed to share the burden of such expenditures.

(e) Performance Evaluation
Evaluating the performance of the reporting entity, especially in the use of economic resources managed by the government to achieve planned performance.

Objectives of Financial Reporting

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

(a) provide information about the source, allocation and use of financial resources;
(b) Provide information about the adequacy current period receipts to cover all the expenditures;
(c) Provide information on the amount of economic resources that are used in the activities of the reporting entity and the results that have been achieved;

(d) Provide information on how the reporting entity funds its activities and meets its cash needs;
(e) Providing information on the financial position and condition of the reporting entity associated with the sources of revenues, both short and long term, including those derived from taxation and loans;
(f) Providing information on changes in the financial position of the reporting entity, whether an increase or decrease, as a result of activities undertaken during the reporting period.

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

FINANCIAL REPORT COMPONENTS

28. The principal financial reports consist of the:
(a) Statement of Budget Realization;
(b) Statement of Changes in the Remaining Budget;
(c) Balance Sheet;
(d) Statement of operation;
(e) Statement of Cash Flows;
(f) Statement of Changes in Equity;
(g) Notes to the Financial Statements.

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

LEGAL BASIS FOR FINANCIAL REPORTING

30. Government financial reporting is conducted based on laws and regulations governing government finances which include, among others:
(a) The Constitution of the Republic of Indonesia 1945, particularly the section that governs state finances;
(b) Laws in the field of state finance;
(c) Laws on the state budget and local government regulations regarding local government budgets;
(d) Laws and regulations governing local government, particularly local finances;
(e) Laws and regulations governing the fiscal balance between central and local governments;
(f) Laws and regulations on the implementation of the State/local bugdet; and
(g) Other laws and regulations governing central and local government finances.

BASIC ASSUMPTIONS

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

(a) Assumption of independence of the entity;
(b) Assumption of going concern; and
(c) Assumption of monetary measurement.

Independence of the entity

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

Going Concern

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

Monetary Measurement

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

QUALITATIVE CHARACTERISTICS OF FINANCIAL STATEMENTS

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

(a) Relevance;
(b) Reliability;
(c) Comparabilty; and
(d) Understandability.

Relevance

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

37. Relevance information:

(a) Has feedback value
Information allows users to confirm or correct their past expectations.

(b) Has predictive value
Information can help the user to predict the future based on the past and present events.

(c) Timeliness
Information should be presented on time so it can be influential and useful in decision-making.

(d) Complete
Government financial accounting information is presented as complete as possible, including all accounting information that can influence decision-making taking into account any constraints. The information behind every major piece of information contained in the financial statements should be clearly revealed so errors in the use of such information can be prevented.

Reliability

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

(a) Honest Presentation,
Information describing transactions honestly and other events that should be presented or that may reasonably be expected to be presented.

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

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

Comparability

39. The information contained in the financial statements will be more useful if it can be compared with the prior period financial statements or another reporting entity's financial statements in general. Comparison can be done internally and

externally. Internal comparisons can be made when an entity applies the same accounting policies from year to year. External comparisons can be made when a comparable entity applies the same accounting policies. If the government entity applies accounting policies that are better than the current accounting policies, the changes are disclosed in the period of change.

Understandability

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

ACCOUNTING AND FINANCIAL REPORTING PRINCIPLES

41. Accounting principles and financial reporting provisions are intended to be understood and followed by the standard setters in setting the standard, organizers of accounting and financial reporting in conducting their activities, as well as users of financial reports in understanding the financial statements. Below are eight principles used in government accounting and financial reporting:
(a) Accounting basis;
(b) Historical value;
(c) Realization;
(d) Substance over formal form;
(e) Periodicity;
(f) Consistency;
(g) Full disclosure; and
(h) Fair presentation.

Accounting Basis

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

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

44. In the event the budget is formulated and implemented based on the cash basis, the LRA is prepared based the cash basis, meaning that revenue and financing receipts are recognized when cash is received in the State/Local Treasury

Single Account or by the reporting entity, while expenditures, transfers and financing expenditures are recognized when the cash is withdrawn from the State/Local Treasury Single Account. However, when budgets are prepared and implemented based on the accrual basis, the LRA is prepared on the accrual basis.

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

Historical Cost

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

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

Realization

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

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

Substance over Form

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

Periodicity

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

Consistency

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

Full Disclosure

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

Fair Presentation

54. Financial statements provide a fair presention of the Statement of Budget Realization, the Statement of Remaining Budget, the Balance Sheet, the Statement of operation, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to Financial Statements.

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

CONSTRAINT ON RELEVANCE AND RELIABLE INFORMATION

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

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

Materiality

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

Consideration of Costs and Benefits

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

Balance Between Qualitative Characteristics

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

ELEMENTS OF FINANCIAL STATEMENTS

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

STATEMENT OF BUDGET REALIZATION

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

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

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

STATEMENT OF REMAINING BUDGET

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

BALANCE SHEET

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

65. Elements covered by the balance sheet consist of assets, liabilities, and equity. Each element can be described as follows:
(a) Assets are economic resources controlled and/or owned by the government as a result of past events and from which future economic and/or social benefits are expected to be obtained, either by the government or the public, and can be measured in terms of money including non-financial resources required for the provision of services to the public and resources that are maintained for reasons of history and culture.
(b) Liabilities are debts arising from past events the settlement of which results in outflows of the government’s economic resources.
(c) Equity is the net worth of the government which represents the difference between government’s assets and liabilities.

Assets

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

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

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

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

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

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

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

Liabilities

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

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

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

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

Equity

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

STATEMENT OF OPERATION

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

79. Elements covered directly in the Statement of operation consists of revenue-LO, expenses, transfers, and extraordinary items. Each element can be described as follows:
(a) Revenue-LO is the right of a government recognized as an addition to net worth.
(b) Expenses are government obligations recorded as a reduction of net worth.
(c) Transfers refer to the right to receive or obligation to pay money of a reporting entity from / to other reporting entities, including the balance funds and the revenue sharing fund.
(d) Extraordinary Item is extraordinary revenue or expense arising from extraordinary events or transactions that do not form normal operations, are not expected to occur frequently or regularly and are outside the control or influence of the entity concerned.

CASH FLOW STATEMENT

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

81. The elements included in the Statement of Cash Flows comprise cash receipts and expenditures, each of which is explained as follows:
(a) Cash receipts are all cash flows into the State/Local General Treasury.
(b) Cash Expenditures are all cash flows from the State/lLocal General Treasury.

STATEMENT OF CHANGES IN EQUITY

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

NOTES TO FINANCIAL STATEMENTS

83. Notes to the Financial Statements include narrative explanations or details of the figures shown in the Statement of Budget Realization, the Statement of Changes in SAL, the Operating Statement, the Statement of Changes in Equity, the Balance Sheet and the Statement of Cash Flows. The Notes to the Financial

Statements also include information about the accounting policies used by the reporting entity and other information required and recommended to be disclosed in the Government Accounting Standards, and expressions required to produce financial statements that are presented fairly. The Notes to the Financial Statements disclose/present/provide:

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

RECOGNITION OF FINANCIAL STATEMENTS ELEMENTS

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

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

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

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

Possibiltiy of Future Economics Benefits

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

attached to the flow of future economic benefits is made on the basis of evidence available at the time of the preparation of the financial statements.

Reliability of Measurement

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

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

Asset Recognition

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

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

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

Recognition of Liabilities

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

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

Revenue Recognition

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

Recognition of Expenses and Expenditure

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

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

MEASUREMENT OF FINANCIAL STATEMENT ELEMENTS

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

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

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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ILUSTRATIONS ---

STATEMENT NO. 01

PRESENTATION OF FINANCIAL STATEMENT

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 Statement of Budget Realization on the basis set forth in the laws and regulations on the budget.***

DEFINITIONS

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

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

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

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

<u>Appropriation</u> is the budget approved by the House of Representatives/Regional House of Representatives which is the mandate given to president/governor/regent/mayor to undertake expenditures according to the purpose specified.

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

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

<u>Intangible assets</u> 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.

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

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

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 Remaining Budget in the corresponding period of the budget year and that will not be paid back to the government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reporting currency is rupiah used in presenting financial reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Budget Surplus/Budget Deficit ***(SiLPA/SiKPA) is the surplus/deficit difference between realized revenue-LRA and expenditures, as well as financing receipts and expenditures in the APBN/APBD during one reporting period.***

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

Surplus/Deficit-LRA ***is the surplus/deficit between revenue-LRA and expenditures during one reporting period.***

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

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

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

OBJECTIVES OF FINANCIAL REPORTING

9. Financial reports are structured reports on the financial position and transactions carried out by a reporting entity. The general purpose of financial reports is to present information regarding the financial position, budget realization, remaining budget, cash flows, operating result, and changes in equity of a reporting

entity that is useful to users in making and evaluating decisions about the allocation of resources. Specifically, the purpose of government financial reports is to provide useful information for decision-making and to demonstrate the reporting entity's accountability for the resources entrusted to it, by providing:

(a) information about the position of the government's economic resources, liabilities and equity;
(b) information on the changes in the position of the government's economic resources, liabilties and equity;
(c) information about the source, allocation and use of economic resources;
(d) information on conformity of the realization to the budget;
(e) information about the way thereporting entity funds its activities and meets its cash requirements;
(f) information on the government's potential to finance the implementation of government activities;
(g) useful information for evaluating the ability of the reporting entity to finance its activities.

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

(a) been obtained and used in accordance with the budget; and
(b) been obtained and used in accordance with the relevant provisions, including the budget limits set by the the House of Representatives/Regional House of Representatives.

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

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

12. Information in financial reports is relevant to meet the objectives set forth in paragraph 9, but is unable to fully meet that goal. Additional information, including non-financial reports, can be reported together with the financial reports to provide

a more comprehensive picture about the activities of a reporting entity during the period.

RESPONSIBILITY FOR FINANCIAL REPORTING

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

COMPONENTS OF FINANCIAL REPORTS

14. ***The components contained in a set of financial reports consist of the budgetary reports and the financial statements, thus all the components are as follows:***

(a) ***Statement of Budget Realization;***
(b) ***Statement of Changes in the Remaining Budget;***
(c) ***Balance Sheet;***
(d) ***Statement of operation;***
(e) ***Statement of Cash Flows;***
(f) ***Statement of Changes in Equity;***
(g) ***Notes to the Financial Statements.***

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

(a) Statement of Cash Flows, which is only presented by the unit with the general treasury function; and
(b) Statement of Changes in the Remaining Budget, which is only presented by the State General Treasurer and reporting entities which prepare the consolidated financial statements.

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

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

18. Government reporting entities also present the remaining budget which covers the remaining budget of the previous year, the use of remaining budget, the budget surplus/budget deficit (SiLPA/SiKPA) in the current year, and other permitted adjustments.

19. Financial reports provide information about the economic resources and obligations of the reporting entity at the reporting date and the flow of economic resources during the period. This information is required by users to assess the ability of the reporting entity to conduct government activities in the future.

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

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

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

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

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

STRUCTURE AND CONTENTS

Introduction

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

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

Identification of Financial Statements

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

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

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

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

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

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

Reporting Period

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

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

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

Timeliness

34. The usefulness of financial reports is reduced if the report is not available to users within a certain period after the reporting date. Factors faced, such as the complexity of the operations of a reporting entity are not adequate reasons for the failure of timely reporting.

STATEMENT OF BUDGET REALIZATION

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

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

37. ***Statement of Budget Realization present at least the following elements:***
(a) ***revenue-LRA;***
(b) ***expenditure;***
(c) ***transfers;***
(d) ***surplus/deficit-LRA;***
(e) ***financing;***
(f) ***budget surplus/budget deficit.***

38. ***Statement of Budget Realization describes the comparison between the budget and its realization in a reporting period.***

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

40. Statement of Government Accounting Standard (SGAS) No. 02 sets the requirements for the presentation of Statement of Budget Realization and related information disclosure.

STATEMENT OF CHANGES IN THE REMAINING BUDGET

41. ***Statement of Changes in the Remaining Budget presents comparative information with the previous period of the following items:***
(a) ***Opening Remaining Budget;***
(b) ***Use of the Remaining Budget;***
(c) ***Budget Surplus/Budget Deficit Balance for the current year;***
(d) ***Accounting error correction in the previous year; and***
(e) ***Others;***
(f) ***Closing Remaining Budget.***

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

43. Sample of the format for the Statement of Changes in the Remaining Budget are presented in illustration SGAS 01 E and 01 F. The illustrations are

examples only and are not part of the standard. The purpose of this illustration is to describe the application of the standard to assist in financial reporting.

BALANCE SHEET

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

Classification

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

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

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

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

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

(a) ***cash and cash equivalents;***
(b) ***short-term investments;***
(c) ***tax and non-tax receivables;***
(d) ***inventories;***
(e) ***long-term investments;***
(f) ***fixed assets;***
(g) ***short-term liabilities;***
(h) ***long-term liabilities;***
(i) ***equity.***

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

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

52. Consideration for the presentation of additional items separately is based on the following factors:
(a) The nature, liquidity, and materiality of an asset;
(b) The function of these items within the reporting entity;
(c) The amount, nature and duration of liabilities.

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

Current Assets

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

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

Non-current Assets

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

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

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

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

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

61. ***Non-permanent investments consist of:***
(a) ***Investments in Government Securities;***
(b) ***Capital investment in development projects that can be transferred to third parties; and***
(c) ***Other non-permanent investments.***

62. ***Permanent Investments consist of:***
(a) ***Government Equity Participation in state/local enterprises, state financial institutions, state-owned legal entities, international organizations and other legal entities that do not belong to the state.***
(b) ***Other permanent investments.***

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

64. ***Fixed assets consist of:***
(a) ***Land;***
(b) ***Equipment and machinery;***
(c) ***Building and construction;***
(d) ***Roads, irrigation, and networks;***
(e) ***Other fixed assets; and***
(f) ***Construction in progress.***

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

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

Asset Recognition

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

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

Asset Measurement

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

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

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

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

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

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

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

Short-term Liabilities

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

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

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

Long-term Liabilities

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

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

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

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

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

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

Liability Recognition

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

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

Liability Measurement

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

Equity

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

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

Information Presented In The Balance Sheet Or In The Notes To The Financial Statements

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

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

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

(a) accounts receivable are specified according to amounts for taxes receivable, levies, sales, related parties, advances and other amounts; transfers receivable are specified according to source;
(b) inventories are further detailed in accordance with the standards governing the accounting for inventories;
(c) fixed assets are classified by group in accordance with the standards set for fixed assets;
(d) debt transfers are analyzed according to receiving entity;
(e) reserve funds are classified in accordance with their purpose;
(f) disclosure of the interests of the government in state/local/other enterprises is subclassified into the amount of the investment provided, the level of control and valuation methods.

STATEMENT OF CASH FLOWS

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

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

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

STATEMENT OF OPERATION

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

(a) ***Revenue-LO from operational activities;***
(b) ***Expenses from operational activities ;***
(c) ***Surplus/Deficit from Non Operational Activities, if any;***
(d) ***Extraordinary Items, if any;***
(e) ***Surplus/Deficit-LO.***

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

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

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

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

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

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

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

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

100. Statement of Government Accounting Standard (SGAS) No. 12 outlines in more detail the Statement of operation which groups expenses by economic classification. The Statement of operation is presented in the form of a comparison with the previous year, which can be seen in sample formats in illustrations SGAS 12.A and 12.b.

STATEMENT OF CHANGES IN EQUITY

101. ***The Statement of Changes in Equity provides at least the following items:***

(a) ***Opening balance of equity;***
(b) ***Surplus/Deficit-LO in the current period;***
(c) ***Corrections that directly increase/decrease equity, which, among others, are derived from the cumulative impacts caused by changes in accounting policies and the correction fundamental errors, such as:***
  (1) ***correction of fundamental errors to inventories that occurred in prior periods;***
  (2) ***changes in the value of fixed assets due to revaluations.***
(d) ***Closing balance of equity.***

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

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

NOTES TO THE FINANCIAL STATEMENTS

Structure

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

(a) ***General Information about the Reporting Entity and the Accounting Entity;***
(b) ***Information on fiscal/financial policies and macroeconomy;***
(c) ***Summary of achievement of financial targets during the reporting year together with the constraints and obstacles encountered in achieving the target;***
(d) ***Information about the basis of preparation of the financial statements and accounting policies selected to be applied to transactions and other significant events;***
(e) ***Details and explanation of each item presented on the face of the financial statements;***
(f) ***The information required by the Governmental Accounting Standards that have not been presented on the face of the financial statements;***
(g) ***Other information necessary for a fair presentation, which is not presented on the face of the financial statements.***

105. ***The Notes to the Financial Statements are presented systematically. Each item in the Statement of Budget Realization, Statement of Changes in the Remaining Budget, Balance Sheet, Statement of operation, Statement of Cash Flows, and Statement of Changes in Equity should have cross-references to the related information in the Notes to the Financial Statements.***

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

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

Presentation of Acccounting Policies

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

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

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

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

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

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

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

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

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

Other Disclosures

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

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

EFFECTIVE DATE

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

115. ***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.***

(Ilustration 01.A)

CENTRAL GOVERNMENT
BALANCE SHEET
DEC 31 20X1 DAN 20X0

(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)		
34	Total Longterm Investment (29 + 33)	xxx	xxx
35		xxx	xxx
36	Fixed Assets	xxx	xxx
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

(Ilustration 01.B)

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

(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

(Ilustration 01.C)

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

(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**

(Ilustration 01.D)

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

(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**

(Ilustration 01.E)

CENTRAL GOVERNMENT
STATEMENT OF CHANGES OF REMAINING BUDGET
DEC 31, 20X1 AND 20X0

(rupiah)

No	DESCRIPTION	20X1	20X0
1	**Opening Remaining Budget**	**xxx**	**Xxx**
2	Use of Remaining Budget	(xxx)	(xxx)
3	Subtotal (1 - 2)	xxx	Xxx
4	Surplus Budget/Deficit Budget (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 Remaining Budget**	**xxx**	**Xxx**

(Ilustration 01.F)

PROVINCE/DISTRICT/CITY GOVERNMENT
STATEMENT OF CHANGES OF REMAINING BUDGET
DEC 31, 20X1 AND 20X0

(rupiah)

NO	DESCRIPTION	20X1	20X0
		xxx	**xxx**
1	Opening Remaining Budget	(xxx)	(xxx)
2	Use of Remaining Budget	xxx	xxx
3	Subtotal (1 - 2)	xxx	xxx
4	Surplus Budget/Deficit Budget (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 Remaining Budget	**xxx**	**xxx**

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS

STATEMENT NO. 02

STATEMENT OF BUDGET REALIZATION (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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STATEMENT NO. 02

STATEMENT OF BUDGET REALIZATION CASH BASIS

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

INTRODUCTION

Objective

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

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

Scope

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

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

BENEFITS OF BUDGET REALIZATION INFORMATION

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

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

6. The Statement of Budget Realization provides information that is useful in predicting the economic resources that will be received to finance the activities of central and local governments in the coming period by presenting a comparative

report. The Statement of Budget Realization can provide information to the report users indicating that the acquisition and use of economic resources:

(a) has been carried out in an efficient, effective, and efficient;
(b) has been implemented in accordance with the budget (APBN/APBD),
(c) has been implemented in accordance with laws and regulations.

DEFINITIONS

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

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

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

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

<u>Appropriation</u> is the budget approved by the House of Representatives/Regional House of Representatives which is the mandate given to president/governor/regent/mayor to undertake expenditures according to the purpose specified.

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

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

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

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

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

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

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

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

Exchange rate is the ratio of exchange of two currencies.

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

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

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

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

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

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

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

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

Budget Surplus/Budget Deficit (SiLPA/SiKPA) is the surplus/deficit between realized revenue-LRA and expenditures, as well as financing receipts and expenditures in the APBN/APBD during one reporting period.

Surplus/Deficit-LRA is the surplus/deficit between revenue-LRA and expenditures during one reporting period.

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

STATEMENT OF BUDGET REALIZATION STRUCTURE

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

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

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

REPORTING PERIOD

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

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

TIMELINESS

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

STATEMENT OF BUDGET REALIZATION CONTENTS

12. The Statement of Budget Realization is presented in such a way as to highlight the various elements of revenues, expenditures, transfers, Surplus/Deficit, and financing necessary for a fair presentation. The Statement of Budget Realization reconciles the realization of revenue-LRA, expenditures, transfers, Surplus/Deficit-LRA, and financing with the Budget. The Statement of Budget Realization is further explained in the Notes to the Financial Statements which contain matters that affect the implementation of the budget, such as fiscal and

monetary policy, the causes of the material differences between the budget and realization, as well as lists further detailing figures considered necessary to explain.

13. ***Statement of Budget Realization shall include at least the following items:***

(a) ***Revenue-LRA;***
(b) ***Expenditure;***
(c) ***Transfers;***
(d) ***Surplus/Deficit -LRA;***
(e) ***Financing receipts;***
(f) ***Financing expenditures;***
(g) ***Net financing; and***
(h) ***Surplus budget/deficit budget (SiLPA/SiKPA).***

14. ***Items, titles, and other sub-amounts shown in the Statement of Budget Realization are required by the Statement of Government Accounting Standards (SGAS), or if the presentation is necessary to present the Statement of Budget Realization fairly.***

15. Examples the Statement of Budget Realization formats are shown in the illustration SGAS 02.A, 02.B, and 02.C of this Standard. These illustrations are examples and do not form part of the Standard. The purpose of these illustrations is to provide a description of the implementation of the standards to assist in clarifying their meaning.

INFORMATION PRESENTED IN THE STATEMENT OF BUDGET REALIZATION OR IN THE NOTES TO THE FINANCIAL STATEMENTS

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

17. ***The reporting entity presents the classification of expenditures according to the type expenditure in the Statement of Budget Realization. The classification of expenditures according to the organization is shown in the Statement of Budget Realization or in the Notes to the Financial Statements. Classification of expenditures by function is presented in the Notes to the Financial Statements.***

BUDGET ACCOUNTING

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

19. Budget accounting is organized according to the structure of the budget, consisting of revenue-LRA, expenditures, and financing. Revenue-LRA covers

estimated revenues translated into revenue estimate allocations. Budget expenditures consist of appropriations translated into budget credit authorizations (allotments). Budget financing consists of financing revenue and financing expenditures.

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

REVENUE-LRA ACCOUNTING

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

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

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

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

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

26. ***In the public service agencies, revenue is recognized refer to the regulations of the public service agency.***

27. ***Refunds that are systemic and recurring for revenue-LRA in the period of revenue or in the prior period are recorded as deduction of revenue-LRA.***

28. ***Corrections and refunds that are non-recurring for revenue-LRA that occured in the period of revenue-LRA, are recorded as deduction of revenue-LRA in the same period.***

29. ***Corrections and refunds that are non-recurring for revenue-LRA that occured in the prior period are recorded as deduction to the Remaining Budget in the period of the correction and refund is found.***

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

EXPENDITURE ACCOUNTING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SURPLUS/DEFICIT-LRA ACCOUNTING

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

48. Surplus-LRA is the surplus between revenue-LRA and expenditure during one reporting period.

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

ACCOUNTING FOR FINANCING

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

ACCOUNTING FOR FINANCING RECEIPTS

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

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

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

54. Disbursement of Reserve Funds reduces the Reserve Fund.

ACCOUNTING FOR FINANCING EXPENDITURES

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

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

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

ACCOUNTING FOR NET FINANCING

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

59. ***Any surplus/deficit between receipts and expenditures for one financial reporting period are recorded in Net Financing.***

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

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

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

62. The Surplus/Deficit balance for budget financing at the end of the reporting period is transferred to the Statement of Changes in the Remaining Budget.

FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

(a) ***Foreign currency to other foreign currency transactions are converted using the transaction exchange rate;***

(b) ***Transactions in other foreign currencies are recorded in rupiah using the central bank middle rate on the transaction date.***

EFFECTIVE DATE

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

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

(Ilustration 02.A)

CENTRAL GOVERNMENT
STATEMENT OF BUDGET REALIZATION
For the Periods Ending Dec 31, 20x1 and 20x0

(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 Acquision 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 to 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 to 16)**	xxx	xxx	xx	xxx
18					
19	**Grant Revenue**				
20	Grant Revenue	xxx	xxx	xx	xxx
21	**Total Grant Revenue (20 to 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 to 32)**	xxx	xxx	xx	xxx
34					
35	**Capital Expenditures:**				
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 to 41)**	xxx	xxx	xx	xxx
43	**Total Expenditures (33+42)**	**xxx**	**xxx**	**xx**	**xxx**
44					

1

45	**<u>Transfers:</u>**				
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 to 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 to 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 Remaining 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 to 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 to 75)**	xxx	xxx	xx	xxx
77	**Total Financing Receipts (71+76)**	**xxx**	**xxx**	**xx**	**xxx**
78					
79	**Disbursement:**				
80	**Domestic Financing Disbursement:**				
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 Disbursement (81 to 86)**	xxx	xxx	xx	xxx
88					
89	**Foreign Financing Disbursement:**	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 Disbursement (90 to 91)**	xxx	xxx	xx	xxx
93	**Total Financing Disbursement (87+92)**	**xxx**	**xxx**	**xx**	**xxx**
94	**Net Financing (77-93)**	**xxx**	**xxx**	**xx**	**xxx**
95	**Budget Surplus/ Budget Deficit (60+94)**	**xxx**	**xxx**	**xx**	**xxx**

(Ilustration 02.B)

PROVINCIAL GOVERNMENT
STATEMENT OF BUDGET REALIZATION
For the Periods Ending Dec 31, 20x1 and 20x0

(Rupiah)

No	Description	Budget 20X1	Realization 20X1	(%)	Realization 20X0
1	**<u>Revenue:</u>**				
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 to 6)**	**xxx**	**xxx**	**xx**	**xxx**
8					
9	**Transfer Revenue:**				
10	**Transfer from Central Government - 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 Tranfer Revenue Transfer Dana Perimbangan (11 to 14)**	**xxx**	**xxx**	**xx**	**xxx**
16					
17	**Other Central Government Transfer**				
18	Special Autonomy Fund	xxx	xxx	xx	xxx
19	Adjusment Fund	xxx	xxx	xx	xxx
20	**Total Other Transfer Revenue (18to19)**	**xxx**	**xxx**	**xx**	**xxx**
21	**Total Transfer Revenue (15 + 20)**	**xxx**	**xxx**	**xx**	**xxx**
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 to 26)**	**xxx**	**xxx**	xx	**xxx**
28	**Total Revenue (7 + 21 + 27)**	**xxx**	**xxx**	**xx**	**xxx**
29	**<u>Expenditures:</u>**				
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 (31to36)**	**xxx**	**xxx**	**xx**	**xxx**
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 to 45)**	**xxx**	**xxx**	**xx**	**xxx**
47	**Unexpected Expenditures:**				
48	Unexpected Expenditure	xxx	xxx	xx	xxx
49	**Total Unexpected Expenditure (49to49)**	**xxx**	**xxx**	**xx**	**xxx**
50	**Total Expenditures (37 + 46 + 50)**	**xxx**	**xxx**	**xx**	**xxx**
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 to 57)**	**xxx**	**xxx**	**xx**	**xxx**
57	**Total Expenditures & Transfers (51+58)**	**xxx**	**xxx**	**xx**	**xxx**
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)**	**xxx**	**xxx**	**xx**	**xxx**
74					
75	**Financing Disbursement:**				
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 to 91)**	**xxx**	**xxx**	**xx**	**xxx**
88	**Net Financing (78 - 92)**	**xxx**	**xxx**	**xx**	**xxx**
89	**Budget Surplus/Budget Deficit (61+93)**	**xxx**	**xxx**	**xx**	**xxx**

(Ilustration 2.C)

DISTRICT/CITY GOVERNMENT
STATEMENT OF BUDGET REALIZATION
For the Periods Ending Dec 31, 20x1 and 20x0

(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 to 6)**	xxx	xxx	xx	xxx
8					
9	**Transfer Revenue**:				
10	**Transfer from Central Government - 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 Transfer-Balance Fund (11 to 14)**	xxx	xxx	xx	xxx
16					
17	**Other Central Government Transfer**				
18	Special Autonomy Fund	xxx	xxx	xx	Xxx
19	Adjusment Fund	xxx	xxx	xx	xx
20	**Total Other Central Government Transfer (18 to 19)**	xxx	xxx	xx	xxx
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 to 24)	xxx	xxx	xx	xxx
26	**Total Revenue Transfer (15+20+25)**	xxx	xxx	xx	xxx
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)**	xxx	xxx	xx	xxx
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)**	xxx	xxx	xx	xxx
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)**	xxx	xxx	xx	xxx
53					
54	**Unexpected Expenditures**:				
55	Unexpected Expenditure	xxx	xxx	xx	xxx
56	Total Unexpected Expenditure (55 to 55)	xxx	xxx	xx	xxx
57	**Total Expenditure (43+52+56)**	xxx	xxx	xx	xxx
58					
59	**Transfer**				
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	xxx	xx	xxx
65	**Total Expenditure and Transfer (57+64)**				
66					
67	**Surplus/Deficit (33-65)**	xxx	xxx	xxx	xxx
68					
69	**Financing**				
70					
71	**Financing Receipt**				
72	Use of Budget Surplus/Budget Deficit (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)**	xxx	xxx	xx	xxx
85					
86	**Financing Disbursement**				
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 Disbursement (87 to 91)**	xxx	xxx	xx	xxx
93	**Net Financing (84-92)**	xxx	xxx	xx	xxx
94					
95	**Budget Surplus/ Budget Deficit (67+93)**	xxx	xxx	xx	xxx

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*

Table of Contents

Ilustrations

STATEMENT NO. 03

STATEMENT OF CASH FLOWS

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

INTRODUCTION

Objective

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

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

Scope

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

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

BENEFITS OF CASH FLOW INFORMATION

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

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

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

CASH FLOW REPORTING ENTITY

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

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

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

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

PRESENTATION OF THE STATEMENT OF CASH FLOWS

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

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

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

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

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

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

OPERATING ACTIVITIES

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

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

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

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

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

(a) Personnel;
(b) Goods;
(c) Interest;
(d) Subsidies;
(e) Grants;
(f) Social assistance;
(g) Other / Extraordinary Events; and
(h) Transfers.

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

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

INVESTMENT ACTIVITIES

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

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

29. Cash inflows from investing activities consist of:

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

30. Cash outflows from investing activities consist of:

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

FINANCING ACTIVITIES

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

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

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

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

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

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

TRANSITORY ACTIVITIES

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

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

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

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

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

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

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

(a) Direct method
This method disclose the main grouping of gross cash receipts and expenditures.

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

41. Reporting entities of the central / local governments should use the direct method for reporting cash flows from operating activities. The advantages of using the direct method are as follows:
(a) It provides better information to estimate cash flows in the future;
(b) Is more easily understood by users reports, and;
(c) Data on the gross cash receipts and expenditures can be directly obtained from the accounting records.

REPORTING CASH FLOWS ON THE BASIS OF NET CASH FLOWS

42. ***Cash flows arising from operating activities may be reported on the basis of net cash flows in terms of:***
(a) Cash receipts and disbursements for the benefit of beneficiaries where the cash flows reflect the activities of the other parties more than the activities of the government. One example is the proceeds from operational cooperation.
(b) Cash receipts and expenditures for transactions that turnover rapidly, are large in volume, and have a quick turn around.

FOREIGN CURRENCY CASH FLOWS

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

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

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

INTEREST AND SHARES OF PROFITS

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

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

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

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

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

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

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

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

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

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

(a) Total purchase or disposal price;

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

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

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

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

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

NON CASH TRANSACTIONS

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

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

COMPONENTS OF CASH AND CASH EQUIVALENTS

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

OTHER DISCLOSURES

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

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

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

EFFECTIVE DATE

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

64. ***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.***

(Ilustration 3.A)

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 Reveneu 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	Adjusment 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:**	xxx	xxx
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**

(Ilustration 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 Extraordinaty 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**

1

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**

(Ilustration 3.C)

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 Recepts	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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STATEMENT NO. 04

NOTES TO THE FINANCIAL STATEMENTS

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

INTRODUCTION

Objective

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

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

Scope

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

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

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

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

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

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Remaining Budget** is the total amount derived from accumulated Budget Surplus/Budget Deficit from previous budget years and the current year as well as other permitted adjustments*.

GENERAL PROVISIONS

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

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

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

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

STRUCTURE AND CONTENTS

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

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

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

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

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

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

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

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

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

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

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

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

PRESENTATION OF GENERAL INFORMATION REGARDING REPORTING ENTITIES AND ACOUNTING ENTITIES

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

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

(a) the domicile and legal form of the entity and the jurisdiction where the entity is located;
(b) an explanation of the nature of the entity's operations and principal activities, and;
(c) statutory regulations that underlie its operations.

PRESENTATION OF INFORMATION ON FISCAL/FINANCIAL POLICIES AND THE MACROECONOMY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BASIC ACCOUNTING ASSUMPTIONS

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

32. In accordance with the Government Accounting Conceptual Framework, the assumptions underlying government financial reporting that are accepted as true without the need to prove in order that the accounting standards can be applied, consists of:
(a) The assumption entity independence;
(b) The assumption of continuity of the entity; and
(c) The asumption of monetary measurement.

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

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

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

FINANCIAL REPORT USERS

36. ***The users of government financial reports include:***
(a) The public;
(b) The people’s representatives, supervisory agencies and inspection agencies;
(c) Parties who provide or who play a role in the process of donations, investments, and loans, and

(d) The government.

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

38. Disclosure of accounting policies in financial reports are intended so that the financial reports can be understood. Disclosure policy is an integral part of the financial reports that helps users of financial reports, because sometimes the improper or incorrect treatment is used for a component of the Statement of Budget Realization, statement of changes of the Remaining Budget, balance sheet, statement of operation, statement of cash flows, statement of changes in equity that are biased by the disclosure policy selected.

ACCOUNTING POLICIES

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

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

(a) Sound Judgement

(b) Uncertainty surrounds many transactions. It should be recognized in the financial statements. Caution would not justify the creation of secret or hidden reserves

(c) Substance over Form
Transactions and other events should be accounted for and presented in accordance with the nature of the transaction and the reality of events, not merely refer to the legal form of the transaction or occurrence.

(d) Materilaity
Financial reports should disclose all sufficiently material components that influence evaluations or decisions.

41. ***Disclosure of accounting policies must identify and describe the accounting principles used by the reporting entity and the methods of application that could materially affect the presentation of the Statement of Budget Realization, Statement of Changes in the Remaining Budget, Balance Sheet, Statement of operation, Statement of Cash Flows, and Statement of Changes in Equity. Disclosure should also include important considerations taken in choosing the appropriate principles.***

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

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

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

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

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

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

(a) Recognition of revenue-LRA;
(b) Recognition of revenue-LO;
(c) Recognition of expenditure;
(d) Recognition of expenses;
(e) Principles of consolidated report preparation;
(f) Investments;
(g) Recognition and termination/removal of tangible and intangible assets;
(h) Construction contracts;

(i) Expenditure capitalization policy;
(j) Partnerships with third parties;
(k) Research and development costs;
(l) Inventories, whether for sale or for their own use;
(m) The establishment of a reserve fund;
(n) The creation of the welfare of employees;
(o) Foreign currency translation and hedging.

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

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

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

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

DETAIL PRESENTATION AND EXPLANATION OF EACH ITEM PRESENTED ON THE FACE OF THE FINANCIAL STATEMENTS

51. ***The Notes to the Financial Statements should present details and explanations for each item in the Budget Realisation Report, the Statement of Changes in the Remaining Budget Balance, the Balance Sheet, the Statement of operation, the Statement of Cash Flows, and the Statement of Changes in Equity.***

52. Explanation of Statement of Budget Realization presented for post revenue-LRA, expenditure, and financing with the following structure:
(a) Budget;
(b) Realization;
(c) Percentage of achievement;
(d) The explanation of the difference between budget and realization;
(e) Comparison with the previous period;
(f) The explanation of the difference between the current period and the previous period;
(g) Further details of revenue-LRA by source of revenue;

(h) Further details of expenditure by economic classification, organization, and function;
(i) Further details of financing, and
(j) Explanation of required important matters.

53. Explanation for the Statement of Changes in the Remaining Budget is presented for the Remaining Budget in the initial period, changes in the Remaining Budget, Budget Surplus/Budget Deficit (SiLPA/SiKPA) in the current year, corrections to prior year accouting errors, and the Remaining Budget in the final period with thefollowing structure:
(a) Comparision with the previous period;
(b) The explanation of the difference between the current period and the previous period;
(c) Necessary details; and
(d) Explanation of important matters required.

54. Explanations for the Statement of operation are presented for revenue-LO and expense items with the following structure:
(a) Comparision with the previous period;
(b) Explanation of the difference between the current period and the previous period;
(c) Further details of revenue-LO according to source of revenue;
(d) Further details of expenses by economic classification, organization, and functions, and
(e) Explanation of important matters required.

55. Explanations of the Balance Sheet are presented for asset, liability, and equity items with the following structure:
(a) Comparision with the previous period;
(b) Explanation of the difference between the current period and the previous period;
(c) Further details on each account in current assets, long-term investments, fixed assets, other assets, short-term liabilities, long-term liabilities, and equity, and;
(d) Explanation of important matters required.

56. Explanations of the Statement of Cash Flows are presented for cash flow items from operating activities, investing activities in non-financial assets, financing activities, and non-budget activities with the following structure:
(a) Comparision with the previous period;
(b) Explanation of the difference between the current period and the previous period;
(c) Further details of each account in each activity; and
(d) Explanation of important matters required.

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

(a) Comparision with the previous period;
(b) Explanation of the difference between the current period and the previous period;
(c) Necessary details; and
(d) Explanation of important matters required.

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

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

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

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

OTHER DISCLOSURES

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

62. The Notes to the Financial Statements must disclose important events during the reporting year, such as:
(a) Replacement of government management during the current year;
(b) Errors of the previous management corrected by the new management;
(c) Commitments or contingencies that can not be presented in the the Balance Sheet;
(d) Merger or division of the entity during the current year; and

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

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

COMPOSITION

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

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

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:***

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

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

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

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

GENERAL

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

(a) Goods or supplies that used for the purpose of government operations;
(b) Materials or supplies to be used in the production process;
(c) Goods in the production process that are intended to be sold or delivered to the public;
(d) Goods stored to be sold or delivered to the public in the ordinary course of government activities.

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

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

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

9. Inventories can consist of:

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

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

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

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

RECOGNITION

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

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

MEASUREMENT

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

(a) Cost, if acquired through purchase;
(b) Cost of production, if obtained through own-production;
(c) Fair value, if obtained by other means such as donations/booty.

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

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

(a) A systematic method such as FIFO or weighted average
(b) The final purchase price per unit of inventory if the value is not material and of various types.

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

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

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

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

INVENTORIES EXPENSES

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

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

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

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

DISCLOSURE

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

(a) The accounting policies adopted in measuring inventories;

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

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

EFFECTIVE DATE

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

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

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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STATEMENT NO. 06

ACCOUNTING FOR INVESTMENTS (REV 2016)

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

INTRODUCTION

Objective

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

Scope

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

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

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

5. This Standard does not regulate:

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

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

DEFINITIONS

6. The following are terms used in this Standard:

<u>Investment cost</u> are all costs incurred by the investor entity in the form of cash or cash equivalents or fair value of an asset which is delivered by a particular consideration in the acquisition of an investment asset at the date of acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

FORMS OF INVESTMENTS

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

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

CLASSIFICATION OF INVESTMENT

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

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

(a) Can be immediately sold/liquidated;
(b) The investment is intended in the context of cash management, which means that the government can sell such investments when the government need cash or purchase those investments when the government have a surplus of cash, to increase productivity of asset; and
(c) Low risk.

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

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

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

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

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

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

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

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

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

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

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

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

RECOGNITION OF INVESTMENT

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

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

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

21. The criteria for the recognition of investments as stated in paragraph 19 item b, can usually be met because the exchange or purchase transaction is supported by evidence that states/identifies the acquisition cost. In certain circumstances, an investment may be obtained not based on the acquisition cost, or the fair value at the date of acquisition. In such cases, the use of appropriate value estimates may be used.

MEASUREMENT OF INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

33. If long-term investments are acquired through the exchange of government assets, the investment recognized at fair value. If fair value does not exist, the value of the investment recognized at fair value of the assets or book value of the assets submitted or the book value of the assets delivered if the fair value does not exist.

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

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

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

37. Discount or premium is an addition or a reduction of the investment carrying value. Discount or premium amortization will reduce discount or premium. Discount or premium amortization recognized as reduction or addition to interest revenue in the statement of operation. Interest revenue-LRA is not affected by discount or premium amortization.

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

INVESTMENT VALUATION METHODS

39. Accounting for government investment is carried out by two methods, they are:

(a) Cost method;

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

(b) Equity method;

The initial investment is recorded at the acquisition cost and increased or decreased by the government's share of profits or losses after the date of acquisition. Government's share of profit is recorded as investment returns revenue in the Statement of operation and increased government investment value.

Cash dividend when announced in the General/Board Meeting recognized as dividend receivable and reduce government investment. Cash dividend obtained by the government will reduce dividend receivable. Reception of cash dividend recorded as investment revenue in Statement of Budget Realization.

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

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

(a) Ownership less than 20% using the cost method;
(b) Ownership from 20% to 50%, or ownership less than 20% but has a significant influence using the equity method;
(c) Ownership more than 50% using the equity method.

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

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

RECOGNITION OF INVESTMENT PROCEEDS

42. Investment returns earned from short-term investments, which include interest on deposits and bonds, are recognized as investment returns receivable in the balance sheet and investment returns revenue in the statement of operation. Reception of investment returns recognized as reduction of investment returns receivable when the cash received.

Investment returns received by cash recognized as investment returns revenue in the statement of budget realization.

43. Investment returns received from short-term investment or long-term non-permanet investment in the form of cash dividend recognized as dividend receivable in the balance sheet and investment returns revenue in the statement of operation when the dividend announced in the General/Board Meeting. At the time of cash reception the cash dividend revenue recognized as reduction of dividend receivable. The reception of cash dividend recognized as investment returns revenue in the statement of budget realization.

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

45. Investment returns in the form of share of profit earned from government equity participation which recorded using the cost method, recorded as investment returns revenue in the statement of operation and as addition to government's investment value in the balance sheet. Cash dividend recognized as dividend receivable and reduction to government's investment when announced in the General/Board Meeting. Cash dividend obtained by the government will reduce dividend receivable. The cash dividend reception recorded as investment returns revenue in the statement of budget realization. Received dividend in the form of stock do not increase government's investment value, thus it is not recognized as revenue. Received dividend in the form of stock disclosed in the notes to financial statement.

46. In equity method, recognition of loss in government's investment value which is presented in the balance sheet recognized until the investment becomes zero. The difference of unrecognized loss in government invesment disclosed in the notes to financial statement.

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

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

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

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

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

DISPOSAL OF INVESTMENTS

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

53. The difference between the investment disposal proceeds with the carrying amount must be recognized as gains/losses on disposal of investments. Gains/losses on disposal of investments are presented in the statement of operation.

DISCLOSURE

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

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

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

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

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

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

(f) Reconciliation of beginning and ending investment value on investment with equity methods;

(g) Investments which presented at zero values and part of accumulated losses which over the investment values;

(h) Incurred liabilities from part of accumulated losses which exceeding investment values in the case of government has a legal responsibility;

(i) Changes in investment posts classification;

(j) Changes in interest portion or significant influence which causing changes in accounting methods.

EFFECTIVE DATE

55. This Statement of Governmental Accounting Standards is 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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STATEMENT NO. 07

ACCOUNTING FOR FIXED ASSETS

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

INTRODUCTION

Objective

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

Scope

2. ***This Standard is applied to all units of government that present general purpose financial reports and regulates the accounting treatment, including the recognition, valuation, presentation, and the disclosures required unless other Government Accounting Standards require different accounting treatment.***

3. This Standard does not apply to:

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

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

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

DEFINITIONS

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

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

Fixed assets ***are tangible assets with a useful life of more than 12 (twelve) months to be used, or are intended to be used, in government activities or utilized by the general public.***

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

Useful life ***is:***

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

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

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

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

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

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

GENERAL

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

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

(b) Land rights.

6. Assets held for consumption in government operations, such materials and supplies are not included as fixed assets.

FIXED ASSET CLASSIFICATION

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

(a) ***Land;***

(b) ***Equipment and Machinery;***

(c) ***Buildings and Construction;***

(d) ***Roads, Irrigation, and Networks;***

(e) ***Other Fixed Assets; and***

(f) ***Construction In Progress.***

8. Land classified as fixed assets is land acquired with the intention to be used in the government operations activities and in a ready to use condition.

9. Buildings and construction covers all buildings and structures acquired with the intention of being used in the government activities and in a ready to use condition.

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

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

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

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

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

RECOGNITION OF FIXED ASSET

15. ***To be recognized as fixed assets an asset must meet the following criteria:***

(a) Tangible;

(b) Has a useful life of more than 12 (twelve) months;

(c) The acquisition cost of asset can be measured reliably;

(d) Not intended for sale in the normal operation of the entity; and

(e) Acquired or constructed with the intention to use.

16. In determining whether an asset continues to have the benefit of more than 12 (twelve) months, an entity must assess the future economic benefits that can be provided by the asset, either directly or indirectly, for government operations. The benefits can be either a stream of income or expenditure savings for the government. The future economic benefits will flow to the entity can be ensured if the entity will accept the benefits and associated risks. Certainty is usually only

available if the benefits and risks have been accepted. Before this happens, the asset cannot be recognized.

17. The main purpose of the acquisition of fixed assets is that they are used by the government in support of its operations and are not intended for sale.

18. Recognition of fixed assets will be very reliable when fixed assets have been received or delivered and ownership rights or when control is transferred.

19. The recognition of an asset will be reliable if there is an evidence that there has been a transfer of ownership and / or control legally, such as land certificates and proof of vehicle ownership. If the acquisition of a fixed asset is not supported by legal evidence because the required administrative process is still underway, such as an unsettled land purchase where the buying and selling process (deed) and a certificate of ownership is still with the authorities, then the asset must be recognized when there is evidence that control of the asset has been transferred, for example where payments and control over land titles in the name of the previous owner have occurred.

FIXED ASSET MEASUREMENT

20. ***Fixed assets are valued at acquisition cost. If the valuation of fixed assets using the cost of acquisition is not possible then the value of fixed assets is based on the fair value at the time of acquisition.***

21. Measurement can be considered reliable if there is an exchange transaction with proof of purchase for the fixed assets which identifies cost. In the case where an asset that is constructed by way of self-management, a reliable measurement of the cost can be obtained from external transactions with such entities for the acquisition of raw materials, labor and other costs that are used in the construction process.

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

INITIAL VALUATION OF FIXED ASSETS

23. ***Tangible goods that meet the qualifications to be recognized as an asset and classified as a fixed asset should be measured initially at acquisition cost.***

24. ***If the fixed assets are acquired without value, the cost of the asset is measured at fair value at the time the asset is acquired.***

25. A fixed asset may be received by the government as a gift or donation. For example, land may be awarded to a local government by a developer without value that enables the local government to build a parking lot, street, or pedestrians. An

asset may also be acquired without value through the implementation of government authority. For example, due to authority and regulations, the local governments confiscated a plot of land and buildings which would then be used as a place of government operation. For both cases, the fixed assets acquired must be measured at fair value at the time the asset is acquired.

26. For the purposes of this statement, the use of fair value at the time of acquisition for the conditions in paragraph 24 does not a process of revaluation and remains consistent with the acquisition cost as in paragraph 23. Revaluation referred to in paragraph 59 and other related paragraphs applies only to the valuation for the next reporting period, not to the time of the initial acquisition.

27. ***For the purposes of preparing an entity's initial balance sheet, the cost of fixed assets used is fair value when the initial balance sheet is prepared. For the next period after intial balance sheet date, for the acquisition of new fixed assets, the entity uses the acquisition cost or fair price if the cost does not available.***

COST COMPONENT

28. ***The cost of a fixed asset comprises the purchase price or construction, including import duties and any costs directly attributable for bringing the asset to the condition that the asset can be made to work for its intended use.***

29. Examples of costs that are directly attributable are:

(a) the site preparation cost;

(b) initial delivery cost, storage and loading (handling) costs;

(c) installation costs;

(d) professional fees such as architects and engineers; and

(e) construction costs.

30. Land is recognized the first time at acquisition cost. Acquisition cost includes the purchase price or the cost of land clearance, costs incurred in order to acquire rights, the cost of maturation, measurement, accumulation, and other costs incurred as well as those yet to be incurred until the land is ready for use. The value of land also includes the value of old buildings located on the land purchased if the old building is intended to be destroyed.

31. The acquisition cost of equipment and machinery describes the amount of expenditure that has been and remains to be conducted to acquire equipment and machinery until it is ready to use. These costs include the purchase price, freight costs, installation costs, and other direct costs to acquire and prepare until the equipment and machinery is ready for use.

32. The acquisition cost of buildings and structures describes all expenses incurred and yet to be incurred to acquire the building and structures until it is ready

to use. These costs include the purchase price or construction cost, including the cost of IMB administration, notaries and tax.

33. The acquisition cost of roads, irrigation, and networks describes all costs incurred and yet to be incurred to acquire the roads, irrigation, and networks until they are ready to use. These costs include the cost of acquisition or construction costs and other costs incurred until the roads, irrigation and networks are ready to use.

34. The other acquisition cost of fixed assets describes all costs incurred and yet to be incurred to acquire those assets until they are ready to use.

35. Administrative costs and other general costs do not constitute components of the cost of a fixed asset as long as these costs are not directly attributable to the cost of acquisition of the asset or bringing the assets to their working condition. Similarly, start-up costs and similar pre-production costs do not constitute part of the cost of an asset unless they are necessary to bring the asset to its working condition.

36. The acquisition cost of an asset to be constructed by a way of self-management is determined using the same principles as assets that are purchased.

37. Any trade discounts and rebates are deducted from the purchase price.

CONSTRUCTION IN PROGRESS

38. ***If the completion of the construction of a fixed asset exceeds and or passes one budget year period, the asset remains unfinished is classified and reported as construction in progress until the asset is completed and ready for use.***

39. The Statement of Government Accounting Standards No. 08 regarding Construction In Progress regulates in detail the treatment of assets under construction, including the details of the construction cost of a fixed asset that is carried out by self-management or carried out by a contractor. If not otherwise stated in this PSAP then the principles and details in PSAP 08 apply.

40. Construction In Progress where the construction or manufacture has been completed and is ready to be used should be reclassified into one of the appropriate accounts in the post fixed assets.

JOINT ACQUISTION

41. ***The acquisition cost of each fixed asset that is acquired jointly is determined by allocating the combined price based on a comparison of the fair value of each asset.***

EXCHANGES OF ASSETS

42. ***A fixed asset can be acquired through exchange or partial exchange of dissimilar assets or other assets. The cost of this kind of post is measured at the fair value of the acquired assets, i.e. a value equivalent to the carrying amount of the assets disposed of after adjusting the amount for any cash or cash equivalents and other liabilities transferred / delivered.***

43. ***A fixed asset can be obtained through the exchange of a similar asset that has the same benefits and has a similar fair value. A fixed asset can also be released in exchange for the ownership of a similar asset. In these circumstances there are no recognized gains and losses in this transaction. The costs of the newly acquired assets are recorded at the carrying amount of the assets disposed.***

44. The fair value of assets received by an entity can provide evidence that there is an impairment of disposal assets. In these circumstances, assets that are disposed of must written-down and the value after the write-down represents the value of the assets received. Examples of exchanges of similar assets include the exchange of buildings, machinery, special equipment, and aircraft. If there are other assets in exchange, for instance cash or other liabilities, then it is indicated that the posts being exchanged do not have the same value.

ASSET DONATION

45. ***Fixed assets acquired from donations must be presented at fair value at the time of acquisition.***

46. Donations of property and equipment are defined as the unconditional transfer of a fixed asset to a single entity, for example a non-governmental enterprise provides a building to be used by a unit of government without any condition. The handover of the asset will be very reliable if supported by evidence of the legal transfer of ownership, such as a grant deed.

47. Excluding asset acquisition via donation, when the transfer of a fixed asset is connected with another entity's liability to the government, then the acquisition of the fixed asset should be treated as an acquisition of fixed assets with exchange. For example, a private company builds a fixed asset for the government with the requirement that the company's liability to the government will be deemed to have been settled.

48. If the acquisition of a fixed asset meets the criteria of an asset acquired by donation, then the acquisition is recognized as government revenue and the same amount is reconized as capital expenditure in the Statement of Budget Realization.

SUBSEQUENT EXPENDITURES

49. ***Expenditures after the initial acquisition of a fixed asset that extends the useful life or likely future economic benefits in the form of capacity, production quality, or standard of performance, must be added to the carrying amount of the asset.***

50. Capitalization of costs referred to in paragraph 50 should be set out in the accounting policies of an entity, such as the criteria in paragraphs 50 and / or the particular capitalization thresholds to be used in the determination of whether an expenditure should be capitalized or not.

51. Because government organizations vary greatly in the amount and use of fixed assets, the capitalization thresholds cannot be uniform for all existing entities. Each entity should set limits on the amount of capitalization by considering their financial condition and operations. When it is established, the capitalization thresholds must be applied consistently and disclosed in the Notes to the Financial Statements.

SUBSEQUENT MEASUREMENT TO INITIAL RECOGNITION

52. ***Fixed assets are presented at the acquisition cost of the fixed assets less accumulated depreciation. In the event of conditions that allow for revaluation, the asset will still be presented with an adjustment to the accounts Fixed Assets and Investments in Fixed Assets respectively.***

DEPRECIATION

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

54. ***Depreciation for each period is recognized as a reduction of the carrying value of fixed assets in the balance sheet and depreciation expense in the statement of operation.***

55. Adjustments to fixed assets is performed by various systematic methods in accordance with the useful life. Depreciation methods used must be able to describe the economic benefits service potentioal that will flow to the government.

56. The useful life of depreciable fixed assets must be reviewed periodically and if there is a major difference from previous estimates, the depreciation period now and in the future must be adjusted.

57. The depreciation methods that can be be used include, among others:

(a) The straight line method; or

(b) The double declining balance method; or

(c) The unit of production method.

58. ***Other than land and construction in progress, all fixed assets are depreciated according to the nature and characteristics of the assets.***

REVALUATION OF FIXED ASSETS

59. ***Reappraisal or revaluation of fixed assets are generally not allowed because the Government Accounting Standards adopt asset valuation at cost or the price of exchange. Deviations from this provision may be performed under government provisions that apply nationally.***

60. In this case, the financial statements should explain the deviation from the historical cost basis in the presentation of fixed assets and the effect of such deviations on an entity's financial picture. The difference between the revaluation with the carrying value of fixed assets is recorded in equity.

ACCOUNTING FOR LAND

61. ***Land owned and/or controlled by the government is not treated specially, and in principle follows the provisions as set out in the statement on accounting for fixed assets.***

62. Unlike non-governmental institutions, the government is not limited to a specific period for ownership and / or control of land that can be in the form of use rights, management rights, and other land rights made possible by applicable laws and regulations. Therefore, after the initial acquisition of land, the government does not require to pay a fee to maintain the rights to the land. Land meets the definition of a fixed asset and should be treated in accordance with the principles that exist in this Standard.

63. ***Recognition of overseas land as a fixed asset is possible only if the acquisition agreement and the applicable laws and regulations in the country where the Mission of the Republic of Indonesia is located indicate permanent control.***

64. Land owned or controlled by government agencies abroad, for example land used for Missions of the Republic of Indonesia abroad, should pay attention to the content of the acquisition agreement and the applicable laws and regulations in force in the country the Mission of the Republic of Indonesia is located. This is necessary to determine whether the acquisition of the land is permanent or temporary. Land tenure rights are considered permanent if the land right constitutes a strong right among the land rights of the country with no time limit.

HERITAGE ASSETS

65. ***This Standard does not require the government to present heritage assets on the balance sheet, but the assets must be disclosed in the Notes to the Financial Statements.***

66. Some assets are described as heritage assets because cultural, environmental, and historical significance. Examples of heritage assets are historic buildings, monuments, archaeological sites such as temples, and works of art. Some of the following characteristics are often regarded as hallmarks of heritage assets:

(a) The cultural, environmental, educational, and historical value may not be fully represented by the financial value based on the market price;

(b) The applicable laws and regulations prohibit or strictly limit the release for sale;

(c) It is not easy to be replaced and its value will continue to rise over time even though the physical condition has declined;

(d) It is difficult to estimate the useful life. In some cases it can reach hundreds of years.

67. Heritage assets are normally expected to be maintained for an unlimited time. Heritage assets are usually evidenced by laws and regulations.

68. The government may have a many historic assets acquired over the years and by various methods including purchase, donation, inheritance, booty, or confiscation. These assets are rarely controlled due to the reason of the ability to generate cash inflows, and will have social and legal problems when used for such purposes.

69. Heritage assets should be presented in the form of units, such as the number of units owned in a collection or the number of units of monuments, in the Notes to the Financial Statements with no value.

70. Costs for the acquisition, construction, improvement and reconstruction must be charged as expenses in the statement of operation in the year the expenditures are incurred. Expenses include all expenses that occur to render the heritage asset to its existing condition and location in the current period.

71. ***Some heritage assets also provide other potential benefits to the government other than historical value, for example historical buildings used for office space. For such cases, the assets will apply the same principles as other fixed assets.***

72. For other historical assets, the potential benefits are limited to the historical characteristics, for example, monuments and ruins.

INFRASTRUCTURE ASSETS

73. Some assets are usually considered as infrastructure assets. Although there is no universal definition used, these assets usually have the following characteristics:

(a) Represents a portion of a system or network;

(b) Its special and there are no other alternative uses;

(c) Not able to be moved; and

(d) There are limits to its disposal.

74. ***Although ownership of infrastructure assets is not only by the government, significant infrastructure assets are often found to be an asset of government. Infrastructure assets meet the definition of a fixed asset and should be treated in accordance with the principles that exist in this Standard.***

75. Examples of infrastructure assets are networks, roads and bridges, drainage systems, and communication networks.

MILITARY ASSETS

76. ***Military equipment, whether general or particular, meets the definition of a fixed asset and should be treated in accordance with the principles that exist in this Standard.***

RETIREMENT AND DISPOSAL

77. ***A fixed asset is eliminated from the balance sheet when it is disposed of or when the asset's use is permanently retired and there no future economic benefits.***

78. ***Fixed assets that are permanently retired or disposed of should be eliminated from the balance sheet and disclosed in the Notes to the Financial Statements.***

79. ***Fixed assets that are retired from active use by government do not meet the definition of fixed assets and must be transferred to the post other assets in accordance with the carrying amount.***

DISCLOSURE

80. ***The financial statements must disclose, for each type of fixed asset, the following:***

(a) The basis of valuation used to determine the carrying amount;

(b) Reconciliation of carrying amounts at the beginning and end of the period showing:

(1) Additions;

(2) Disposals;

(3) Accumulated depreciation and changes in value, if any;

(4) Movements to other fixed assets.

(c) Depreciation information includes:

(1) The depreciation value;

(2) The depreciation method used;

(3) The useful life or the depreciation rates used;

(4) the gross carrying amount and accumulated depreciation at the beginning and end of the period;

81. ***The financial statements should also disclose:***

(a) The existence and ownership limits of fixed assets;

(b) The accounting policies related to the capitalization of fixed assets;

(c) Total expenditure in the post fixed assets under construction; and

(d) The number of commitments for the acquisition of fixed assets.

82. If the fixed assets are recorded at revalued amounts, the following matters should be disclosed:

(a) Basic rules for revaluing fixed assets;

(b) The effective date of the revaluation;

(c) The name of an independent appraiser, if any;

(d) The nature of any instructions used to determine replacement cost;

(e) The carrying amount of each type of fixed asset;

83. ***Heritage assets are disclosed in detail, including the name, type, condition and location of the assets***

EFFECTIVE DATE

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

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

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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STATEMENT NO. 08

ACCOUNTING FOR CONSTRUCTION IN PROGRESS

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

INTRODUCTION

Objective

1. The objective of the Construction in Progress Standard is to prescribe the accounting treatment for construction in progress

2. This Standard provides guidance for:

(a) identification of the work that can be classified as the Construction In Progress;
(b) determining the costs that are capitalized and presented in the balance sheet;
(c) determining the basis for recognition and disclosure for the cost of construction.

Scope

3. ***An accounting entity that undertakes the construction of fixed assets to be used in the implementation of government and / or community activities within a certain time period, both for the implementation of self-managed construction as well as construction performed by third parties, is required to implement this standard.***

4. The nature of construction activities is generally long-term, so that the start date of activity implementation and the date of activity completion usually fall into different accounting periods.

5. The main problem with accounting for Construction in Progress is the cost amounts to be recognized as fixed assets that must be recorded until the construction is completed.

DEFINITIONS

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

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

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

<u>Construction in progress</u> are fixed assets under construction.

<u>Construction contract</u> is a commitment made specifically for the construction of an asset or a combination of assets closely related to each other or interdependent in terms of design, technology and function or purpose or primary use.

<u>Contractor</u> is an entity that enters into a contract to build assets or provide construction services for the benefit of other entities in accordance with the specifications set forth in the construction contract.

<u>Advances</u> are amounts received by the contractor before the work is carried out in the framework of a construction contract.

<u>Claims</u> are amounts that is requested by the contractor to the employer as reimbursement of costs that are not included in the contract value.

<u>Employer</u> is the entity that enters into a construction contract with a third party to build or provide construction services.

<u>Retention</u> is the amount of terms (progress billing) that has not been paid untul the the conditions specified in the contract are fulfilled for the payment of that amount.

<u>Installment (progress billing)</u> is the amount that is invoiced for work done in a contract, whether already paid or has not been paid by the employer.

CONSTRUCTION IN PROGRESS

7. Construction In Progress includes land, equipment and machinery, buildings and construction, roads, irrigation and networks, as well as other fixed assets that the acquisition and/or construction of which requires a certain period of time and has not been completed. Acquisition through construction contracts generally requires a certain period of time. The period time of acquisition could be more or less than one accounting period.

8. Acquisition of assets can done by construction through self-management or through a third party with a construction contract.

CONSTRUCTION CONTRACT

9. Construction contracts can be associated with the acquisition of a number of assets that are closely related or mutually dependent on each other in terms of

design, technology, function or purpose, and main use. Contracts such as this are, for example, the construction of irrigation networks.

10. Construction contracts may include:

(a) contracts for the acquisition of services directly related to the planning and construction of an asset, such as architectural services;

(b) contracts for the acquisition or construction of assets;

(c) contracts for the acquisition of services directly related to the supervision of the construction of assets which includes construction management and value engineering;

(d) contracts to dismantle or restore assets and environmental restoration.

UNIFICATION AND SEGMENTATION OF CONSTRUCTION CONTRACTS

11. The provisions of this standard apply separately to each construction contract. However, in certain circumstances, it is necessary to apply this statement to a single construction contract component which can be separately identified, or to a group of construction contracts jointly in order to reflect the nature of a construction contract or group of construction contracts.

12. ***If a construction contract include a number of assets, the construction of each asset is treated as a separate construction contract if all the following conditions are met:***

(a) Separate proposals have been submitted for each asset;

(b) Each asset has been negotiated separately and the contractor and employer can accept or reject that portion of the contract that relates to each asset;

(c) The costs of each asset is identifiable.

13. ***A contract may contain a clause that allows the construction of an additional asset at the request of the employer or it can be modified so that construction of additional assets can be included in the contract. Additional construction is treated as a separate construction contract if:***

(a) The additional asset differs significantly in design, technology or function from the assets covered by the original contract; or

(b) The price of the additional asset is determined regardless of the original contract price.

RECOGNITION OF CONSTRUCTION IN PROGRESS

14. ***A tangible object must be recognized as Construction In Progress if:***

(a) it is probable that the future economic benefits related the assets will be obtained;

(b) the cost can be measured reliably; and

(c) the asset is still under construction.

15. ***Construction In Progress usually an asset which is intended for use in the operations of government or used by the public in the long term and is therefore classified as fixed asset.***

16. ***Construction In Progress is transferred to the relevant fixed assets if the following criteria are met:***

(a) Construction has been substantially completed; and

(b) Provide benefits/services in accordance with the purpose of the acquistion.

17. Construction In Progress is transferred to the relevant fixed asset concerned (land, equipment and machinery, building, roads, irrigation, other fixed assets) after the construction work is declared complete and ready for use in accordance with the purpose for which it was acquired.

MEASUREMENT

18. ***Construction In Progress is recorded at the cost of acquisition.***

CONSTRUCTION COST

19. ***The value of construction which is self-managed includes, among others:***

(a) costs directly related to construction activity;

(b) costs that are attributable to the activity generally and can be allocated to the construction; and

(c) any other costs specifically charged in connection with the construction concerned.

20. Costs directly related to the construction activity include, among others, the:

(a) cost of field workers including supervisors;

(b) cost of materials used in construction;

(c) cost of removal of facilities, equipment, and materials to and from the construction site;

(d) cost of hiring plant and equipment;

(e) cost of design and technical assistance that is directly related to the construction.

21. The costs that can be attributed to the construction activity generally and can be allocated to a particular construction include:

(a) Insurance;

(b) The cost of design and technical assistance that are not directly related to the particular construction;

(c) Other costs that can be identified for the relevant construction activity such as inspection fees.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs that have similar characteristics. The cost allocation method that is recommended is the weighted average based on the proportion of direct costs method.

22. ***The value of construction carried out by a contractor through construction contracts includes:***

(a) Installments that has been paid to the contractor in connection with the level of completion of work;

(b) Liabilities which are still to be paid to the contractor in connection with the work that has been received but not yet paid at the reporting date;

(c) Claim payments to the contractor or a third party in connection with the execution of the construction contract.

23. Contractor includes the prime contractor and subcontractors.

24. Payment for the construction contract is generally done in stages (installments) based on the level of completion specified in the construction contract. Any payments made are recorded as an addition to the value of Construction In Progress.

25. Claims can arise, for instance, from delays caused by the employer, errors in specifications or design and disputes over irregularities in the contract.

26. ***If the construction is financed from a loan then the borrowing costs incurred during construction are capitalized and increase the cost of the construction, as long as the costs can be reliably identified and assigned.***

27. Borrowing costs include interest charges and other costs incurred in connection with the loans used to finance the construction.

28. ***The total borrowing costs capitalized must not exceed the total cost of interest costs paid and accrued during the period.***

29. ***If a loan is used to finance several types of assets acquired during a certain period, the borrowing cost for the period are allocated to each construction using the weighted average method to the total construction cost.***

30. ***If the construction activities are temporarily suspended not because of force majeure events then the borrowing costs paid during the period of construction suspension are capitalized.***

31. Suspension of construction contract work can occur for several reasons, such as force majeure conditions or any interference from the employer or the authorities for various reasons. If the termination is due to the interference of the employer or the authorities, borrowing costs are capitalized during the suspension. Conversely, if a suspension is due to force majeure conditions, the borrowing costs are not capitalized but are recorded as interest expense in the period in question.

32. ***A construction contract that includes several types of jobs which are completed at different times, then the type of job that has been completed does not take into account the cost of borrowing. Borrowing costs are capitalized only for the type of work that is still in progress.***

33. A construction constract can include several types of assets that can be identified respectively as referred to in paragraph 12. If the various types of jobs are completed at different points in time, then the borrowing costs that are capitalized are only those borrowing costs for the part of the construction contract or the type of job that is not yet completed. The cost of borrowing for the part of the job that has been completed is no longer calculated.

DISCLOSURE

34. ***An entity must disclose information about Construction In Progress at the end of the accounting period:***

(a) Details of construction contracts in progress follow the completion rate and period of completion;

(b) The value of construction contracts and funding sources;

(c) Total costs incurred and accrued;

(d) Advances provided;

(e) Retention.

35. Construction contracts generally contain provisions concerning retention, for example, installment payments withheld by the employer during the maintenance period. Retention amounts are disclosed in the Notes to the Financial Statements.

36. Assets can be financed from a particular source of fund. Inclusion of the sources of funds is intended to provide an overview of source of funds and their absorption until a specific date.

EFFECTIVE DATE

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

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

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS

STATEMENT NO. 09

ACCOUNTING FOR LIABILITIES

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STATEMENT NUMBER 09

ACCOUNTING FOR LIABILITIES

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

INTRODUCTION

Objective

1. The objective of this Standard is to regulate the accounting treatment of liabilities including current recognition, the determination of the carrying amount, amortization, and borrowing costs charged against the liability.

Scope

2. ***This Standard applies to all government units that present general purpose financial statements and regulates accounting treatments, including recognition, measurement, presentation and required disclosures.***

3. ***This Standard regulates:***

(a) Accounting for Government Liabilities, including short-term liabilities and long-term liabilities arising from Domestic Debt and Foreign Debt.

(b) The accounting treatment for transactions in foreign currency loans.

(c) The accounting treatment for transactions arising from debt restructuring.

(d) The accounting treatment for the costs arising from government debt.

Subparagraphs (b), (c) and (d) above prevail to the extent there are no special regulations in a separate standard concerning such matters.

4. This Standard does not regulate:

(a) Accounting for Estimated Liabilities and Contingent Liabilities.

(b) Accounting for Derivative Instruments and Hedging Activities.

(c) Transactions in foreign currencies arising from transactions other than lending transactions denominated in a foreign currency as in paragraph 3 (b).

Subparagraphs (a) and (b) are regulated in this standard statement separately.

DEFINITION

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

<u>Amortization</u> is the systematic allocation of the premium or discount over the life of the government debt.

***Qualifying Assets* are assets that require considerable time to be prepared for use or sale in accordance with its purpose.**

***Borrowing costs* are interest and other costs that must be borne by the government in connection with the borrowing of funds.**

***Debtor* is a party that receives debt from creditors.**

***Discount rate* is the amount of less difference between the present value of the obligation and the maturity value of a debt due to the nominal interest rate is lower than the effective interest rate.**

***Reporting entity* is a government unit consisting of one or more accounting entities or reporting entities which in accordance with the provisions of laws and regulations are required to submit an accountability report in the form of financial statements.**

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

***Creditor* is the party that provides the debt to the debtor.**

***Estimated liability* is a liability where the amount and time is uncertain.**

***Contingent liabilities* are:**

(a) potential liabilities arising from past events and the existence of which becomes certain with the occurrence or non-occurrence of one or more events in the future that are not entirely within the control of an entity, or

(b) present obligation that arise as a result of the past, but are not recognized because:

- ***(1) it is not probable that an entity will expend resources containing economic benefits to settle the liability, or***
- ***(2) the amount of liability cannot be measured reliably.***

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

***Straight-line method* is the method of allocation of a premium or discount with the same amount over the period of a government debt securities.**

***Nominal value* is the value of government's obligation the first time the transaction take place, as stated on the government debt securities.**

***Carrying amount* of a liability is the book value which is calculated at its nominal value after deducting or adding any unamortized discount or premium.**

***Bonds* are Government Securities with a maturity of more than 12 (twelve) months with a coupon and/or with a discounted interest payment.**

***Third Party Calculation*, hereinafter referred to PFK, are government debt to another party due to the government's position as tax cutter or other levies, such as the Income Tax, Value Added Tax, Health Insurance, Pension Insurance Saving and Housing Saving.**

***Premium* is the amount of surplus between the present value of the obligation and the maturity value of the obligation because the nominal interest rate is higher than the effective interest rate.**

***Debt restructuring* is an agreement between a creditor and a debtor to modify the terms of a debt agreement with or without a reduction in the amount of debt.**

***Government debt securities* are securities in the form of debt instruments by the government that can be traded and have a maturity value or redemption value at the time of issuance, for example, government securities.**

***Treasury Bills* are Government Securities with a maturity of up to 12 (twelve) months with discounted interest payment.**

***Government Bonds* are securities in the form of debt instruments denominated in rupiah or foreign currency which the Republic of Indonesia guarantees for payment of principal and interest, according to their validity period.**

***Arrears* are liability amounts owed due to the inability of the entity to pay debt principal and/or interest according to schedule.**

GENERAL

6. The main characteristic of a liability is that the government has a present obligation the settlement of which results in the sacrifice of economic resources in the future.

7. Liabilities generally arise due to the consequences of the implementation of duties or responsibilities to act in the past. In the context of the government, liabilities arise partly because of the use of loan funding sources from the public, financial institutions, government entities, or international agencies. Government liabilities may also occur due to the engagement of employees who work for the government, liabilities to the wider community, i.e. benefit liabilities, compensation, damages, surplus deposits of tax from taxpayers, the allocation/ reallocation of revenue to other entities, or liabilities with other service providers.

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

CLASSIFICATION OF LIABILITIES

9. ***Every reporting entity discloses any item of liability including amounts expected to be settled after the reporting date.***

10. Information on the due date of a financial liability is useful for assessing the liquidity and solvency of a reporting entity. Information about the date of settlement of a liability such as debt to third parties and debt interest is also useful to determine the whether the liability is classified as a short-term or long-term liability.

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

12. Short-term liabilities can be categorized in the same way as current assets. Short-term liabilities, such as government debt transfers or debts to employees, are the liabilities that will absorb current assets in the following reporting year.

13. Other short-term liabilities are liabilities due within 12 (twelve) months after the date of reporting, such as interest on loans, short-term debt to a third party, Third Party Calculation (PFK), and the current portion of long-term debt.

14. ***A reporting entity continues to classify a liability as long-term, even though the liability is due and will be finalized within 12 (twelve) months after the reporting date if:***

(a) the original term was for a period of more than 12 (twelve) months, and;

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

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

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

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

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

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

(b) there is a guarantee that there will be no future violations within 12 (twelve) months after the reporting date.

RECOGNITION OF LIABILITIES

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

19. The existence of past events (in this case including transactions) is very important in the recognition of liabilities. An event is an occurrence with a financial consequence to an entity. An event may include an internal event within an entity, such as the transformation of raw materials into a product, or may be an external event that involves interaction between an entity with its environment, such as transactions with other entities, natural disasters, theft, vandalism, and damage due to an accident.

20. A transaction involves the transfer of something that has value. The transaction may be a transaction with an exchange or without an exchange. The distinction between transactions with exchange or without exchange is very important for determining when to recogne obligations.

21. ***Liabilities are recognized when loans funds are received by the government or issued by creditors according to agreement and/or when the obligations arise.***

22. Liabilities can arise from:

(a) exchange transactions;

(b) non-exchange transactions, according to statutory regulation and applied policies, and which have not been paid in full up to the date of reporting;

(c) government-related events;

(d) government-acknowledged events.

23. ***An exchange transaction arises when each party to the transaction sacrifices and receives something of value in return. There are two reciprocal flows of resources or promises to provide the resources. In a transaction with exchange, liabilities are recognized when one party receives goods or***

services in exchange for a promise to give money or other resources in the future.

24. An example of an exchange transaction is when government employees provide services in exchange for obtaining compensation consisting of salaries and other employee benefits. An exchange transaction arises because both parties (employer and the recipient of work) receive and sacrifice value. Compensation liabilities include unpaid wages, services that have been delivered and other employee benefits costs associated with the service period.

25. ***A transaction without exchange arises when one party in a transaction receives value without directly giving or promising value in return. In this case, there is only one direction of the flow of resources or promises. For transactions without exchange, a liability should be recognized for the outstanding amount unpaid at the reporting date.***

26. Some types of grants and public assistance programs and others specific to the reporting entity form transactions without exchange. When the central government transfers ownership of a program or provides grants or allocate funds to local governments, the payment terms are determined by the existing laws and regulations and not by the exchange transaction.

27. ***A government-related event is an event that is not based on the transaction but by the interaction between the government and the environment. These events may be beyond the control of the government. In general, a liability is recognized in relation to events associated with the Government, on an equal basis with events that arise from exchange transactions.***

28. When the government inadvertently causes damage to private property, the event creates a liability, as along as applicable laws and policies allow the government to pay for the damage, and as long as the payment amount can be estimated reliably. An example of this event is accidental damage to private property caused by the implementation of government activities.

29. ***Government-recognized events are events not based on a transaction, but have financial consequences for the government because the government has decided to respond to the event. The government has broad responsibility for providing public welfare. To that end, the Government is often assumed to be responsible for events that are not regulated in formal regulations. Consequently, the costs of the various events, which are caused by non-governmental entities and natural disasters, are ultimately the responsibility of the government. However, these costs can not meet the definition of a liability until the government formally recognizes it as the government's financial responsibility, and a transaction for the costs incurred***

in connection with the event has occurred with exchange for without exchange.

30. In other words, the government should recognize a liability and expense for the conditions in paragraph 29 when they meet the following two criteria: (1) the Legislature has approved or authorized the resources that will be used, (2) exchange transactions arise (eg, when a contractor perform repairs) or there are unpaid amounts from non-exchange transactions still owed at the reporting date (eg direct payments to victims of the disaster).

31. The following example illustrates the recognition of liability of a government recognized event. A natural disaster damages cities in Indonesia and the House of Representatives authorizes expenditures to cope with the disaster. This incident has consequences for the government's finances since it has decided to provide disaster relief to those cities. Transactions related with it, including the contribution of the government to individuals and the work of contractors who are paid by the government, are recognized as transactions with exchange or without exchange. In the case of exchange transactions, the amounts owed for goods and services provided to the government are recognized when the goods are delivered or the work is completed. In the case of non-exchange transactions, a liability should be recognized for umpaid amounts still owed at the reporting date. Such liabilities include the amounts charged to the government to pay benefits and goods or services that have been provided according to the requirements of the existing program at the government reporting date.

MEASUREMENT OF LIABILITIES

32. ***Liabilities are recorded at nominal value. Liabilities denominated in foreign currencies are translated and expressed in rupiah. Foreign currency translation is performed using the central bank middle rate at the balance sheet date.***

33. The nominal value of a liability reflects the value of the government liability at the first time the transaction took place, such as the value marked on the government debt security. Future economic flows, such as payment transactions, valuation changes due to changes in foreign exchange rates, and other changes other than changes in market value, are calculated by adjusting the carrying amount of the liability.

34. The use of the nominal value in assessing liabilities follows the characteristics of each post. The following paragraphs outline the application of the nominal value for each liability post in the financial statements.

ACCOUNTS PAYABLE

35. ***At the moment the government receives the right to goods, including goods in transit to which the government has a right, the government must recognize the liability for unpaid amounts for the goods.***

36. If *the contractor building the facility or equipment in accordance with the existing specifications in the contract agreement with the government, the amount recorded should be based on the physical realization of the progress of the work in accordance with the work in progress official report.*

37. ***The amounts for liabilities due to transactions between government units must be separated from liabilities to non-governmental units.***

DEBT TRANSFERS

38. Debt transfer are libalities of a reporting entity to make payments to other entities as a result of statutory provisions.

39. Debt transfer are recognized and valued in accordance with applicable regulations.

ACCRUED INTEREST

40. ***Accrued interest on government debt must be recorded at cost of the interest that has occurred and has not been paid. Interest can arise from government debt both from within and outside the country. Unpaid debt interest on fovernment debt must be recognized at the end of each reporting period as part of the related liability.***

41. Measurement and presentation of debt interest also applied to securities issued by the central government in the form of Government Bonds (GB) and instruments similar in form and substance to GB issued by local governments (provinces, ciities and counties).

THIRD PARTY DEBT CALCULATION (PFK)

42. ***At the end of the reporting period, the balance of charges/dedutions in the form of PFK that have not been paid to the other parties should be recorded in the financial statements at the amount still to be deposited.***

43. The amount of PFK levies/deductions made by the government must be submitted to another party in the same amount as the amount collected/deducted. At the end of the reporting period there is usually a balance of levies/deductions that have not been transfer to the other parties. The amount of the balance of levies/deductions must be recorded in the financial statements at the amount still to be transferred.

CURRENT PART OF LONG TERM DEBT

44. ***The amount that are presented in the financial statements for the current part of long-term debt is the amount that will be due within 12 (twelve) months after the reporting date.***

45. The amount of long-term debt that is due and must be paid within 12 (twelve) months after the reporting date included in the category of current part of long-term debt.

OTHER CURRENT LIABILITIES

46. Other current liabilities are liabilities that are not included in the existing category. Included in the other current liabilities are costs accrued at the time the financial statements are prepared. Measurements for each item are adjusted to the characteristics of each item, such as payment of salaries to employees payable to employees is assessed based on the amount of salaries that still has to be paid for services that the employee has provided. Another example is the receipt of advance payments for the delivery of goods or services by the government to another party.

TRADED AND NON-TRADED DEBT

47. The assessment of government debt is adjusted to the characteristics of debt that can be in the form of:

(a) Non-traded Debt

(b) Traded Debt

Non-Traded Debt

48. ***The nominal value of non-traded government debt is a liability of the entity to creditors for debt principal and interest as set out in the contract agreement and has not been settled at the reporting date.***

49. Examples of non-traded government debt are bilateral, multilateral, and international financial institutions such as the IMF, World Bank, ADB and others. The legal form of the loan is usually in the form of a loan agreement.

50. For government debt with a fixed interest rate, the valuation can refer to a payment schedule that uses a fixed interest rate. For government debt with variable interest rates, such as interest rates is linked to one financial instrument or to another index, the government debt valuation uses the same principles as a fixed interest rate, except that the interest rate fairly estimated based on previous data and observations of existing financial instruments.

Traded Debt

51. Accounting for tradable debt should be able to identify the amount of residual liabilities from the government at a certain time and the interest for each accounting period. This requires an initial valuation of securities on the selling price or the sale proceeds, an assessment on the due date of the amount to be paid to the holder, and evaluation of the period so as to fairly describe the government's obligations.

52. Tradable government debt is usually in the form of government debt securities which may contain provisions regarding the value of debt at maturity.

53. ***Types of government debt securities must be rated at par value (original face value) taking into account discounts or unamortized premiums. Government debt securities sold at par value with no discount or premium should be valued at par value. Securities sold at a discount price will increase in value over a period of sales and maturities, while the securities sold at a premium price will reduce in value.***

54. Government debt securities having a value at maturity or redemption, such as Government Securities (GS) in the form of Treasury Bills and Bonds, should be rated based on the value to be paid at maturity if sold at par value. If at the time of the initial transaction, the traded government debt instruments are sold above or below par, then further valuation takes into account the amortization of the discount or premium that exist.

55. Amortization of any discount or premium can use the straight-line method.

CHANGES IN FOREIGN EXCHANGE

56. ***Government debt in foreign currencies is recorded using the central rate at the time of transaction.***

57. The exchange rate on the date of the transaction is often called the spot rate. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, the average middle rate of the central bank for a week or a month is used for all transactions in the period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.

58. ***At each balance sheet date, government debt in a foreign currencies is reported in rupiah using the central bank’s middle rate on balance sheet date.***

59. ***Differences arising from translation of government debt into a foreign currency between the transaction date and the balance sheet date are recorded as an increase or decrease in equity.***

60. The consequences of the recording and reporting liabilities in foreign currencies will affect the balance sheet items for related liabilities and equity in the reporting entity.

61. If a transaction in a foreign currency occurs and is settled in the same period, all of the foreign exchange differences are recognized in that period. However, if the transaction arises and is settled in different accounting periods, then the foreign exchange differences should be recognized for each accounting period taking into account changes in exchange rates for each period.

SETTLEMENT OF OBLIGATION BEFORE MATURITY

62. ***For government debt securities that are settled prior to maturity because of call features by the issuer of those securities or so as to meet the requirements for settlement by holders' demands, the difference between the the difference between the acquisition cost and the net carrying value must be presented in the Statement of operation and disclosed in Notes to Financial Statements as part of a related liability item.***

63. If the acquisition cost is the same as the carrying value, the settlement of the obligation before maturity is considered as normal debt settlement, namely by adjusting the amount of liabilities and related assets.

64. If the cost is not the same as the carrying value, then, in addition to adjusting the amount of liabilities and related assets, the difference is also presented in the Statement of Operation and disclosed in the Notes to the Financial Statements.

ARREARS

65. ***The amount of arrears on government loans should be presented in the form of a an aging schedule of creditors in the notes to financial statements as part of the disclosure of obligations.***

66. Arrears are defined as amounts that are due, but the government is unable to pay the amount of principal and/or interest. Some types of government debt may have a due date on schedule or serial date when the debtor is required to make payments to creditors.

67. Accounting practice usually does not separate the amount of arrears of of debt on the face of the financial statements. However, the government arrears information is one of the information that attracts the attention of readers of the financial statements as material for policy analysis and the solvency of an entity.

68. For this purpose, the information on arrears must be disclosed in the Notes to the Financial Statements in the form of Debts Age List.

DEBT RESTRUCTURING

69. ***In restructuring debt through a modification of the terms of debt, the debtor must record the effects of the restructuring prospectively from the time of restructuring and should not change the carrying value of the debt at the time of the restructuring unless the carrying amount exceeds the amount of future cash payments specified by the new terms. Information should be disclosed regarding the restructuring in the Notes to Financial Statements as part of the disclosure of liability-related posts.***

70. Restructuring may include:

(a) Refinancing, i.e. replacing old debt with new debt, including arrears, or

(b) Rescheduling or modification of debt terms that change the terms and conditions of an existing contract. This may take the form of debt rescheduling:

   i. Changes in payment schedule,

   ii. Addition to the grace period, or

   iii. Scheduling a back up plan of principal payments and interest due and/or in arrears.

71. The amount of interest should be calculated using the effective interest rate constant multiplied by the carrying value of the debt at the beginning of each period between the time of the restructuring until maturity. The new effective interest rate is equal to the discount rate to equate the present value of future cash payments as specified by the new terms (not including the contingent debt) to the carrying value. Based on the new effective interest rate, a new payment schedule can be produced starting from the time of restructuring to maturity.

72. Information regarding the old and new effective interest rate must be presented in the Notes to the Financial Statements.

73. ***If the amount of future cash payments as specified by the new terms for the debt including payment of interest and principal on the debt is lower than the carrying value, then the debtor must reduce the carrying value of the debt to an amount equal to the amount of future cash payments as specified by the new terms. It must be disclosed in the Notes to the Financial Statements as part of the disclosure of liability-related posts.***

74. ***An entity may not change the carrying value of debt as a result of debt restructuring involving future cash payments that can not be determined, as long as future cash payments do not exceed the maximum carrying value of debt.***

75. Amounts of interest or debt principal under the new terms can be contingent, depending on events or circumstances. For example, the debtor may be required to pay a certain amount if their financial condition improves to a certain level in a certain period. To determine this amount the entity should follow the

principles set out in accounting for contingencies not provided for in this statement. The same principle applies to future cash payments which frequently must be estimated.

DEBT FORGIVENESS

76. Debt forgiveness is a cancellation of claims by a creditor to a debtor, either partially or entire amount of the debtor's debt in the form of a formal agreement between the two.

77. Debt forgiveness may be settled by the debtor to the creditor through the delivery of cash or non-cash assets with a debt value below its carrying value.

78. ***If the settlement of the debt with a settlement value below the carrying value is made with cash assets, then the provisions of paragraph 73 apply.***

79. ***If the settlement of a debt with a settlement value below its carrying value is performed with non-cash assets then the entity as a debtor must revalue non-cash assets to fair value and then apply paragraph 73, as well as disclosing in the Notes to the Financial Statements as part of the liability and non-cash asset related posts.***

80. Information in the Notes to the Financial Statements must disclose the amount of the difference arising from the restructuring of such liabilities which are the excess of the:

(a) Carrying value of the settled debt (reduced or nominal amount plus unpaid interest and premium, discount, finance charges or unamortized issuance costs), with

(b) The fair value of the assets transferred to the creditor.

81. The revaluation of assets in paragraph 80 will produce a difference between the fair value and the value of the assets transferred to the creditor for a debt settlement. Such differences must be disclosed in the Notes to the Financial Statements.

COSTS RELATED TO GOVERNMENT DEBT

82. Costs related to government debt are interest expense and other costs incurred in connection with the borrowing of funds. These costs may include:

(a) Interest and provision for the use of borrowed funds, both short-term and long-term loans;

(b) Commitment fee for outstanding loan funds;

(c) Amortization of any discounts or premiums relating to loans,

(d) Amortization of capitalized costs associated with the loan acquisition costs such as fee for consultants, legal experts, and so on.

(e) The difference in exchange rates in foreign currency loans to the extent that they are treated as an adjustment to interest expense.

83. ***Borrowing costs which are directly attributable to the acquisition or production of a spesific asset (qualifying asset) should be capitalized as part of the cost of the particular asset.***

84. If interest rates are directly attributable to a particular asset, the borrowing costs must be capitalized against that particular asset. If the borrowing cost can not be attributable directly to a particular asset, the capitalization of borrowing costs is determined based on the explanation in paragraph 86.

85. In certain circumstances, it is difficult to identify a direct relationship between a particular loan and the acquisition of a specific asset and to determine that a particular loan need not to exist if the acquisition of spesific assets did not occur. For example, in the case of centralized funding of more than one government activity/project. Difficulties can also occur when an entity uses several types of financing with different interest rate. In this case, it is difficult to determine the amount of borrowing costs that are directly attributable, thus requiring professional judgment to determine the attribution.

86. ***If funds from loans are not directly attributable to the acquisition of an asset then the borrowing costs that must be capitalized to a particular asset should be calculated based on the weighted average of the accumulated cost of all related assets during the reporting period.***

PRESENTATION AND DISCLOSURE

87. ***Government debt should be disclosed in detail in the form of a debt schedule list to provide better information to the users.***

88. ***To increase the usefulness of analysis, the information that must be presented in the Notes to the Financial Statements is:***

(a) ***The amount outstanding on short-term and long-term liabilities classified by lender;***

(b) ***Total outstanding liabilities in the form of government debt securities by government debt type and maturity;***

(c) ***Interest on loans payable in the current period and the prevailing interest rate;***

(d) ***The consequences of undertaking the settlement of liabilities prior to maturity;***

(e) ***A debt restructuring agreement covering:***

(1) Loan reduction;

(2) Modification of debt terms;

(3) Interest rate reduction;

(4) Postponement of loan maturity;

(5) Reduction the loan maturity value; and

(6) Reduction of the amount of interest payable up to the reporting period.

(f) ***The amount of loan arrears is presented as debt aging schedule by creditor.***

(g) ***Borrowing costs:***

(1) Treatment of borrowing costs;

(2) The amount of borrowing costs capitalized during the period in question, and

(3) The capitalization rate used.

EFFECTIVE DATE

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

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

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS

STATEMENT NO. 10

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICY, ERRORS, 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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STATEMENT NO. 10

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICY, ERRORS, CHANGES IN ACCOUNTING ESTIMATES, AND DISCONTINUED OPERATION

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 criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, the corrections of errors, and discontinued operations.

2. This standard is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.

Scope

3. ***This Statement shall be applied in selecting and applying accounting policies, change in accounting policies, change in accounting estimates and correction of prior period errors and discontinued operations.***

DEFINITIONS

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

<u>Accounting policies</u> are principles, bases, conventions, rules, and specific practices applied by a reporting entity in preparing and presenting financial statements.

<u>Change in accounting policies,</u> are changes in accounting policies from various options that are generally available in Government Accounting Standards and specially in Statement of Government Accounting Standards into another accounting policy that is different from previous accounting policy.

<u>Impracticable</u>. Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy and to correct an error retrospectively if:

(a) The effects of the retrospective application are not determinable;

(b) The retrospective application requires assumptions about what government's intent would have been that period; or

(c) The retrospective application requires significant estimates of amounts and it is imposible to distinguish objectively information about those estimates that:

i. Provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured, or disclosed; and

ii. Would have been available when the financial statements for that prior period were authorized for issue;

<u>Prior period errors</u> are ommissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, faithfully representative information that:

a) Was available when financial statements for those periods were authorized for issue; and

b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

<u>Corrections</u> are the act of correcting financial statements so the accounts/items that presented in financial statements are in accordance with what they should be.

<u>Discontinued Operation</u> is the termination of part or all of duties and functions of an entity which may result transfer of assets and labilities and the termination of operations.

<u>Accounting estimates</u> are an estimates of financial statement element, item or account because there are no precise measurements that have an impact on the financial statements.

<u>Changes in accounting estimates</u> are revised estimates because there is new information, increased experience in estimating or other developments.

<u>Posts</u> is set of similar accounts that are presented on the face of financial statements.

<u>Retrospective</u> is applying the new accounting policy that have an impact on the previous financial statements.

<u>Prospective</u> is applying the new accounting policies that only affect the current and future periods.

Materiality

5. An omission or misstatement to presenting post in financial statement are material if, either individually or collectively, can influence the economic decision

making of financial statement users. Materiality depends on the size and nature of omission to presenting of error in recording regard to the related conditions. The size or nature of posts in the financial statement or combination of posts and nature can be a determining factors.

ACCOUNTING POLICIES

6. ***When SGAS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard***.

7. Government Accounting Standards set out accounting policies has concluded result in financial statement containing relevant and faithfully representative information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from SGAS to achieve a particular presentation of an entity's financial position, financial performance and cash flows.

8. ***In the absence of a SGAS that specifically applies to a transaction, event, or specific condition, entity shall use its judgment in developing and applying an accounting policy refer to the following sources in the following order:***

(a) ***The requirements in a SGAS dealing with similar and related condition, situation or related transactions;***

(b) ***The definition, recognition and measurement criteria for assets, liabilities, revenue-LO, expenses, revenue-LRA, expenditure, financing, cash flow dan change in equity described in the Conceptual Framework.***

9. ***In making the judgment, described in paragraph 8, entity may also consider (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted public or private sector practices, but only to the extent that these do not conflict with the sources in paragraph 8. Examples of the most pronouncements which are published by the International Public Sector Accounting Standards Board (IPSASB).***

CONSISTENCY OF ACCOUNTING POLICIES

10. ***An entity shall select and apply its accounting policies consistently for similar transactions, other events, and conditions, unless an SGAS specifically permits categorization of items for which different policies may be appropriate. If a SGAS or permits such categorization, an appropriate accounting policy shall be selected and applied consistently to each category.***

CHANGE IN ACCOUNTING POLICIES

11. ***An entity shall change an accountingpolicy only if the change:***

(a) ***Is required by an SGAS; or***

(b) ***Results in the financial statements providing faithfully representative and more relevant information about the effect of transactions, other events and other conditions to present financial statements.***

12. Users of financial statements need to be able to compare the financial statements of an entity over time to identity trends in its financial position, performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria in paragraph 11.

13. ***A change from one basis of accounting to another basis of accounting is a change in accounting policy.***

14. ***A change in the accounting treatment, recognition, or measurement of a transaction, event, or condition within a basis of accounting is regarded as a change in accounting policy.***

15. ***The following are not changes in accounting polices:***

(a) ***The application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and***

(b) ***The application of a new accounting policy for transactions, other events, or conditions that did not occur previously.***

APPLYING CHANGE IN ACCOUNTING POLICIES

16. ***Subject to paragraph 20***:

(a) ***An entity shall account for a change in accounting policy resulting from the initial application of a SGAS in accordance with the specific transitional provisions, if any; and***

(b) ***When an entity changes an accounting policy upon initial application of a SGAS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, the entity shall apply the change retrospectively;***

17. ***When an accounting policy is applied retrospectively in accordance with paragraph 16, the entity shall adjust the opening balance of equity and each affected component for current period as if the new accounting policy had always been applied.***

18. ***In the change of accounting policy, retrospective application is required without restatement of the financial statements that have been authorized for issued.***

19. ***The cumulative effects from the changes in accounting policies that affecting of the previous financial statements are presented on the Balance Sheet, and/or the Statement of Change in Equity and should be disclosed in the Notes to Financial Statements.***

20. ***When an entity can not determine the cumulative effect of changing an accounting policy for all prior periods, the entity can determine the cumulative effects for the practical period of applying new accounting policy.***

21. ***When it is impracticable to apply the accounting policy restrospectively, the entity can apply the new accounting policy prospectively from the earliest date practicable.***

22. Retrospective application to a prior period is not practicable if the cumulative effects of applying a new accounting policy can not determined objectively for all prior periods or required a large cost and effort.

23. In the change of accounting policy or accounting basis, the entity does not restate the last period of financial statements. The previous financial statements are compared with the current period based on their accounting policies or accounting basis.

24. ***When an entity change an accounting policy, they shall disclose:***

(a) ***The nature of the change in accounting policy;***

(b) ***The reason why applying the new accounting policy provide faithfully representative and more relevant information;***

(c) ***The amount of the adjustment of any items of financial statements affected by changing in accounting policy for current and prior periods.***

(d) ***the financial statements of the next period do not need to repeat the same disclosure; and***

(e) ***in the change of accounting policy due to a new statement of government accounting standard, the disclosure is added with the new standard title and the effective date the standard.***

ERRORS

25. Errors can arise in respect of the recognition, measurement or presentation of elements of financial statements because of among others:

(a) unavailability document of transaction;

(b) mathematical miscalculation;

(c) misapplication of accounting policies;

(d) errors or misinterpretations of facts; and

(e) fraud.

26. Financial statements are not in accordance with the Government Accounting Standards if there are material errors, or unintentional errors in presenting the financial statements.

27. ***Errors found in current and prior period before financial statements authorized for issue, shall be adjusted in the current period of financial statements.***

28. Each error must be adjusted/corrected as soon as they are found.

29. ***Error in recording account of asset that occurred in prior periods, if the financial statements have been authorized for issue, shall be corrected on the account of asset and other related account.***

30. Examples of error in the acquisition of assets other than cash, among others, the acquisition price for asset is too expensive, shortages in the volume of assets after the financial statements are authorized for issue, these errors are corrected in the account of asset account and account of equity.

31. ***Errors in recording revenue-LRA and expenditure that occurred in prior periods, if the financial statements have been authorized for issue, shall be corrected on the account in the Statement of Changes in the Remaining Budget and on the related account in Balance Sheet.***

32. ***Errors in recording revenue- LO and expense that occurred in prior periods, if the financial statements have been authorized for issue, shall be corrected on the account in the Statement of Changes in Equity and on the related account in Balance Sheet.***

33. ***Errors in recording financing receipt and financing expenditure that occurred in prior periods, if the financial statements have been authorized for issue, shall be corrected on the account in the Statement of Changes in the Remaining Budget and on the related account in Balance Sheet.***

34. ***Errors in recording liabilities that occurred in prior periods, if the financial statements have been authorized for issue, shall be corrected on the related account in liabilities and on the other related account.***

35. ***Correction of errors that occurs after the financial statements have been authorized for issue shall be disclose in the notes to financial statements.***

36. The date of authorization for issue is the date on which the financial statements audit has been completed as stated in the auditor's statement or the date on which the financial statements have received approval from the government, when the financial statements are not audited.

REVENUE REFUND

37. Revenue refund from prior period revenue is recognized as a deduction of revenue in the current year.

38. In a normal government operation, there may be a revenue refund, both in the current period or when the financial statements have been authorized for issue. The revenue refund after the financial statements have been authorized for issue is not an error in the prior period, the revenue refund is not a correction of errors as stipulated in paragraphs 31 and 32, but as refund for realized revenue-LRA or revenue-LO in the current period.

CHANGES IN ACCOUNTING ESTIMATES

39. Not all accounts in the financial statements can be measured accurately, some items or accounts are reported on the basis of estimated economic life, estimates of collectibility and other accounting estimates. Estimation involves judgments based on the latest available, reliable information. Estimates may required to determine, among others:

(a) Inventory obsolescence.
(b) Bad debts arising from uncollected taxes.
(c) The useful lives or patterns of use of the expected future economic benefits or services potential embodied in, from depreciable/amortized assets.
(d) Tax revenues;
(e) Warranty obligations.

40. The selected estimation method and their reasons, are disclosed in the Notes to Financial Statements.

41. An estimate may needs revision if changes occur in the circumstances on which the estimate based or as a result of new information or more experience. By its characteristics, the revision of an estimates does not relate to the prior periods and is not the correction of an error.

42. Changes in estimates and their reasons should be disclosed in the Notes to Financial Statements.

43. ***A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.***

44. In order to obtain more reliable financial statements, accounting estimates need to be adjusted to, among others, the pattern of use, the intended use of assets and the changing of the entity environmental conditions.

45. ***The effect of changes in accounting estimates shall recognized prospectively in the financial statements in the period the change and future periods.***

46. To the extent that a change in an accounting estimate give rise to change in assets and liabilities, or relates to an item of equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of change.

47. For example, changes in the estimated useful life of fixed assets affect the statement of operational in current period and for each future period during the asset’s remaining useful life.

48. ***The effect of changes to the statement of operational for the current period and in the next period shall disclosed in the notes to the financial statements. If the disclosure can not be made, the entity shall disclose the reasons.***

DISCOUNTINUED OPERATIONS

49. ***Discontinued operations among others, includes:***

(a) ***Reporting entities/accounting entities that are discontinued their operation based on government regulations.***

(b) ***Discontinued duties and functions, activities, programs, projects that are significantly affect the financial statements of reporting entities/ accounting entities.***

50. ***Significant information in discontinued operations should be disclosed in the notes to financial statements.***

51. Significant information relating to discontinued operations disclose the regulation basis for the discontinuing operations of government entities, duties and functions, activities, programs, projects, date of discontinued operations, transfers of assets or liabilities, and transfers of income and expenses.

52. ***In order for comparative presentation of financial statements, a discontinued segment is presented in the comparative financial statements even the balance is zero.***

53. ***Income and expense from discontinued operations in the current year period to the date of discontinuation, are accounted for and reported as usual, as if their operations were normal until the end of year.***

54. It is not a discontinued operations if:

(a) Discontinuing of a program, activity, project, segment naturally. This discontinued operation can be caused by decreasing demand (public demand being served) or changing the needs.

(b) The function still exist.

(c) Several types of sub-activities in a function are deleted, others still operates as usual. Relocation of a program, project, activity to another area.

(d) Closing a facility of very low utilization, in order to save costs, sell the operating facilities without discontinued of the operation.

EFFECTIVE DATE

55. ***This Statement of Government Accounting Standards is effective for financial statements starting from Budget Year 2021. Earlier application is encouraged based on an entity readiness.***

Basis for Conclusions

(*This Basis for Conclusion accompanies the SGAS Accounting Policy, Change in Accounting Policy, Errors, Changes in Accounting Estimates and Discontinued Operations, but is not part of the SGAS 10*)

Background

BC 1 Government Accounting Standards Committee (KSAP) prepares SGAS for Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations to replace SGAS 10 Correction of Errors, Changes in Accounting Policies, Changes in Accounting Estimates and Discontinued Operations.

BC 2 SGAS Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations will align with IPSAS 3 Accounting Policies, Change in Accounting Estimates and Errors.

BC 3 It is necessary to have an arrangement related to the hierarchy in the absence of an SGAS that specifically applies to a transaction, other event, or condition, management shall used its judgment in developing and applying an accounting policy that was not previously regulated in the SGAS 10 Correction of Errors, Changes in Accounting Policies, Changes in Accounting Estimates and Discontinued Operations. With the issuance of SGAS Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations, SGAS 10 Correction of Errors, Changes in Accounting Policies, Changes in Accounting Estimates and Discontinued Operations were discontinued.

Impracticability

BC 4 Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy and to correct an error retrospectively if:

(a) The effects of the retrospective application are not determinable;

(b) The retrospective application requires assumptions about what government’s intent would have been that period; or

(c) The retrospective application requires significant estimates of amounts and it is imposible to distinguish objectively information about those estimates that:

   i. Provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured, or disclosed; and

   ii. Would have been available when the financial statements for that prior period were authorized for issue;

Restatement of Financial Statements

BC 5 Government Accounting Standards Committee (KSAP) argued that retrospective restatement of financial statements is impractical. Financial statements that have been authorized for issue are accountable in the law/local regulation and if the financial statements were restated, it required an audit process. Thus in accordance with the Interpretation of the Governmental Accounting Standard Statement Number 4 Changes in Accounting Policies and Correction of Errors without Restatement, retrospective application of restatement of financial statements is not applied in the Government Accounting Standards.

Materiality

BC 6 An omission or misstatement to presenting post in financial statement are material if, either individually or collectively, can influence the economic decision making of financial statement users. Materiality depends on the size and nature of omission to presenting of error in recording regard to the related conditions. The size or nature of posts in the financial statement or combination of posts and nature can be a determining factors.

Selection and Application of Accounting Policies

BC 7 An arrangement related to the hierarchy in the absence of an SGAS that specifically applies to a transaction, other event, or condition has not been arranged in SGAS 10 Correction of Errors, Changes in Accounting Policies, Changes in Accounting Estimates and Discontinued Operations. The issuance of this SGAS Accounting Policies, Changes in Accounting Policies, Errors, Changes in Accounting Estimates and Discontinued Operations, fill the absence of regulation.

Error Correction

BC 8 This statement complete the arrangement about errors and how an entity make a correction to these errors. Regulations regarding errors that are divided into recurring or non-recurring and systemic or non-systemic are eliminated. The arrangements for correction of error are not intended to recurring or non-recurring and systemic or non-systemic errors, but correction to the error from recording assets, liabilities, revenue-LRA, revenue-LO, expenditures and expenses. This standard also add the arrangement to the treatment of revenue refund transactions received in the prior period, as a guidance for implementing the regulation to the revenue-LRA refund (restitution).

Changes in Accounting Estimates

BC 9 This standard complete examples of changes in accounting estimates, those related to (a) inventory obsolescence, (b) bad debts arising from uncollected taxes, (c) the useful lives or patterns of use of the expected future economic benefits or service potential embodied in, from depreciable/amortized assets, (d) tax revenue, and (e) warranty obligations.

Implementation Guide

(*This Implementation Guide accompanies the SGAS Accounting Policy, Change in Accounting Policy, Errors, Changes in Accounting Estimates and Discontinued Operations, but is not part of the SGAS 10*)

Changes in Accounting Policies with Retrospective Application

IG 1 In 20x5, the government began to use an accrual basis in its financial reporting. Up to 20x5, the government has not yet depreciated its fixed assets. The financial statements for the period before 20x5 have been authorized for issue. The government consider that using accrual basis will generate better information, because accrual basis will describes true value of assets.

The government has determined the useful life of each type of asset and calculates the accumulated depreciation up to 20x5 Rp125,000. Fixed assets at the beginning balance for the year 20x5 before accumulated depreciation are Rp.750,000, and annual depreciation expense is Rp.75,000. Equity at the beginning of 20x5 is IDR 500,000

Statement of Operational	20x5
………………………………. ……… ..	
Depreciation expense for fixed assets	(75,000)
………………………………. ……… ..	
Surplus/deficit (from depreciation expense)	(75,000)

Statement of Changes in Equity	20x5
Equity (January 1, 20x5)	500,000
Changes in the accrual basis of accounting (Accumulated depreciation until 20x5	(125,000)
Equity (January 1, 20x5 after change of accounting basis - retrospective)	375,000
surplus/deficit (from depreciation expense)	(75,000)
Equity (31 December 20x5)	300,000

Summary of Notes to Financial Statements

Starting from 20x5, the government used the accrual basis of accounting after using the cash to accrual basis for about 10 years. With the accrual basis, it is expected that the information in the financial statements will be more reliable and more have an advantage in decision making. The use of accrual basis is applied retrospectively from the initial acquisition of assets without restatement. The adoption of this new accounting basis had no impact on the prior period. The impact in the current period is a reduction in the carrying value of assets at the beginning of 20x5 by Rp375,000 (500,000-125,000).

Prospective Application of Changes in Accounting Policies if Retrospective Application is not Practical

IG 2 During 20x2, the government changed its accounting policy for depreciating fixed assets, so as to apply much more fully a components approach, while at the same time implementing revaluation for fixed asset.

Prior to 20x2, the entity's asset were not suffiently detailed to apply a components approach fully. At the end of 20x1, the government carried out an inventory and valuation of assets by asset types and their fair value, useful life, estimated residual values and depreciated amount in 20x2. However, the inventory and valuation did not provide a sufficient basis for reliably estimating the cost of those types of assets that had not previously been accounted for separately and the existing records before the inventory and valuation did not permit this information to be reconstructed.

The government considers how account for each of the two aspects of the accounting change. The government determined that it was not practicable to account for the changes to a fuller components approach retrospectively or to account for that changes prospectively from any earlier date than the start of 20x2. Also, the change from from a cost model to a revaluation model is required to be accounted for prospectively. Therefore, the government concluded it should apply the entity's new policy propectively from the start of 20x2.

Additional information:

Buildings and structures	
Cost	25,000
Accumulated depreciation	(14,000)
Book value	11,000
Prospective depreciation expense-prospective (old basis)	1,500
Revaluation value	17,000
Estimated residual value	3,000
Average remaining assets life (years)	7
Annual depreciation expense (17,000-3,000) / 7	2,000

Summary of Notes to Financial Statements

From the start of 20x2, the government changed its accounting policy for depreciation of fixed assets, so as to apply much more fully a components approach, while at the same time adopting the revaluation model. Government take the view that this policy provides faithfully representative and more relevant information, because it deals more accurately with the components of assets and is based on up to date values. The policy has been applied prospectively from the start of 20x2 because it was not practicable to estimate the effect of applying the policy either retrospectively or prospectively from any earlier date. Accordingly the adopting of new policy has no effect on prior periods. The effect on the current year is to (a) increase the carrying amount of the asset by Rp6,000 (17,000-11,000), (b) create a revaluation reserve at the start of the year Rp6,000 and (c) increase depreciation expense by Rp500 (2,000-1,500).

1

Ilustration Examples

(*This Illustration Examples accompanies the SGAS Accounting Policy, Change in Accounting Policy, Errors, Changes in Accounting Estimates and Discontinued Operations, but is not part of the SGAS 10*)

Errors in recognition assets in prior period

IE 1 In 20x2, the government will carry out an inventory and valuation of fixed assets. In the inventory process, it was found that the equipment and machinery were measured incorrectly, the acquisition price was Rp. 100,000, but the document of transaction shows that the equipment and machine assets purchased on 20x0 at Rp. 80,000. The equipment and machinery have been depreciated for two years by Rp. 40,000, the book value at the beginning of 20x2 is Rp. 60,000.

CI 2 Balance

Equipment and machines	
Cost of building	100,000
Accumulated depreciation	(40,000)
Carrying value	60,000
Correction of assets (equity)	(20,000)
Equipment and machines at a beginning 20x2	40,000

Adjusting entry:

Equity	Rp20,000	
Equipment and Machinery		Rp. 20,000

Errors in measurement assets in prior period

IE 3 In 20x1, the government had been finished a building Rp100,000. Based on audit, it was found that the building was undervolume Rp5,000. The financial statements were authorized for issue. The building has been depreciated Rp.4,000 in 20x1. The entity correct the cost of the building Rp5,000 in the current period 20x2.

IE 4 Balance

Buildings and structures	
Cost of building	100,000
Accumulated depreciation	(4,000)
Carrying value	96,000
Correction of assets (equity)	(5,000)
Buildings at a beginning 20x2	91,000

Adjusting entry:

Equity	Rp5,000	
Buildings		Rp. 5,000

Error in recognition of Revenue-LRA and expenditure in prior period

IE 5 In 20x2, the government found that revenue-LRA which recognized in 20x1 was overstated at Rp7,500. The excess of revenue-LRA revenue result the difference between book record and bank notes. The 20x1 financial statements have been authorized for issue. The government corrected error in the initial remaining balance in 20x2.

Adjusting entry:

Correction of remaining balance	Rp7,500	
Balance of remaining balance book		Rp7,500

IE 6 In the year 20x2, the government found that expenditure which recognized in 20x1 was overstated at Rp3,500. The excess of expenditures result the difference book record and bank notes. The 20x1 financial statements have been authorized for issue. The government corrected error in the initial remaining balance in 20x2***.***

Adjusting entry:

Balance of remaining balance book	Rp3,500	
Correction of remaining balance		Rp3,500

Error in recognition of Revenue-LO and Expenses in prior period

IE 7 In the year 20x2, the government found that revenue-LO which recognized in 20x1 was overstated at Rp6,500. The 20x1 financial statements have been authorized for issue. The entity corrected that error of revenue-LO.

Adjusting entry:

Equity	Rp6,500	
Revenue receivable		Rp.6,500

IE 8 In the year 20x2, the government found expenses which recognized in 20x1 was overstated at Rp4,500. The 20x1 financial statements have been authorized for issue. The entity corrected that error of expenses.

Adjusting entry:

Expense payable	Rp4,500	
Equity		Rp4,500

Errors in recognition of financing receipt or expenditure in prior period

IE 9 In the year 20x2, the government found financing receipts which recognized in 20x1 was overstated at Rp3,250. The 20x1 financial statements have been authorized for issue. The entity corrected that error in financing receipt.

Adjusting entry:

Correction of remaining balance	Rp3,250	
Balance of remaining balance book		Rp3,250

IE 10 In the year 20x2, the government found financing expenditures which recognized in 20x1 was overstated at Rp4,250. The 20x1 financial statements have been authorized for issue. The entity corrected that error in financing expenditures .

Adjusting entry:

Balance of remaining balance book	Rp4,250	
Correction of remaining balance		Rp. 4,250

Error on recognition of liabilities in prior period

IE 11 In the year 20x2, the government found an excess of recorded liabilities Rp1,650 which were recognized in the 20x1 financial statements. The 20x1 financial statements have been authorized for issue. The entity corrected that error***.***

Adjusting entry:

Liability	Rp1,650	
Equity		Rp1,650

Revenue refund

CI 12 Revenue refund from both prior or current period of revenue received, based on the law and regulation are recognized as a deduction of the revenue. Example of such refund are either for tax refund or non-tax refund that will decrease the current year government revenue. If there was no revenue received in the current year or if the refund will result in a minus balance in the revenue account, the entity then recognize revenue refund to the Remaining Balance Account (SAL).

Adjusting entry:

Tax/non-tax revenue	xxx	
Equity		xxx

Note:

Revenue refund was for the revenue that has been received in the treasury account. Revenue refund are not for adjustment on revenue-LO that has not been received in the treasury account.

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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STATEMENT NO. 11

CONSOLIDATED FINANCIAL REPORTS

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

INTRODUCTION

Objective

1. The objective of this Standard is to prescribe the preparation of consolidated financial statements of government units in order to present general purpose financial statements in the interest of improving the quality and completeness of the financial statements in question. In this standard, general purpose financial statements are financial statements that are intended to fulfill the common needs of most report users including legislatures as stipulated in the provisions of laws and regulations.

Scope

2. ***General purpose financial reports of government units designated as reporting entities are presented in a consolidated manner under this Statement so as to reflect one unified entity.***

3. ***The consolidated financial statements of the central government as the reporting entity include the financial statements of all reporting entities, including the financial statements of public service agencies.***

4. ***The consolidated financial statements of ministries/agencies/ local governments as reporting entities include the financial statements of all the accounting entities including the financial statements of Public ServiceAgencies/Local Public Service Agencies.***

5. This Standard does not regulate:

(a) The consolidated financial statements of state/local government owned enterprises;
(b) Accounting for investments in associated companies;
(c) Accounting for investments in joint ventures; and
(d) Consolidated statistical report of central and local governments.

DEFINITIONS

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

***Public Service Agency/Local Public Service Agency** is an agency within the government that was formed to provide services to the community in the form*

of supplying goods and/or services being sold without a priority for profit and in performing activities based on the principles of efficiency and productivity.

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

Reporting entity is a government unit consisting of one or more accounting or reporting entities which in accordance with the provisions of laws and regulations are required to submit an accountability report in the form of financial statements.

Consolidation is the process of merging between accounts held by a reporting entity by other reporting entities, an accounting entity with other accounting entities, with the elimination of reciprocal accounts in order to be present a single consolidated reporting entity.

Consolidated financial statement is a financial statement that is a combination of the entire reporting entity's financial statements, or accounting entity, presented as a single entity.

CONSOLIDATED FINANCIAL REPORT PRESENTATION

7. ***The consolidated financial statements comprise the Statement of Budget Realization, Statement of Changes in the Remaining Budget, Balance Sheet, Statement of operation, Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements.***

8. The consolidated financial statements referred to in paragraph 7, are presented by the reporting entity, unless:

(a) The consolidated financial statement of cash flows is presented only by the entity that have general treasury function;

(b) The consolidated financial statement of changes in the Remaining Budget is prepared and presented by the Central Government.

9. ***The consolidated financial statements are presented for the same reporting period as the reporting entity's financial reporting period and contains comparative amounts for the prior period.***

10. The Central Government submits the consolidated financial statements of all state ministries / agencies to the legislature.

11. Local governments submit consolidated financial statements of all subordinate accounting entities to the legislature.

12. ***In this standard the process of consolidation is followed by elimination of reciprocal accounts. However, if elimination is not possible, then it is disclosed in the Notes to the Financial Statements.***

13. Examples of reciprocal accounts include, among others, the remaining stock of money that has not been accounted for by the expenditure treasurer until the end of the accounting period.

REPORTING ENTITY

14. A reporting entity is defined in laws and regulations, and is generally characterized by:

(a) The entity is financed by the state budget or financed by the local budget or obtain separate wealth from the budget,

(b) The entity was formed by laws and regulations,

(c) The head of the entity is a government official or an appointed state official or elected by the people; and

(d) The entity make an accountability, either directly or indirectly, to the representatives as parties that approves the budget.

ACCOUNTING ENTITY

15. ***An accounting entity conducts accounting and submits financial statements with respect to the budget/goods it manages which are directed to the reporting entity.***

16. Each unit of government receiving a budget or administering goods is an accounting entity which is obligated to conduct accounting and prepare periodic financial statements according to the Government Accounting Standards. The financial statements are presented internally and tiered to a higher unit in the context of incorporation with the reporting entity's financial statements.

17. With a determination according to applicable laws and regulations a certain accounting entity that is deemed to have a significant influence in achieving the government's program can be defined as a reporting entity.

PUBLIC SERVICE AGENCIES/LOCAL PUBLIC SERVICE AGENCIES

18. A Public Service Agency performs public services, collects and receives, as well as expend, public funds that are received in connection with the services provided, but do not form a separate legal entity from the wealth of the state. Included in Public Service Agency are, among others, hospitals, universities, and authorities.

19. ***As a recipient of the government's budget, a public service agencies/local public service agencies is an accounting entity, whose financial statements are consolidated with a reporting entity that organizationally oversees them.***

20. ***Although public service agencies/local public service agencies are not a legal entites that manages separate state assets, as a service unit agencies, they are a reporting entities.***

21. The consolidation of Public Service Agencies/Local Public Service Agencies financial statements in the ministries/agencies/local governments that oversees them organizationally is carried out after the Public Service Agencies/Local Public Service Agencies financial statements are prepared using the same accounting standards as the accounting standards used by the organization that supervise them.

CONSOLIDATION PROCEDURES

22. ***The consolidation referred to in this Standard is implemented by combining and aggregating accounts held by a reporting entities with other reporting entities, or held by an accounting entities with other accounting entities, by elimination of reciprocal accounts.***

23. Reporting entities prepare financial statements by combining the financial statements of all accounting entities that are under it organizationally.

DISCLOSURE

24. ***In the Notes to the Financial Statements it is necessary to disclose the names of the entities that are consolidated or combined with their respective status, whether reporting or accounting entities.***

25. In the case of consolidated accounts that are not eliminated of reciprocal account as stated in paragraph 12, it is necessary to disclose the names and the amount of the reciprocal account balances, and also mention the reason for not conducting the elimination.

EFFECTIVE DATE

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

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

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS

STATEMENT NO. 12

STATEMENT OF 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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STATEMENT NO. 12

STATEMENT OF OPERATION

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

INTRODUCTION

Objective

1. The objective of this Standard on the Statement of operation is to prescribe the basis for the government's presentation of the Statement of operation in order to meet the goal of government accountability as established by laws and regulations.

2. The purpose of statement of operationing is to provide information about the financial operational activities reflected in revenues-LO, expenses, and the operating Surplus/Deficit of a reporting entity.

Scope

3. This Standard is applied to the presentation of the Statement of operation.

4. This Standard applies to all reporting entities and accounting entities, both for central and local government, in preparing an Statement of operation that describes the revenue-LO, expenses, and operating Surplus/Deficit in a particular reporting period, excluding state/local owned enterprises.

BENEFITS OF THE STATEMENT OF OPERATION INFORMATION

5. The Statement of operation provides information on all financial operational activities of the reporting entity reflected in revenue-LO, expenses, and the operating surplus/deficit of a reporting entity the presentation of which is compared with the previous period.

6. Report users require the Statement of operation in evaluating the revenue-LO and expenses for running a unit or entire government entity. Thus the Statement of operation provides information:

(a) Regarding the amount of burden that must be borne by the government to provide services;

(b) Regarding overall financial operations that are useful in evaluating the government's performance in terms of efficiency, effectiveness, and economocality in the acquisition and use of economic resources;

(c) That is useful in predicting revenue-LO that will be received to finance central and local governments activities in the coming period by presenting a comparative report;

(d) Regarding a decrease in equity (if there is an operating deficit), and an increase in equity (if there is an operating surplus).

7. The Statement of operation is prepared to complete the reporting of full accrual accounting cycle. Thus the preparation of the Statement of operation, Statement of Changes in Equity, and the Balance Sheet have a relationship that can be accounted for.

DEFINITIONS

8. The following terms are used in this Standard:

<u>Gross Principle</u> is the principle that does not permit the recording of revenue net of expenses for an organizational unit or does not permit the recording of revenue after compensation between revenue and expenditure.

<u>Financial Aid</u> is the burden of the government in the form of cash grants to other governments which are used for the equalization and / or enhancement of financial capacity.

<u>Social Aid</u> is the transfer of money or goods given to the public in order to protect from the possibility of social risks.

<u>Accrual Basis</u> is the basis of accounting that recognizes the effects of transactions and other events when the rights and/or liabilities arise.

<u>Expense</u> are decreases in economic benefits or service potential in the reporting period that decreases equity, which can be either expenditure or consumption of an asset or the incurrence of liabilities.

<u>Grants Expense</u> are government expense in the form of cash/goods or services to other governments, state/local owned enterprises, communities and civil society organizations, that have the characteristic of being non mandatory and non binding.

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

<u>Transfer Expense</u> is an expense that has the form of an expenditure of money or a liability to spend money from one reporting entity to another reporting entity as required by laws and regulations.

Accounting Entity is a unit of government as a budget user/user of goods and is therefore obligated to conduct accounting and prepare financial statements to be combined with the reporting entity.

Reporting Entity is a government unit consisting of one or more accounting entities or reporting entities which according to the provisions of laws and regulations are required to submit accountability reports in the form of financial statements.

Grant Revenue is government revenue in the form of cash/goods or services from other governments, state/local owned enterprises, communities and civil society organizations, that has the charcteristics of being non-mandatory and non-binding.

Revenue-LO is the right of the central/local government which is recognized as an addition to equity in the period of the budget year in question and does not need to be repaid.

Transfer Revenue is revenue in the form of cash receipts or the right to receive money by the reporting entity from other reporting entities which is required by laws and regulations.

Extraordinary Item is an extraordinary revenue or extraordinary expense arising from an event or transaction that does not form part of normal operations, is not expected to occur frequently or regularly and is outside the control or influence of the entity concerned.

Subsidy is a government expense provided to certain enterprises/ organizations that aims to assist the cost of production so that the selling price of the products/services produced is accessible to the public.

Surplus/Deficit from Operational Activities is the surplus/deficit between-operating revenue and expenses during the reporting period.

Surplus/Defici -LO is the difference between revenue-LO and expenses during the reporting period, after deducting the surplus/deficit from non-operating activities and extraordinary items.

Gain/Loss on Sale of Asset represents the difference between the book value of assets to the selling price of the asset.

REPORTING PERIOD

9. Operating Statements are presented at least once a year. In certain circumstances, if an entity's reporting date changes and the annual Operating Statements are presented with a period shorter than one year, an entity shall disclose the following information:

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

(b) the fact that comparative amounts in the Statement of operation and related notes are not comparable.

10. The benefits of Statement of operation are reduced if the report is not made available on time. Factors such as the complexity of government operations cannot justify the reporting entity's inability to present financial reports on time.

THE STATEMENT OF OPERATION STRUCTURE AND CONTENT

11. The Statement of operation presents various elements of revenue-LO, expenses, surpus/deficit from operating activities, surpus/deficit from non-operating activities, surpus/deficit before extraordinary items, extraordinary items, and surpus/deficit-LO, which are necessary for a fair comparative presentation. The Statement of operation are further disclosed in the Notes to the Financial Statements which contain matters related to financial activities during the year such as fiscal and monetary policies, as well as lists that further detail the figures deemed necessary to be explained.

12. In the Statement of operation the following information should be clearly identified and, if necessary, be repeated on each page of the report:

(a) the name of the reporting entity or other means of identification;
(b) the scope of the reporting entity;
(c) the period covered;
(d) the reporting currency; and
(e) unit of numbers.

13. The Structure of the Statement of operation includes the following items:

(a) ***Revenue-LO***
(b) ***Expense***
(c) ***Surplus/Deficit from operations***
(d) ***Non operating activities***
(e) ***Surplus/Deficit before Extraordinary Items***
(f) ***Extraordinary Items***
(g) ***Surplus/Deficit-LO***

14. Additional information in the Statement of operation includes posts, titles, and other sub amounts as required by Government Accounting Standards, or when such presentation is necessary to present Operating Statements fairly.

15. A sample format for the Statement of operation are presented in the illustration PSAP 12.A, 12.B PSAP and PSAP 12.C of this Standard. The illustration is an example and is not part of the Standard. The purpose of this illustration is to describe the application of the Standard to assist in clarifying its meaning.

INFORMATION PRESENTED IN THE STATEMENT OF OPERATION OR IN THE NOTES TO FINANCIAL STATEMENT

16. The reporting entity presents revenue-LO classified according to the source of revenue. Further details of the source of revenue is presented in the Notes to the Financial Statments.

17. The reporting entity presents expenses classified according to expense type classification. Expenses based on the organization classification and other classifications which are required pursuant to the provisions of laws and regulations, are presented in the Notes to the Financial Statements.

18. Classification of revenue-LO according to source of revenue or expenses according to economic classification, is in principle, a classification that uses the same basic classification, that is, based on type.

REVENUE-LO

19. Revenue-LO is recognized at the time:

(a) The emergence of right to revenue;

(b) Revenue is realized, that is, there is an inflows of economic resources.

20. Revenue-LO that is obtained based on statutory regulations is recognized when the right to collect revenue arises.

21. Revenue-LO that is obtained in exchange for a service that has been rendered based on statutory regulations, is recognized when the right to collect compensation arises.

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 the source of revenue.

24. Classification according to revenue sources for the central government is grouped based on the type of revenue, i.e. taxation revenue, non-taxation revenue and grant revenue.

25. Classification according to revenue sources for local governments is grouped according to the source and type of income, i.e, local source revenue, transfers revenue, and other legal revenue. Each of these revenues are classified according to the type of revenue.

26. Accounting for revenue-LO is conducted based on the gross principle, that is recording gross revenue, and not recording net amounts (after being compensated by expenses).

27. In terms of the amount of a deduction from gross revenue-LO (charge) that is variable against the revenue, 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 referring to the laws and regulations governing the public service agencies.

29. Normal and recurring returns on revenue-LO in the period of receipt or in previous periods are recorded as a deduction of revenue.

30. Non-recurring corrections and returns on revenue-LO that occur in the period where the revenue is received recorded as a deduction of revenue in the same period.

31. Non-recurring corrections and returns of revenue-LO that occurred in the previous period are recorded as a deduction for equity in the period the corrections and refund were found.

EXPENSES

32. Expenses are recognized when:
(a) A liability emerges;
(b) Assets are consumed;
(c) There is a decline in economic benefits or potential services.

33. Liabilities arise at the time rights are transferred from other parties to the government without the subsequent release of cash from the State/local general treasury. For example, telephone and electricity bills that have not been paid by the government.

34. Consumption of asset is defined as when cash is disbursed to other parties that are not preceded by the emergence of liabilities and/or the consumption of non-cash assets in the operational activities.

35. A decrease in economic benefits or potential service occurs when the value of an asset is impaired due to the use of the relevant asset/the passage of time. An examples of decreases in economic benefits or potential service is depreciation or amortization.

36. In the case of public service agencies, expenses are recognized with reference to the laws and regulations governing the public service agency.

37. Expenses are classified according to economic classification.

38. Economic classification in principle group based on type of expenses. The economic classification for the central government are: employee expenses, goods expenses, interest expenses, subsidies expenses, grants expenses, social assistance expenses, fixed asset depreciation/amortization expenses, transfers expenses, and other expenses. The economic classification for local government consists of: employee expenses, goods expenses, interest expenses, subsidies

expenses, grants expenses, social assistance expenses, fixed asset depreciation/ amortization expenses, transfers expenses, and unexpected expenses.

39. Depreciation/amortization can be conducted using various methods that can be categorized into:
(a) Straight line method;
(b) Double declining balance method;
(c) Unit of production method.

40. Tranfers Expenses are expenses in the form of spending money or an obligation to spend money from a reporting entity to another reporting entity as required by laws and regulations.

41. Corrections to expenses, including the receipt of repaid expenses, which occur during the period, are recorded as a reduction of expenses in the same period. If cash received in a future period, the correction to expenses is recorded in other revenue. In the event that this results in an addition to expenses then a correction to equity is made.

SURPLUS/DEFICIT FROM OPERATING ACTIVITIES

42. Surplus from operating activities is surplus between revenues over expenses during a reporting period.

43. The deficit from operating activities is deficit between revenues over expenses during a reporting period.

44. Any surplus/deficit between revenues and expenses during a 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 surplus/deficit between the surplus/deficit from operating activities and 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 operation 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 amount of an extraordinary item must be disclosed in the Notes to the Financial Statements.

SURPLUS/DEFICIT

51. Surplus/Deficit-LO is sum of the surplus/deficit from operations activites, surplus/deficit from 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 TRANSACTION

53. Transactions in foreign currencies are recognized in rupiah.

54. In the case of available funds in a foreign currency equal to that used in a transaction, then the transaction denominated in a foreign currency is accounted for by being translated into rupiah uising the middle of the central bank exchange rate prevailing on the date of the transaction.

55. In the absence of available funds in foreign currencies used in the transaction and the foreign currency is purchased in rupiah, then the foreign currency transaction is recorded in rupiah based on the transaction exchange rate, i.e. in the amount of rupiah that is used to obtain the foreign currency.

56. In the absence of available funds in foreign currency used for transactions and foreign currency purchased with foreign currency, then:

(a) Foreign currency transactions in foreign currencies are translated at the exchange rate of the transaction.
(b) Transactions in other foreign currencies are recorded in rupiah based on the central bank middle rate at the transaction date.

REVENUE-LO AND EXPENSE TRANSACTIONS IN THE FORM OF GOODS/SERVICES

57. Revenue-LO and expense transactions in the form of goods/services should be reported in the Statement of operation by way of estimating the fair value of the goods/services at the transaction date. In addition, such transactions must also be disclosed in such a way in the Notes to the Financial Statements so as to provide all the relevant information regarding the form of the revenue and expenses.

58. Revenue and expenses transactions in the form of goods/services include, among others, grants in the form of goods, booty, and consulting services.

EFFECTIVE DATE

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

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

(Ilustration SGAS 12.A)

CENTRAL GOVERNMENT

STATEMENT OF OPERATION

For the Periods Ending Dec 31, 20x1 and 20x0

(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 Acquision 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	**Grant:**				
20	Grant Revenue				
21	**Total Grant Revenue (20)**	xxx	xxx	xxx	Xx
22	**Total Revenues (11+17+21)**	**xxx**	**xxx**	**xxx**	**Xx**
23					
24	**Expenses:**				
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 - 36)**	**xxx**	**xxx**	**xxx**	**xx**
38					
39	**OPERATING SURPLUS/DEFICIT (22-37)**	**xxx**	**xxx**	**xxx**	**xx**
40					
41	**NON OPERATING ACTIVITIES**				
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 - 46)**	**xxx**	**xxx**	**xxx**	**xx**
48	**SURPLUS/DEFICIT BEFORE EXTRAORDINARY ITEMS (39+47)**	**xxx**	**xxx**	**xxx**	**xx**
49					
50	**<u>EXTRAORDINARY ITEMS:</u>**				
51	Eextraordinary 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**

(Ilustration SGAS 12.B)

PROVINCE GOVERNMENT

STATEMENT OF OPERATION

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	Operating Activities:				
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 - 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 - 14)**	**xxx**	**xxx**	**xxx**	**xx**
16					
17	**Other Central Government Transfer**				
18	Special Autonomy Fund	xxx	xxx	xxx	xx
19	Adjusment Fund	xxx	xxx	xxx	xx
20	**Total Other Transfer Revenue (18 - 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 - 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 - 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	**Extraordinary Items:**				
56	Eextraordinary 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**

(Ilustration SGAS 12.C)

DISTRICT/CITY GOVERNMENT

STATEMENT OF OPERATION

For the Periods Ending Dec 31, 20x1 and 20x0

(in Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	Operating Activities:				
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 - 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 - 14)**	**xxx**	**xxx**	**xxx**	**xx**
16					
17	**Other Central Government Transfer**				
18	Special Autonomy Fund	xxx	xxx	xxx	xx
19	Adjusment Fund	xxx	xxx	xxx	xx
20	**Total Other Transfer Revenue (18 - 19)**	**xxx**	**xxx**	**xxx**	**xx**
21					
22	**Province Transfer**				
23	Special Autonomy Fund	xxx	xxx	xxx	xx
24	Adjusment Fund	xxx	xxx	xxx	xx
25	**Total Province Transfer Revenues (23 - 24)**	**xxx**	**xxx**	**xxx**	**xx**
26	**Total Transfer Revenue (15+20+25)**				
27					
28	**Other Legal Revenue:**				
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 - 31)**	**xxx**	**xxx**	**xxx**	**xx**
33	**Total Revenues (7+26+32)**	**xxx**	**xxx**	**xxx**	**xx**
34					

1

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	x
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 - 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	xxx	xxx	xxx	xx
55	Deficit from Sales of Noncurrent Assets	xxx	xxx	xxx	xx
56	Deficit from Longterm Liabilities	xxx	xxx	xxx	xx
57	Surplus/Deficit from other Non Operating Activities	xxx	xxx	xxx	xx
58	**Total Surplus/Deficit From Nonoperating Activities (53 - 57)**	**xxx**	**xxx**	**xxx**	**xx**
59	**Surplus/Deficit Before Extraordinary Items (50+58)**	**xxx**	**xxx**	**xxx**	**xx**
60					
61	**Extraordinary Items:**				
62	Eextraordinary 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*

Table of Content

STATEMENT NO. 13

PRESENTATION OF PUBLIC SERVICE AGENCY FINANCIAL STATEMENT

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

1. In accordance with Law No 1 of 2004 State Treasury, in order to improve services to the public, the working unit can be set to implement a Public Service Agency's financial management. The working unit are given flexibility of its financial management by applying business practices to improve their services without profit orientation, do their activities with efficient and productive principles. The working unit provide public services, such as providing goods/services, managing special fund, and managing an area.

2. In accordance with the regulation, a working unit which implementing a Public Service Agency's financial management, are given flexibility of its financial management, among others revenue and expenditure management, cash management, debt management and payable or receivables management, investment and procurement of goods/services management, the opportunity to employ a professional/non civil servants, and the opportunity to give remuneration to the employee based on their contribution.

Objective

3. This statement is to regulate the presentation of Public Service Agency's financial statement in order to enhance the comparability of budget, periods, or to other Public Service Agency. 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.

Scope

4. ***In general, accounting standards for the Public Service Agency refers to the entire of Statement of Government Accounting Standards, unless stipulated separately in this statement.***

5. ***Public Service Agency (PSA) is an institution in the Central/local government that manage an unseparated equity of Central/local government. As a government agency, Public Service Agency applies this standards to prepare its financial statement.***

ACCOUNTING ENTITY/REPORTING ENTITY

6. ***Public Service Agency is a reporting entity because of it is a services working unit, though Public Service Agency have no legal statue that manages the separated Central/local government equities, it has following characteristics:***

(a) ***Funding of the entity is part of state/local bugdet;***
(b) ***the entity is formed by statutory regulation;***
(c) ***the chief of the entity is officially appointed;***
(d) ***The entity is accountable both directly to the accounting/reporting entity that control the entity and indirectly to representative as the party that approves the budget;***
(e) ***has an authority in financial management, including the use of their revenue, cash management, investment and loans based on regulations;***
(f) ***providing their services to the public/third parties;***
(g) ***managing their resources which are separate from their accounting/ reporting entities;***
(h) ***has a significant influence in the achievement of the government program; and***
(i) ***audited and provided with the opinion to the financial statement by external auditor.***

7. ***As the receipient of the State/local budget, Public Service Agency is an accounting entity, whose financial statements are consolidated in the accounting/reporting entity that organically oversee it.***

DEFINITIONS

8. ***Public Service Agency, is an agency in the central/local government and formed to provide services to the public in the form of the provision of goods and/or services that are sold without prioritizing profit and carrying their activities are based on efficiency and productivity.***

9. ***Public Service Agencie's Financial Statements is an accountability that is presented in the form of Budget Realization Statement, Statement of Changes in Remaining Budget, Balance Sheet, Statement of Operation, Statement of Cash Flows, Statement of Changes in Equity, and Notes to Financial Statements.***

OBJECTIVES OF PUBLIC SERVICE AGENCY REPORTING

10. Public Service Agency financial statements are structured reports on the financial position and transactions carried out by Public Service Agency. The general purpose of Public Service Agency financial reports is to present information regarding the financial position, budget realization, remaining budget, cash flows, operating report, and changes in equity of Public Service Agency that is useful to

users in making and evaluating decisions about the allocation of resources. Specifically, the purpose of Public Service Agency financial reports is to provide useful information for decision-making and to demonstrate the reporting entity's accountability for the resources entrusted to it, by providing:

(a) information about the position of the Public Service Agency's economic resources, liabilities, and equity;
(b) information on the changes in the position of Public Service Agency's economic resources, liabilities, and equity;
(c) information about the source, allocation and use of economic resources;
(d) information on conformity of the realization to the budget;
(e) information about the way the reporting entity funds its activities and meet its cash requirements;
(f) information on the Public Service Agency's potential to finance the implementation of the Public Service Agency's activities; and
(g) useful information for evaluating the ability of the reporting entity to finance its activities.

RESPONSIBILITY FOR PUBLIC SERVICE AGENCY FINANCIAL REPORTING

11. The responsibility for the preparation and presentation of financial reports lies with the leadership of Public Service Agency or officially appointed.

COMPONENTS OF PUBLIC SERVICE AGENCY FINANCIAL REPORTS

12. ***Components of Public Service Agency's financial reports consist of:***

(a) ***Statement of Budget Realization;***
(b) ***Statements of Changes in the Remaining Budget;***
(c) ***Balance Sheet;***
(d) ***Statements of Operation;***
(e) ***Statement of Cash flow;***
(f) ***Statement of Changes in Equity; and***
(g) ***Notes to the Financial Statements.***

13. The Public Service Agency's financial report provide information about the economic resources and liabilitied at the reporting date and the flow of economic resources during the current period. This information is required by users to assess the economic capacity of the Public Service Agency's activities in the future.

STRUCTURE AND CONTENT

Introduction

14. This Standard requires certain disclosures on the face of financial statements, requires disclosure of the other items on the face of the financial statements or in the Notes to the Financial Statements.

Reporting Period

15. The Public Service Agency's financial reports are presented at least once a year.

Timeliness

16. The usefulness of financial reports is reduced if the report is not available to users within a certain period after the reporting date. Factors, such as the complexity of the operation of Public Service Agency are not adequate reasons for the failure of timely reporting.

STATEMENT OF BUDGET REALIZATION

17. ***Statement of Budget Realization provides information of revenue-LRA, expenditure, budget surplus/budget deficit, financing and remaining budget, each of which is compared with its budget in the period.***

18. ***Public Service Agency's Statement of Budget Realization present at least the following elements:***

(a) ***revenue-LRA;***
(b) ***expenditure;***
(c) ***budget surplus/deficit;***
(d) ***financing receipt;***
(e) ***financing disbursement;***
(f) ***net financing; and***
(g) ***the budget surplus / budget deficit.***

19. ***Revenues which self-managed by Public Service Agency and are not deposited to the State/local treasurer are the state/local revenue.***

20. Working units that implemented Public Service Agency's financial management are given flexibility in the implementation of the budget, including revenue and expenditure management, cash management, and procurement of goods/services. One of the flexibility in the revenue management is the use of their revenue directly to finance their expenditure. Revenue that finance their expenditure means that the Public Service Agency's revenue are not deposited prior to the State/local general treasurer. Each revenue and expenditure are reported to the unit that has the function of a treasurer for approval or endorsement.

21. ***Revenue-LRA on Public Service Agency recognized when cash received authorized as income by the unit which has a treasurer functions.***

22. Government may set a mechanism of revenue-LRA recognition in accordance with the government regulation. For example, the government set a mechanism of cash revenue when the revenue is submitted to the State/local general treasurer.

23. In terms of Public Service Agency's revenue treasurer is part of State/local general treasurer, revenue-LRA recognized when cash is received.

24. ***Accounting for revenue-LRA is carried out on the basis of gross principle by recording gross receipts, and not recording the net amount (that is, offset against expenditures).***

25. ***In the event that the amount of deduction from gross revenue-LRA is variable against the revenue and cannot be budgeted in advance because the process has not been completed, then the gross principle can be excluded.***

26. ***Revenue from Joint Operation are recognized on the net basis, excluding parties revenue sharing.***

27. ***Cash transfer from the current year revenue-LRA are recognized as deduction in the budget surplus/budget deficit and adding budget surplus/budget deficit of central/local government.***

28. ***Cash transfer from the prior revenue-LRA are recognized as deduction in the remaining budget and increasing the central/local remaining budget.***

29. ***Revenue-LRA in Public Service Agency are classified by types of income.***

30. ***Revenue-LRA in Public Service Agency are non-tax revenue.***

31. ***Included in non-tax revenue in the Public Service Agency are:***

(a) ***service revenue from public;***
(b) ***service revenue from accounting/reporting entity;***
(c) ***revenue from joint operation;***
(d) ***cash revenue from grant; and***
(e) ***other revenue.***

32. Service revenues from public referred to paragraph 31 (a) is a consideration from rendering of services to public.

33. Service revenue from accounting/reporting entities referred to paragraph 31 (b) is a consideration from rendering of services to neither accounting/reporting

entities which consolidate nor consolidate Public Service Agency financial statement.

34. Revenue from joint operation referred to paragraph 31 (c) is revenue from joint operation, leases, and others that support Public Service Agency's function.

35. Cash revenue from grant referred to paragraph 31 (d) is revenue from public or other agencies in cash, with no obligation for Public Service Agency to deliver goods/services.

36. Other revenue referred to paragraph 31 (e), among others, such as:
(a) proceed from unseparated managed assets sales;
(b) interest service account;
(c) interest income;
(d) gain on foreign currencies; and/or
(e) commissions, discounts or other forms as a result of sale and/or good procurement and/or services.

37. Goods/services in the grant revenue are not reported in the Statement of budget realization because of revenue-LRA recognized in cash basis. Goods/services in the grant revenue are reported in the Statement of operation.

38. Examples of service revenue from accounting/reporting entities referred to paragraph 31 (b) among others, Universities which managed by Public Service Agency, receive revenue from student who are funded from ministry/institution/local working unit.

39. ***Public Service Agency's expenditure is recognized when the cash disbursements authorized by the unit that have a general treasury functions.***

40. Public Service Agency's expenditure are classified by economic, organization, and function classification.

41. Economic classification for Public Service Agency's expenditure are personel, goods, and capital expenditures.

42. ***The surplus from revenue-LRA and expenditure during the reporting period is recognized as surplus/deficit-LRA.***

43. Financing transaction may occured in Public Service Agency which has a borrowing transaction and/or long-term investment. Financing revenue on Public Service Agency recognized when long-term loans are received and/or long-term investments are divested. Meanwhile, financing expenditure recognized when long-term loan repayment and/or long-term investment expenditure occured.

44. ***Financing receipt on Public Service Agency recognized when cash receipt from financing are authorized by the unit that have a general treasury functions.***

45. ***Financing disbursement on Public Service Agency recognized when cash disbursement from financing are endorsed by unit that have a general treasury functions.***

46. ***Additional of principal investment from Public Service Agency's revenue are recognized as financing disbursement.***

47. ***Any surplus/deficit between financing receipt and financing disbursement during the reporting period are recorded in net financing.***

48. ***Any surplus/deficit between revenue-LRA and expenditure, and between financing receipt and financing disbursement during the reporting period are recorded as a surplus/deficit after budget financing.***

49. ***If the Public Service Agency received budget allocation from accounting/reporting entity, Public Service Agency prepare the statement of Statement of Budget Realization as an accounting/reporting entity that allocates the budget.***

50. Budget allocation which received by Public Service Agency as referred to paragraph 49 is not related to render services to the reporting entity, i.e, Public Service Agency which received a revolving fund allocation from ministries/institution/local government/local working unit.

51. Statement of Budget Realization as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to describe the application of this standards in preparing financial report.

STATEMENTS OF CHANGES IN THE REMAINING BUDGET

52. ***The Statement of Changes in the Remaining Budget presents increasing or decreasing remaining budget in the current period compared with the prior period.***

53. ***The Statement of Changes in the Remaining Budget present comparative information with the prior period of the following items:***

(a) ***Opening remaining budget;***

(b) ***Use of the Remaining Budget;***

(c) ***Budget Surplus/Budget Deficit current year;***

(d) ***Correction of accounting errors in the prior year;***

(e) ***Others; and***

(f) ***Closing remaining budget.***

54. ***Public Service Agency also preparing details the Statement of Changes in the Remaining Budget in the Notes to the Financial Statements.***

55. Statement of Changes in the Remaining Budget as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to describe the application of this standards in preparing financial report.

BALANCE SHEET

56. ***Balance Sheet describes the financial position of a reporting entity regarding the assets, liabilities and equity at a specific date.***

57. ***Public Service Agency Balance Sheet present in comparation with the previous period, the following items:***
(a) ***Cash and cash equivalents;***
(b) ***Short-term investments;***
(c) ***Receivables from Public Service Agency's activities;***
(d) ***Inventories;***
(e) ***Long term investments;***
(f) ***Fixed assets;***
(g) ***Other assets;***
(h) ***Short-term liabilities;***
(i) ***Long-term liabilities; and***
(j) ***Equity.***

58. Cash and cash equivalents in the Public Service Agency's balance sheet are represent cash derived from Public Sector Agency's revenue either has or has not been recognized by the unit that have a general treasury functions.

59. ***Cash which already recognized by general treasury functions is part of the Remaining Budget.***

60. In the context of calculation between cash balance and the remaining budget balance, Public Service Agency has to be able to identify the cash balance from its revenue that has been recognized by the unit that have a general treasury function.

61. According to the characteristic, Public Service Agency can manage the cash that is not belong to them and/or the remaining investment fund from State/local budget.

62. ***Cash that is not belong to Public Service Agency are recognized as cash and cash equivalents.***

63. The cash referred to paragraph 62, among others:
(a) Third party fund;
(b) Reserved fund; and
(c) Advance payment for hospital patients.

64. ***Cash originating from the remaining of the Central/local budget investment funds is recognized as other assets.***

65. ***Cash transfer to the Central/local government from prior revenue or current revenue are recognized as decreasing in their equities and recognized as increasing in the Central/local government equities.***

66. In accordance with the statutory regulation, Public Service Agency should not make a long-term investments unless with the approval from the Minister of Finance or the Governor/Regent/Mayor. These long-term investment consists of a permanent and non-permanent investment.

67. Permanent Investments in Public Service Agency include, among others in the form of equity participation.

68. Non-permanent Investment among others as follows:
(a) Loan Investment to other parties;
(b) Revolving fund Investments; and
(c) Other non-permanent investments.

69. ***Although the ownership of Public Service Agency's investment are in the State/local General Treasurer, the investment are reported in the Public Service Agency's Financial Statement. The accounting treatment of the investment is consistent with the statue as a reporting entity, where the Public Service Agency use their all economic resources in implementing their functions in rendering services to public should be reported in their financial statements.***

70. As owner of investment, State/local general treasurer also report the Public Service Agency's investment in their financial statements.

71. Balance Sheet as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to describe the application of this standards in preparing financial report.

STATEMENT OF OPERATION

72. ***The Statement of operation presents an economic resources and their uses that increase or decrease an entity's equity from their activities that are managed by state/local government in the reporting period.***

73. ***Public Service Agency's Statement of Operation include items as follows:***
(a) Revenue-LO;
(b) Expense;
(c) Surplus/deficit from operating activities;
(d) Non-operating activities;
(e) Surplus/deficit before extraordinary Items;
(f) Extraordinary Items; and
(g) Surplus/deficit -LO.

74. ***Revenues-LO are classified according to source of revenues, consists of:***

(a) Revenue from the State/local budget allocation;

(b) Revenue from rendering of services to the public;

(c) Revenue from rendering of services to the accounting/reporting entities;

(d) Revenue from joint operation;

(e) Revenues from cash/goods/services grants; and

(f) Other revenue.

Details of revenues are presented in the Notes to Financial Statements.

75. Public Service Agency's expense are classified by the type of expense. Another classification which required by regulation, are presented in the Notes to Financial Statements.

76. ***Revenue-LO on Public Service Agency are recognized when:***

(a) ***The emergence of right to revenue;***

(b) ***Revenue is realized, that is, there is an inflows of economic resources.***

77. Revenue-LO on Public Service Agency which is acquired from rendering of services in accordance with the regulation, is recognized when the right arises to collect revenue.

78. Revenue-LO on Public Service Agency that recognized when realized is the right that has been received by the Public Service Agency without any prior billing.

79. ***Revenue-LO on Public Service Agency is non-tax revenue.***

80. ***Accounting for revenue-LO is carried out based on the gross principle by recording gross receipts, and not by recording the net amount (after being compensated by expenditures).***

81. ***The gross principle can be exempted in the event the amount of a deduction against gross revenue-LO to the revenue is variable and can not be budgeted for in advance because the not been completed, then the gross principle can be excluded.***

82. ***Revenue from Joint Operation are recognized on the net basis, excluding parties revenue sharing.***

83. ***Expenses on Public Service Agency are recognized when:***

(a) ***A liability emerges;***

(b) ***Assets are consumed; and/or***

(c) ***There is a decline in economic benefits or service potential.***

84. Liabilities arise at the time rights are transferred from other parties to Public Service Agency without any cash outflow.

85. Consumption of asset is defined as the time cash disbursed to other parties that are not preceded by the emergence of liability and/or the consumption of non-cash assets in the operational activities of the Public Service Agency.

86. The decrease in economic benefits or potential services occurs when the value of an asset is decreased due to the use of asset/the passage of time. Example of decreases in economic benefits or potential services are depreciation or amortization.

87. ***Expenses on Public Service Agency are classified according to economic classification.***

88. Economic classification for Public Service Agency are employee expense, goods expense, allowance expense and depreciation expenses of fixed assets/amortization.

89. The Statement of Operation as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to illustrate application of this standards in preparing financial report.

CASH FLOW STATEMENT

90. ***The Statement of Cash Flow in the Public Service Agency present an information about the source, uses of, changes in cash and cash equivalents during the accounting period, and the balance of cash and cash equivalents at the reporting date.***

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

Operating Activities

92. Cash inflows from operating activities are primarily from:

(a) Revenue from State/local budget allocation;
(b) Revenue from rendering of services;
(c) Revenue from rendering of services to the accounting/reporting entities;
(d) Revenue from joint operation;
(e) Revenues from cash/goods/services grants; and
(f) Other PSA revenue.

93. Cash outflows from operating activities are primarily use to:

(a) Payment to Public servant;
(b) Payment of goods;
(c) Interest payment; and
(d) Other payments/Extraordinary Events,

Investing Activities

94. Investing activities are cash receipts and disbursements intended to the acquisition and disposal of fixed assets and other investments,excluding short-term investments and cash equivalents.

95. Cash flow from investing activities reflects the gross cash receipts and disbursements in the context of the acquisition and disposal of economic resources that aim to enhance and support Public Service Agency's services to the community in the future.

96. Cash inflows from investing activities, among other consist of:
(a) Sale of Fixed Assets;
(b) Sales of Other Asset;
(c) Proceeds from divestment; and
(d) Sales of Investments in Securities.

97. Public Service Agency's investments can come from their revenue and Central/local budget. Proceeds from divestment as referred to paragraph 96 (c) and Sales of Investments in Securities as referred to paragraph 96 letter (d) are receipts from divestment and sale of investments that come from their revenue and investment from Central/local budget.

98. Cash outflow from investing activities, among other consist of:
(a) Acquisition of Fixed Assets;
(b) Acquisition of other assets;
(c) Equity participation;
(d) Purchase of Investments in the form of securities; and
(e) Acquisition of other long-term investments;

99. Equity participation as referred to paragraph 98 (c), purchase of investments in the form of securities referred to paragraph 98 (d), and the acquisition of other long-term investments as referred to paragraph 98 (e) are expenditure from divestment and the purchase of investments that come from their revenue and investment expenditure that come from Central/local budget.

Financing Activities

100. Financing activities are cash receipt and disbursement activities related to the provision of long-term receivable and/or repayment of long-term debt that result in a changes in the amount and composition of long-term receivable and long-term debt.

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

102. Cash inflow from financing activities, among others:
(a) Receipt from loans; and
(b) Receipt from Central/local budget allocation to be invested.

103. As part of the State government or local governments, Public Service Agency may receive a budget allocation from Central/local government for investment purposes. Cash receipt from Central/local budget that to be invested as referred to paragraph 102 (b) is a revenue from Central/local budget which is presented as managed funds in a group of other assets and long-term liabilities to the State/local general treasurer on the balance sheet.

104. As recognized as liabilities, Public Service Agency must be recognize the fund as cash inflows in financing activities in the Statement of Cash Flows. Conversely, if the Public Service Agency transfer the fund back to the Central/local treasurer, the fund then recognized as an cash outflows in financing activities.

105. Cash outflows from financing activities, among others, including the following:

(a) Payments of loan principal; and
(b) Return of investment from State/local budget to State/local general treasurer.

106. The fund transfer from the State/local budget to the State/local general treasurer as referred to paragraph 105 (b) is a divesment from public .

Transitory Activities

107. ***Transitory activity is the activity of cash receipts and disbursements that are not included in operating, investing, and financing activities.***

108. Cash flow from transitory activity represent gross cash receipts and disbursements that do not affect revenues, expenses, and government financing. Cash flows from transitory activities, among others including Calculation of Third Party (PFK) transactions. PFK is cash received from fund that allocate to third party, such as tax discount.

109. Cash inflows from transitory activities, including PFK receipts.

110. Cash outflows from transitory activities, including PFK disbursements.

111. Statement of Cash Flows as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to describe the application of this standards in preparing financial report

STATEMENT OF CHANGES IN EQUITY

112. ***Statement of Changes in Equity presents the increase or decrease in equity in the current period compared with the previous period.***

113. ***Statement of Changes in Equity at least include items as follows:***

(a) ***Opening balance;***
(b) ***surplus/deficit operational;***

(c) ***Corrections that increase/decrease in equity, which come from the cumulative impacts from changes in accounting policies and error correction, for example:***

1) Error correction of inventory that occurred in prior periods; and

2) Changes in measurement of fixed assets due to fixed asset revaluation.

(d) ***Closing balance.***

114. Public Service Agency present more details the elements of the Statement of Changes in Equity in the Notes to the Financial Statements.

115. Statement of Changes in Equity as presented in this statement are only as illustration and not part of this statement. The purpose of this illustration is to describe the application of this standards in preparing financial report

CONSOLIDATING OF PUBLIC SERVICE AGENCY FINANCIAL STATEMENTS TO THE ACCOUNTING/REPORTING ENTITIES FINANCIAL STATEMENTS

116. ***Public Service Agency's Statement of Budget Realization, Balance Sheet, Statement of operation and Statement of Changes in Equity consolidated in the financial statements of the accounting/reporting entities that oversees them.***

117. ***All Revenues, expenditures, and financing in the Public Service Agency's Statement of Budget Realization are consolidated into Statement of Budget Realization accounting/reporting entities that supervise them.***

118. Based on accounting/reporting entities's characteristics, an entity that is not a Public Service Agency, the statement of budget realization elements consist of revenue and expenditure and it does not consist of budget SURPLUS/DEFICIT and SURPLUS/DEFICIT after budget financing. In case of accounting/reporting entities consolidate their financial statements, the consolidated statement of budget realization refer to the Public Service Agency's statement of budget realization.

119. ***The Statement of Cash Flow is consolidated to entity's report that have a general treasury function.***

120. Transactions which consolidated to the statement of Cash Flow are revenues, expenditures, and financing that has been authorized by an entity that have a general treasury function.

121. The Statement of changes in the remaining budget is not consolidated to the reporting entity's financial report, because the reporting entities doesn't not present the Statement of Changes in the remaining budget including local government.

122. ***The Statement of changes in the remaining budget consolidated to the State/local general treasurer's Statement of changes in the remaining***

budget and consolidated to the reporting entities that prepare consolidated financial statements.

123. ***In order to consolidate the financial statements into the entity's financial statement, the reciprocal accounts such as revenues, expenses, assets and liabilities from the accounting/reporting entities must be eliminated, unless revenues and expenses in the statement of budget realization as stated in paragraph 31 letter (b).***

TERMINATION OF PUBLIC SERVICE AGENCY INTO WORKING UNIT

124. According to the regulation, the government can revoke the statue of Public Service Agency's financial management at the working unit of the ministries/agencies/local authorities.

125. ***In terms of the working unit does not apply the Public Service Agency's financial management, the working unit should prepare financial statements as well as other government accounting entities, and the working unit must prepare financial statements.***

EFFECTIVE DATE

126. ***This Statement Government Accounting Standard (PSAP) is effective for the preparation and presentation of financial statements from period of 1 January 2016.***

(Ilustration SGAS 13.A)

PUBLIC SERVICE AGENCY

STATEMENT OF BUDGET REALIZATION

For the Periods Ending Dec 31, 20x1 and 20x0

(Rupiah)

No	Description	Budget 20x1	Realization 20x1	%	Realization 20x0
1	**<u>Revenue:</u>**				
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 - 6)**	xxx	xxx	xx	xxx
8	**<u>Expenditures:</u>**				
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 - 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 - 22)**	xxx	xxx	xx	xxx
23	**Total Expenditures (14+22)**	xxx	xxx	xx	xxx
24	**Surplus/Deficit (7-22)**	**xxx**	**xxx**	**xx**	**xxx**
25	**<u>Financing:</u>**				
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	**Disbursement:**				
34	**Domestic Financing Disbursement:**				
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 Disbursement (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**

(Ilustration 13.B)

PUBLIC SERVICE AGENCY
STATEMENT OF CHANGES IN THE REMAINING BUDGET
For the Periods Ending Dec 31, 20x1 and 20x0

(rupiah)

No	DESCRIPTION	20X1	20X0
1	**Opening Remaining Budget**	**xxx**	**xxx**
2	Use of Remaining Budget	(xxx)	(xxx)
3	Subtotal (1 - 2)	xxx	xxx
4	Budget Surplus/Budget Deficit (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 Remaining Budget**	**xxx**	**xxx**

(Ilustration 13.C)

PUBLIC SERVICE AGENCY
BALANCE SHEET
Dec 31 20X1 and 20X0

(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	Shorterm 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 - 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 - 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 - 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 - 33)**	xxx	xxx
35	**Total Assets (13+22+27+34)**		
36	**Liabilities:**		
37	**Short term Liabilities**	xxx	xxx
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 terim libilities	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**

(Ilustration SGAS 13.D)

PUBLIC SERVICE AGENCY
STATEMENT OF OPERATION
For the Periods Ending Dec 31, 20x1 and 20x0

(Rupiah)

No	Description	20x1	20x1	Increase/ decrease	%
	Operating Activities:				
1	**Revenue:**				
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	**Expenses:**				
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	**Non Operating Activities:**				
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	**Extraordinary Items:**				
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	**Surplus/Deficit (24+28)**	**xxx**	**xxx**	**xxx**	**xx**

(Ilustration 13.E)

PUBLIC SERVICE AGENCY
STATEMENT OF CASH FLOWS
For the Periods Ending Dec 31, 20x1 and 20x0
Direct Methods

(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 - 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 - 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 - 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 - 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 - 51)**	**xxx**	**xxx**
53	**Cash Outflows:**		
54	Loan Payment	xxx	xxx
55	Provision of Loans to Other	xxx	xxx
56	**Total Cash Outflows (54 - 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**

(Ilustration 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	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*

Table of Content

STATEMENT NO. 14

INTANGIBLE ASSET

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 including recognition, measurement, presentation and disclosure of Intangible Asset.

Scope

2. ***This Standard regulate accounting treatment of recognition, measurement, presentation of intangible asset for the general purpose financial statements.***

3. This standard applies to reporting entity that present central/local government that prepare central/local financial statements, public service agencies financial statements and consolidated financial statements.

4. This Standard does not applies to:

(a) Authority to give a permission by government agencies;
(b) Authority to collect taxes by government agencies;
(c) Intangible Asset available for sale in the normal operation of an entities (recognize as an inventory);
(d) Forest concession rights;
(e) Toll road concession rights;
(f) Concession rights of a region; and
(g) Mining concession and expenditures for exploration, development and mining of mineral, oil, natural gas and other unrenewable resources.

DEFINITIONS

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

<u>Intangible Asset</u> is non monetary asset that can be identified and it have not a physical substance, owned to produce goods and services or other purpose include intellectual rights.

<u>Amortization</u> is the systematic allocation of the depreciable amount of intangible asset over its usefull life

***Useful life* is:**

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

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

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

<u>Research</u> is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding

<u>Development</u> is the application of research finding or other knowledge to plan or design for production of new substantial improved materials, devices, products, processes, systems or services before the start of commercial production or use.

<u>License</u> is written permission given by the copyright holder or rights owner to other party to carry out economic rights to the rights or products rights in a certain condition.

<u>Franchise</u> is exclusive right owned by individuals or entities to business system with trademarks in order to selling goods and/or services under the business's name and/or used by other party base on franchise agreement.

<u>Copyright</u> is exclusive right of the originator that arises automatically base on the declarative principle after the creation formed to the real without reducing restriction in accordance with the regulation.

<u>Patent</u> is exclusive right given by state to the inventor based on the invention in technology for a certain period to implement the invention or approve to other party to implement the invention.

TYPES OF INTANGIBLE ASSET

6. Intangible asset that is owned and/or controlled by government can be distinguished by types of resources, acquisition and useful life.

7. Based on types of resources, intangible asset can be divided into:

(a) Computer software, which can be stored in various media such as flash disk, compact disk, diskette, ribbon, and other storage media. Computer software categorized as intangible asset if the software is not an integral part of computer hardware.

(b) License and franchise*;*

(c) Patent and copyright;

(d) Output of studies/developments that provide longterm benefits;

(e) Intangible heritage assets;
(f) Intangible asset in progress.

8. Based on acquisition, intangible asset can be from:
(a) Purchase;
(b) Internal development;
(c) Exchange;
(d) Cooperation;
(e) Donation/grant;
(f) Intangible heritage assets.

9. Based on useful life, intangible asset divide into:
(a) Finite life;
(b) Indefinite life.

RECOGNITION

10. ***An Intangible Asset shall be recognized only:***
(a) ***Can be identified;***
(b) ***Controlled or owned by an entity;***
(c) ***It is probable that the expected and future economic and social benefit or service potential to the asset will flow to the entity; and***
(d) ***Cost or fair value can be measured reliability.***

IDENTIFIABLE

11. Intangible asset can be identified if:
(a) Separable, an intangible asset can be separated or distinguished from another asset; or
(b) Acquired from binding arrangement, such as contractual rights or other legal rights, regardless of whether those rights can be transferred or separated from the entity or from other rights and obligations

12. The separable criteria, should be used carefully because of the acquisition of assets in an entity sometimes occured in a jointly with other asset. If intangible asset acquired jointly with other asset, the transaction may also include the transfer of legal rights that allows the entity to obtain future benefits. In such cases, the entity must identify the intangible asset. Intangible asset usually can be separated with other asset such as patents, copyrights, trademarks and franchises.

13. As an illustration, an entity purchases a hardware, software and modules for certain activities. As long as software can be separated from related hardware and provides future benefits, then software is identified as intangible asset. Conversely, in the case of software can not be separated from related hardware, for

example, without that software, the computer hardware can not operated, then the software can not be identified as intangible asset but recognized as part of computer (device and machinery). However, if the software can be separated from hardware, it can be recognized as intangible asset. For example, software can be installed on some hardware and hardware can still be run without depending on that software, then the software recognized as intangible asset.

CONTROL

14. Without the abilitiy to control asset, the resources can not be recognized as asset of an entity. An entity controlled an asset if the entity has the ability to obtain future benefits from that asset and may restrict other party to obtain economic benefits from these assets. The ability to control these assets generally base on legal documents from authorized institutions, however, this legal documents is not a prerequisite that must be fulfilled because there may be still other means by which the entity controls the rights.

FUTURE ECONOMIC AND SOCIAL BENEFITS

15. In general, characteristics of asset are their ability to provide future economic benefits and potential services. Economic benefits can result in inflow from cash, cash equivalent, goods or services. Services attached to assets may provide benefit to government in the form of non cash or goods namely social benefits, for example, the improving public service by government as one of the main objectives of government or increasing the efficiency of implementing government activity.

16. Future economic benefit from intangible asset can be in the form of income from sale of goods or services, cost saving and efficiency, and other such as revenue from leasing, licence or other benefits from use of intangible asset. Social benefit can be in the form of increasing in service or output quality, faster service process or decrease in the number of resources needed to carry out a task and function.

RECOGNITION OF INTERNALLY GENERATED INTANGIBLE ASSET

17. To asses whether an internally generated intangible asset meet the criteria for recognition, an entity classify the internally generation into two phases:

(a) A research phase; and

(b) A development phase.

18. ***Expenditure for research/research activities can not be recognized as intangible asset. These expenditure should be recognized as an expenses when they occured.***

19. In the research phase of internal activities, an entity has not been able to prove that an intangible asset already exists and will generate probable future economic benefits. Therefore, this expenditure recognized as expense when they occurred.

20. Examples of research/research activities are:

(a) An activities that aimed to acquiring a new knowledge;

(b) The search for evaluation and final selection of an application of a research or other knowledgement;

(c) The search for an alternative such as materials, devices, products, processes, systems or services;

(d) The formulation, design, evaluation and final selection to a possible alternatives for new or improved material, devices, products, processes, systems and services.

21. ***An intangible asset arising from development (or from the development phase of an internally project) shall be recognized if and only if, an entity (government) can demonstrate all of the following:***

(a) ***The technical feasibility of completing intangible asset so that it will be available for use;***

(b) ***The intention to complete the intangible asset and use it;***

(c) ***The ability to use and utilize intangible asset;***

(d) ***Future economic and/or social benefit;***

(e) ***The availability of adequate technical, financial and other resources to complete the development and to use or utilization the intangible asset.***

(f) ***The ability to measure reliably the expenditure attributable to the intangible asset during its development.***

22. In the development phase of internal project, in some instances, identify an intangible asset and demonstrate that the asset will generate probable future economic benefits. This is because the development phase of a project is further advanced than research phase. However, whether the result of this development generate of intangible asset or not, it must first meet the intangible asset criteria.

23. ***Expenditures for development activities are capitalized as intangible asset.***

24. Examples of development activities:

(a) Design, construction and testing of pre-production of prototype or models;

(b) Design, construction and operation of pilot plant or operation that is not of a scale of economically feasible for commercial production;

(c) Design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services.

25. ***If an entity/government can not distinguish between research phase and development phase in the internal project/activities, the entity/government recognized all expenditures on these activities as expenditures in the research phase.***

Website Development Costs

26. Website development cost can be recognized as intangible asset if:

(a) The website developed through contract with third parties; or

(b) In case of the website developed internally, the development should be meet the criteria in paragraph 21.

Special Recognition Of Software

27. Computer software can be acquired from internal generation, as well as through external acquisition.

Software Acquired from Internal Generation

28. ***Software that is generated/developed by government agencies shall not recognize as intangible asset.***

29. Software that is generated/developed by government agencies shall not recognized as the intangible asset because of:

(a) difficulty to identify development project of intangible asset, separated from other government institutional project;

(b) difficulty to identify that an intangible asset generate future economic and social benefit;

(c) difficulty to identify cost of assets reliably; and

(d) software usually open and there is no legal protection and can be used by anyone, that the entity can not controlled the intangible asset.

Software Acquired from External

30. Externally, the acquisition of computer software can be through purchases, grants, or exchanges. Acquisition by purchases can be through development contracts with other parties or direct purchases.

31. ***Software that acquired from development through the third party contract recognized as intangible asset at cost.***

32. Software that purchased for own used and as integral part of the hardware, recognized as part of the cost of hardware and capitalized as equipment and machinery.

33. Software that purchased for own used and not related to hardware capitalized as intangible asset after meeting the general asset acquisition criteria.

34. ***Software that purchased and intended to sale or transfer to the third party, recognized as inventories.***

35. ***Acquistion of software that has a licence/useful life more than 12 months, the acquisition of software and license must be capitalized as intangible asset. While the acquisition of software that has a licence to use /useful life less than or up to 12 month, the cost of acquisition is not capitalized.***

36. ***Software that acquired by paying licence to use/license with a useful life more than 12 month must be capitalized as intangible asset. Software that acquired only by paying licence to use/license less than or up to 12 month, is not capitalized.***

37. ***Software that has no limited usage and has a useful life more than 12 month must be capitalized. Software that has no limited usage and has a useful life less than or up to 12 month is not capitalized.***

38. ***An expenditure related to software that do not meet the capitalization criteria recognized as expense when they occured.***

RESEARCH EXPENSE BY OTHER INSTITUTION

39. ***In the practice in government, there are research funds owned by institution but these fund can be used to finance research conducted by universities or research and development institution. In accordance with the concept of expenditure and entity concept, the entity that has budget is the entity that recognize asset if the expenditure from the budget produces intangible asset even though the other institution doing the research. However, government institution that provide the fund can not recognize the intangible asset, unless that the expenditure meet the characteristics and criteria of intangible asset. The intangible asset from research and development has to meet the criteria of recognition of intangible asset and meet the condition of recognition of development phase and not to research phase.***

40. The cost of an internally generated intangible asset from the development phase is the sum of expenditure incurred from the date when the intangible asset first meet the criteria of recognition. All research and development cost shall not recognized as intangible asset but only costs that related to the criteria of recognition must be recognize as intangible asset.

MEASUREMENT

Initial Measurement

41. ***The intangible asset are measured at acquisition cost, if the measurement of intangible asset using acquisition cost is not possible then the value of intangible asset based on the fair value at the time of acquisition.***

42. The intangible asset from purchasing measured at cost. If the intangible asset acquired jointly, the cost of each assets must be determined by allocating the price based on a comparison the fair value of each asset.

43. The cost of intangible asset are:

a) The purchase price, including import fee and taxes, deducting discounts and rebates;

b) Any cost that are directly attributable to bring the asset to the intended condition.

44. Examples of cost that are directly attributable to asset::

a) Training cost to bring asset to be used;

b) Testing cost to ensure the function of the asset.

45. The cost of intangible asset include all of costs to make an intangible asset ready to operated by management. Therefore, all costs to use and utilize the intangible asset are no part of the acquisition of that asset.

46. The intangible asset from the exchange of asset owned by the entity is measured at fair value of asset submitted. If there are other asset in exchange transaction, for example cash, then this indicate that assets exchanged does not have similar value, then the intangible asset measured at assets exchanged plus cash transfered.

47. The intangible asset from joint operation measured based on their costs and recognized at the entity receiving that asset based on their agreement and/or the regulation.

48. The intangible asset from donation/grant recognized at fair value at the date of acquisition. Transfer of the intangible asset will be reliable if it is supported by the transfer document, such as grant document.

49. The intangible asset from internally development such as internally development project that meet the criteria of recognition, the cost of recognition includes costs from the date that the intangible asset has a future usefull life until the intangible asset has been developed.

50. ***Expenditures of the intangible asset that were initially recognized by the entity as expenses in a periode are not recognized as cost in the following period.***

51. The intangible asset from developing software that must meet the phase as noted in paragraph 33, the phase that can be capitalized as intangible asset is the development phase of software and meet the criteria of capitalization and measurement at it costs.

52. The intangible asset from heritage asset is not required to be presented on the balance sheet but disclosed in the Notes to Financial Statement. However, if the intangible asset registered in the patent, then the patent is presented in the balance sheet at their costs.

Intangible Asset In Progress

53. ***If the completion of the intangible asset exceeds and/or passes through fiscal year, then intangible asset recognized as intangible asset in progress until the asset completed and ready for use.***

54. There is a possibility that the internally development of intangible asset exceeding through fiscal year or the development exceeding the reporting date. It it is occurred, the expenditure up to the reporting date recognized as intangible asset in progress and if the development completed then the asset recognized as intangible asset.

Measurement after Recognition

55. In most cases, the nature of intangible asset is there is no addition of intangible asset value and there is no replacement to part of intangible asset after initial recognition. Therefore, most expenditures after initial recognition of intangible asset may be intended to maintain future economic benefit or potencial service of intangible asset and the expenditure is not intended to the criteria of definition and recognition. In other words, it is often difficult to attribute the cost after initial recognition, then that cost is recognized is an operational expense of an entity. However, if the expenditure can be directly attribute to intangible asset, the expenditure can be capitalized as intangible asset.

56. ***Expenditure after initial recognition of the intangible asset can be capitalized if they meet one of these following criteria:***

(a) ***The expenditure add the remaining useful of life; or***

(b) ***The expenditure increasing value in use in the form of increasing capacity, effectiveness, eficiency.***

57. If the expenditure does not meet the criteria as noted in paragraph 56, then the expenditure recognize as expense when they occurred. For example, the expenditure after initial recognition for software that return to original condition such as technician expenditure, does not meet the criteria of capitalization.

58. ***Expenditure after initial recognition in the form of extension of licence to use/license that is less than or up to 12 months are not capitalized, while expenditure that is more than 12 months are capitalized to intangible asset.***

Amortization

59. ***The intangible asset presented at a carrying value, at the cost of acquisition less accumulated amortization.***

60. Amortization of intangible asset is the same principle as depreciation in fixed asset. The useful life of intangible asset can be influenced by various factors, all factors must be taken into determining of useful life. The useful life of intangible asset can be limited by legal, regulation or contract.

61. To apply the amortization, an entity must asses whether the useful life of intangible asset is finite or indefinite. If the useful life is finite, the entity must be determine useful life or production or unit that can be produced during the useful life. An intangible asset recognized by entity has an indefinite life if based on analysis of all relevant factors, there is no limit period of the asset until the asset has no benefit to the entity.

62. ***Amortization can only applied to the intangible asset which has a limied useful of life. The intangible asset that has limited useful of life must be amortized over the useful period or according to the policy of the entity that has authority.***

63. Amortization to an intangible asset with limited useful life does not end if the asset is no longer used, unless that asset has been fully amortized or classified as an asset for sale and/or transfer to public/other parties.

64. ***Amortization can be performed using various method such as straight line method, double declining method and production unit. The method used is selected based on future benefit and applied consistently from period to period, unless there is a change in the estimated consumption pattern.***

65. Amortization method must be used to describe consumption pattern from future economc benefits. If the pattern can not be determined reliably then straight line method is used.

66. ***Residual value of intangible asset which has a limited usefull of life is assumed to be zero.***

67. ***Amortization is recognized as an expense in each period and as an adjustment of intangible asset. Amortization expense presented in Statement of Operational. Adjustment of intangible asset recognized as accumulated amortization of intangible asset.***

68. Amortization period and amortization method can be reviewed at the end of reporting period. If the estimated useful life differ significantly from previous estimated, the amortization period should be adjusted. If there is a significant change in the estimated pattern of economic benefit, the amortization method should be adjusted to reflect the changing pattern. Over the time passed, the pattern of future economic benefit that are expected flow to the entity from intangible asset may changed. For example, there may be an indication that the double declining amortization method more appropriate when compared to the straight line method. Another example is the use of right from license deferred until the other component from project plan, the economic benefit arising from those assets may not be received until the next period.

69. ***For an intangible asset that has unlimited useful life, but later based on the policy has a limited useful life, the entity shall amortize the intangible asset from the accounting policy set up.***

TERMINATION AND RELEASE

70. ***An intangible asset that is terminated from active using by the entity shall be reclass to other asset based on carrying amount.***

71. ***An intangible asset that is permanently terminated or disposed shall be take out from the balance sheet and disclosed in the Notes to Financial Statement.***

72. Permanent termination or release of intangible asset is carried out in accordance with statutory regulation in state/local government.

73. ***If an intangible asset that is permanently terminated because of there are no future benefit, it must be excluded from balance sheet and the carrying amount recognized as expense and presented in the Statement of Operation.***

74. ***If an intangible asset release because it is sold or exchanged, the difference between selling price and carring amount is recognized as non operating gain or loss and presented in the Statement of Operation.***

DISCLOSURES

75. ***Financial statement shall disclose intangible asset, among others:***

(a) ***Details of significant intangible asset;***

(b) ***Intangible asset that have an unlimited or a limited useful life, the entity shall amortize if the intangible asset has a limited useful life.***

(c) ***Useful life or amortization;***

(d) ***Amortization method if the intangible asset has a limited useful life;***

(e) ***Gross carrying amount and any accumulated amortization at the beginning and end of period;***

(f) ***Significant decreasing in intangible asset;***

(g) ***Termination and release of intangible asset;***

(h) ***Changes in amortization method;***

(i) ***The existence of intangible asset that is jointly owned;***

(j) ***An indication of a declining in intangible asset that is faster that originally estimated.***

EFFECTIVE DATE

76. ***This Statement of Government Accounting Standard (SGAS) is effective for the preparation and presentation of financial statements starting Fiscal Year 2020.***

GOVERNMENT ACCOUNTING STANDARD
ACCRUAL BASIS

STATEMENT NO. 15

EVENTS AFTER THE REPORTING DATE

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*

Table of Content

STATEMENT NO. 15

EVENTS AFTER THE REPORTING DATE

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

Objection

1. The purpose of this statement is to determine:

a) When the entity should adjusts its financial statements for events after the reporting date; and

b) The disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting date.

2. This Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

Scope

3. ***This statement is applied in accounting for, and disclosures for, events after the reporting date.***

4. This statement should applied to a reporting entities that prepares the financial statements of a central government entity, local government and consolidated financial statements, excluding state/regional companies.

DEFINITION

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

<u>Events after the reporting date</u> are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

b) Those that are indicative conditions that arose after the reporting date (non-adjusting events after the reporting date).

AUTHORIZING THE FINANCIAL STATEMENTS FOR ISSUE

6. in order to determine which event satisfy the definition of event after the reporting date, it is necessary to identify the reporting date and the date on which the financial statements are authorized for issue. The reporting date is the last day of the reporting period to which the financial statements relate. The date of authorization for issue is the date on which the financial statements audit has been completed as stated in the auditor's statement or the date on which the financial statements have received approval from the government, when the financial statements are not audited.

7. The process involved in preparating and authorizing the financial statements for issue may vary depend upon the nature of the entity, the governing body structure, the statutory requirements relating to that entity and the procedures followed in preparing and finalizing the financial statements.

RECOGNITION AND MEASUREMENT

8. In the period between the reporting date and the date of authorization fow issue, the government official may announce a government’s intentions that could impact on the presentation/disclosure of items in the financial statements. Whether or not these announced government intentions would require recognition as adjusting events would depend upon (a) whether they provide more information about the conditions existing at the reporting date and (b) whether there is sufficient evidence that they can and will be fulfilled.

ADJUSTING EVENTS AFTER THE REPORTING DATE

9. An entity shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting date.

10. The following are examples of adjusting events after the reporting date that require an entity to adjust the amounts recognized in its financial statement, or to recognize items that were not previously recognized:

a) The settlement after the reporting date of a court decision that has been final and has permanent legal force which determines that the entity had a present obligation at the reporting date. The entity adjusts the amount of the obligation associated with the settlement of the court's decision after no other remedy is made.

b) The receipt of Information after the reporting date indicating that a receivable was impaired at the reporting date, for example information on tax expiration (expiration of the right to collect taxes, including interest, penalties, increases, and tax collection costs) and the bankruptcy of a debtor that occurs after the reporting date that usually confirms that the debtor was credit-impaired at the end of the reporting period, so it need to be adjusted.

c) The determination of revenue based on information obtained from other authorized entities after the reporting date,

d) The discovery of fraud or errors that show that the financial statement were incorrect.

e) The authorization from a unit that has a general treasury function after the reporting date on spending and/or income transactions that occur before the reporting date.

f) The audit results from General Audit Office after the reporting date on the calculation of subsidies that should have been recognized by the government.

NON-ADJUSTABLE EVENTS AFTER THE REPORTING DATE

11. An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting date.

12. The following are examples of non-adjusting events after the reporting date:

a) Where an entity has adopted a policy of regularly revaluing property to fair value, a decline in the fair value of asset between the reporting date and the date when the financial statements are authorized for issue. The fall in fair value does not normally relate to the condition of the asset at the reporting date but reflects circumstances that have arisen in the following period.

b) The announcement of dividend distribution made by State/local Owned Enterprises after the reporting date.

GOING CONCERN

13. A reporting entity shall not prepare its financial statements on a going basis if after the reporting date there is government determination to liquidate the reporting entity in the short term.

14. If the going concern assumptions is no longer appropriate, this standard requires an entity to reflect this in its financial statements. The impact of such a changes will depend upon the particular circumstances of the entity, for example, whether operations are to be transferred to another government entity or liquidated. Judgment is required in determining whether a change in the carrying value of assets and liabilities is required.

15. When the going concern assumptions is no longer appropriate, it is also necessary to consider whether the changes in circumstances leads to the creation of additional liabilities or triggers clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

16. Statement of Government Accounting Standard (SGAS) 01 requires a certain disclosure if:

a) The financial statements are not prepared on going concern basis. SGAS 01 requires that when the financial statements are not prepared on a going concern basis, this must be disclosed, together with the basis on which the financial statements are prepare and the reasons why the entity is not considered to be going concern; or
b) Those responsible for the preparation of the financial statements are aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern. The events or conditions requiring disclosure may arise after the reporting date. SGAS 01 requires such uncertainties to be disclosed.

DISCLOSURE

Disclosures of Date of Authorization for Issue

17. A reporting entity shall disclose the date when the financial statements were authorized for issue and who gave that authorization.

18. it is important for users to know when the financial statements were authorized for issue, as the financial statements do not reflect events after this date.

Updating of Disclosure of Conditions on the Reporting Date

19. If a reporting entity receives information after the reporting date and before the financial statements are authorized for issue, about conditions that existed at the reporting date, the entity shall update disclosures based on the current information.

20. In some cases, a reporting entity may needs to update the disclosures in its financial statement to reflect information received after the reporting date, but before the financial statements are authorized fo issue, even the information does not affect the amounts that the entity recognizes in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting date about a contingent liability that existed at the reporting date.

Disclosure of Non-adjusting Events After the Reporting Date

21***. If non-adjusting events after the reporting date are material, non-diclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non adjusting event after the reporting date, which includes:***

a) the nature of the events; and

b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

23. The following are examples of non-adjusting events after the reporting date that would generally disclosed in financial statements:

a) Announcement not to continue a government program or activity, disposal of assets and settlement of liabilities related to the termination of government programs or activities;

b) Major purchases or disposals of assets;

c) The destruction of a major building by a fire after the reporting date;

d) Abnormally large changes after the reporting date in asset prices or foreign exchange rates;

e) Entering into significant commitments or contingent liabilities, such as issuing significant guarantees after the reporting date; and

f) Commencing major litigation that occured after the reporting date, included claims related to significant tax objections/appeals/refunds.

EFFECTIVE DATE

24. This Statement of Governmental Accounting Standards is effective for financial reports on accountability for budget execution starting from Fiscal Year 2021. Early adoption is recommended based on the readiness of an entity.

Daftar Istilah

1.	Statement of Budget Realization	LRA
2.	Statement of Changes in the Remaining Budget	LP SAL
3.	Balance Sheet	Neraca
4.	Statement of operation;	LO
5.	Statement of Cash Flows	LAK
6.	Statement of Changes in Equity	LPE
7.	Notes to the Financial Statements	CaLK
8.	Budget Surplus/Deficit	SiLPA/SiKPA
9.	State/Local Treasury Account	RKUN/RKUD
10.	Public Service Agency	BLU

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